



UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Utenos Trikotažas

Report on the Audit of the Company's and Consolidated Financial Statements

Opinion

We have audited the accompanying separate financial statements of AB Utenos Trikotažas, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Utenos Trikotažas and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2017, the statements of comprehensive income, changes in equity and 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 Company's and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). 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 financial statements 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 financial statements 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.

Key audit matters

How the matter was addressed in the audit

Recoverability of investment, loans granted and trade receivables from subsidiary

Investment and loans granted to subsidiary Mrija PAT MTF and receivables from the subsidiary before impairment allowance amount to EUR 6,718 thousand and after impairment allowance to EUR 2,137 thousand in the statements of financial position of the Company as of 31 December 2017. 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 12% of the total assets of the Company as of 31 December 2017.

We gained an understanding of how management evaluate recoverability of investments, loans granted and trade receivables. Our audit procedures included, amongst others, evaluating 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 2017 the Company and the Group had buildings amounting to EUR 3,072 thousand and EUR 4,221 thousand, respectively, reported in the statements of financial position. Buildings are stated at revalued amounts less accumulated depreciation and impairment losses. As of 31 December 2017, 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 2017 and concluded that there are no such indications as disclosed in Note 4 of the accompanying financial statements. Since consideration regarding the fair value of the revalued assets 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, 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 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.

Key audit matters

How the matter was addressed in the audit

Inventory net realizable value and allowance for obsolescence

Inventories of the Company and the Group amount to EUR 7,197 thousand and EUR 7,648 thousand respectively before impairment allowance and to EUR 6,726 thousand and EUR 6,853 thousand, respectively, after impairment allowance in the statements of financial position as of 31 December 2017. This is significant to our audit since it is a material figure for the Company and the Group comprising 38 % 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 as these are based on obsolescence rates and assessing if the allowance level is adequate as disclosed in Note 4 of the accompanying financial statements.

We gained an understanding of how management evaluates inventory net realizable value and calculated provision for obsolescence. We have reviewed calculations of inventory net realizable value, which was performed by the management of 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.

Other information

Other information consists of the information included in the Company's and Group's Annual Report, including Corporate Governance Report and Corporate Social Responsibility Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

In connection to 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.

We also have to evaluate, if the financial information included in the Company's and Group's Annual Report, including Corporate Governance Report, corresponds to the financial statements for the same financial year and if the Company's and Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- ▶ The financial information included in the Company's and Group's Annual Report, including Corporate Governance Report, corresponds to the financial information included in the financial statements for the year ended 31 December 2017; and
- ▶ The Company's and Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, 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 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/or 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 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/or 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/or 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.

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made by Shareholders we have been chosen to carry out the audit of Company's financial statements and Group's consolidated financial statements the first time on 18 April 2011. Our appointment to carry out the audit of Company's financial statements and Group's consolidated financial statements in accordance with the decision made by Shareholders has been renewed annually and the period of total uninterrupted engagement is 7 years.

Consistency with the audit report submitted to the audit committee

We confirm that our opinion in the section *Opinion* is consistent with the additional Audit report which we have submitted to the management of the Company and the Audit Committee.


Non audit services

We confirm that to the best of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in the Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have not provided to the Company and the Group any other services except for the audit of the financial statements and translation of financial statements.

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

28 March 2018

Statements of financial position

	Notes	Group		Company	
		31 December		31 December	
		2017	2016	2017	2016
ASSETS					
Non-current assets					
Intangible assets	6	661	744	68	75
Property, plant and equipment	7	6 979	7 046	5 346	5 379
Investment property	8	106	109	106	109
Investments into subsidiaries	9	-	-	1 550	1 499
Trade and other receivables		-	1	-	-
Receivables from subsidiaries	25	-	-	2 137	2 140
Deferred income tax asset	23	63	58	-	-
		7 809	7 958	9 207	9 202
Current assets					
Inventories	10	6 853	4 216	6 726	4 113
Trade receivables	11	1 715	1 239	1 445	704
Other current assets	12	502	365	370	226
Current financial assets	12	-	600	-	600
Cash and cash equivalents	13	675	1 230	205	598
		9 745	7 650	8 746	6 241
Total assets		17 554	15 608	17 953	15 443

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Statements of financial position (cont'd)

	Notes	Group		Company	
		31 December		31 December	
		2017	2016	2017	2016
EQUITY AND LIABILITIES					
Equity attributable to the shareholders of the Company					
Share capital	14	2 756	2 756	2 756	2 756
Legal reserve	15	574	574	574	574
Revaluation surplus	15	3 107	3 173	1 709	1 751
Reserve for acquisition of own shares	15	90	269	-	-
Foreign currency translation reserve	15	142	119	-	-
Cash flow hedge reserve	15	(21)	(43)	(21)	(43)
Accumulated retained earnings/ (losses)		528	(41)	2 672	355
		7 176	6 807	7 690	5 393
Non-controlling interest	25	260	466	-	-
Total equity		7 436	7 273	7 690	5 393
LIABILITIES					
Non-current liabilities					
Borrowings	16	2 836	3 046	2 836	3 046
Borrowings from subsidiaries	16, 25	-	-	1 061	2 422
Deferred income tax liabilities	23	390	407	270	270
Non-current portion of derivative financial instruments	15	10	28	10	28
Provisions for employee benefits	17	309	310	260	271
		3 545	3 791	4 437	6 037
Current liabilities					
Current portion of non-current borrowings	16	860	738	860	738
Current financial liabilities	25	-	-	200	-
Current portion of derivative financial instruments	15	19	24	19	24
Trade payables	25	2 668	1 461	2 649	1 430
Payables to other related parties and subsidiaries		239	129	221	240
Income tax payable		37	22	12	7
Accrued expenses and other current liabilities	18	2 750	2 170	1 865	1 574
		6 573	4 544	5 826	4 013
Total liabilities		10 118	8 335	10 263	10 050
Total equity and liabilities		17 554	15 608	17 953	15 443

The notes on pages 16 to 68 form an integral part of these financial statements.

These financial statements were approved by General Manager and Financial Officer on 28 of March 2018.

General Manager _____ Algirdas Šabūnas _____
 Chief Accountant _____ Daiva Mikulėnė _____

Statements of comprehensive income

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2017	2016	2017	2016
Sales	5	25 843	22 790	22 556	19 622
Cost of sales	19	(20 774)	(18 020)	(18 606)	(16 116)
Gross profit		5 069	4 770	3 950	3 506
Selling expenses	20	(2 010)	(1 534)	(1 908)	(1 439)
General and administrative expenses	20	(2 527)	(1 960)	(1 856)	(1 365)
Other operating income	21	120	163	44	83
Other operating expenses	21	(7)	(22)	(4)	(12)
Operating profit		645	1 417	226	773
Finance income	22	116	484	2 192	84
Finance costs	22	(389)	(681)	(169)	(183)
Profit before tax		372	1 220	2 249	674
Income tax	23	(71)	(167)	(14)	(105)
Net profit		301	1 053	2 235	569
Net profit attributable to:					
Equity holders of the Company		274	1 015	2 235	569
Non-controlling interest	25	27	38	-	-
		301	1 053	2 235	569
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods					
Foreign currency translation gain		24	7	-	-
Change in value of derivative financial instruments		22	(1)	22	(1)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		46	6	22	(1)

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Statements of comprehensive income (cont'd)

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2017	2016	2017	2016
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods					
Actuarial gains (losses) from the pensions reserve	17	40	(186)	40	(186)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		40	(186)	40	(186)
Other comprehensive income (loss) for the year, net of tax		86	(180)	62	(187)
Total comprehensive income (loss) for the year, net of tax		387	873	2 297	382
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		359	834	2 297	382
Non-controlling interest		28	39	-	-
		387	873	2 297	382
<u>Basic/diluted earnings per share</u>	24	0,03	0,11		

The notes on pages 16 to 68 form an integral part of these financial statements.

General Manager Algirdas Šabūnas

Chief Accountant Daiva Mikulėnė

Statements of changes in equity

Group	Notes	Equity attributable to the equity holders of the Company								Total equity	
		Share capital	Legal reserve	Revaluation surplus	Reserve for acquisition of own shares	Foreign currency translation reserve	Cash flow hedge reserve	Accumulated retained earnings/(losses)	Total		Non-controlling interest
Balance as of 31 December 2015		2 756	574	3 241	269	113	(42)	(938)	5 973	427	6 400
Net profit 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 December 2016		2 756	574	3 173	269	119	(43)	(41)	6 807	466	7 273
Net profit for the year		-	-	-	-	-	-	274	274	27	301
Other comprehensive income		-	-	-	-	23	22	40	85	1	86
Total comprehensive income		-	-	-	-	23	22	314	359	28	387
Reserve for acquisition of own shares		-	-	-	(179)	-	-	179	-	-	-
Acquisition of non-controlling interest	1	-	-	-	-	-	-	10	10	(51)	(41)
Decrease in share capital of non-controlling interest and dividends paid		-	-	-	-	-	-	-	-	(183)	(183)
Transfer of revaluation surplus to retained earnings		-	-	(66)	-	-	-	66	-	-	-
Balance as of 31 December 2017		2 756	574	3 107	90	142	(21)	528	7 176	260	7 436

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Revaluation surplus	Cash flow hedge reserve	Accumulated retained earnings/ (losses)	Total equity
Balance as of 31 December 2015		2 756	574	1 793	(42)	(70)	5 011
Net profit for the year		-	-	-	-	569	569
Other comprehensive income		-	-	-	(1)	(186)	(187)
Total comprehensive income (loss)		-	-	-	(1)	383	382
Transfer of revaluation surplus to retained earnings		-	-	(42)	-	42	-
Balance as of 31 December 2016	2.14, 3.2	2 756	574	1 751	(43)	355	5 393
Net profit for the year		-	-	-	-	2 235	2 235
Other comprehensive income		-	-	-	22	40	62
Total comprehensive income		-	-	-	-	2 275	2 297
Transfer of revaluation surplus to retained earnings		-	-	(42)	-	42	-
Balance as of 31 December 2017		2 756	574	1 709	(21)	2 672	7 690

The notes on pages 16 to 68 form an integral part of these financial statements.

General Manager

Algirdas Šabūnas

Chief Accountant

Daiva Mikulėnė

Statements of cash flows

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2017	2016	2017	2016
Cash flows from operating activities					
Net profit for the year		301	1 053	2 235	569
Adjustments for non-cash items:					
Depreciation and amortization	7	825	788	620	587
(Gain) on disposal of property, plant and equipment and investment property	21	(14)	(22)	(21)	(21)
Impairment, write-off and (reversal) of accounts receivable	10, 20	78	(6)	72	-
Impairment and write-off of inventories	22	153	19	153	39
Elimination of finance (income) costs	23	297	118	(2 023)	101
Income tax expense		49	167	14	105
Changes in working capital:					
(Increase) in inventories		(2 790)	(523)	(2 753)	(531)
(Increase) decrease in trade receivables		(554)	(125)	(813)	123
(Increase) decrease in receivables from subsidiaries		1	-	(8)	216
Decrease (increase) in other receivables and other current assets		463	(660)	456	(698)
Increase in trade and other accounts payable		1 826	515	1 539	333
Increase (decrease) in taxes payable and other current liabilities	18	125	9	10	20
Income tax (paid)		(71)	(86)	(18)	(26)
Net cash generated from (to) operating activities		689	1 247	(557)	817
Cash flows from investing activities					
Acquisition of property, plant and equipment	7	(820)	(412)	(563)	(321)
Acquisition of intangible assets	6	(29)	(65)	(29)	(60)
Proceeds from sale of property, plant and equipment		15	22	13	21
Investments in subsidiaries (acquisition)		-	-	(41)	-
Interest received	22	-	-	11	60
Dividends received		-	-	37	-
Net cash flows generated (to) investing activities		(834)	(455)	(572)	(300)

Continued on the next page

Statements of cash flows (cont'd)

	Notes	Group		Company	
		Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows from financing activities					
Proceeds from borrowings		650	201	1 850	701
Repayment of borrowings		(738)	(724)	(977)	(724)
Interest paid	22	(98)	(118)	(137)	(161)
Other payments to non-controlling interest	1	(183)	-	-	-
Acquisition of non-controlling interest		(41)	-	-	-
Net cash flows (to) from financing activities		(410)	(641)	736	(184)
Net increase (decrease) in cash and cash equivalents		(555)	151	(393)	333
Cash and cash equivalents at the beginning of the year		1 230	1 079	598	265
Cash and cash equivalents at the end of the year		675	1 230	205	598
Additional statements of cash flows information:					
Non- cash financial and investing activity					
Net-off of decrease of share capital of subsidiary with loan received and interests		-	-	611	-
Net -off of dividends with loan received and interests		-	-	1 445	-

The notes on pages 16 to 68 form an integral part of these financial statements.

General Manager _____ Algirdas Šabūnas _____
 Chief Accountant _____ Daiva Mikulėnė _____

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 2017 and 2016 the shareholders of the Company were as follows:

	Number of shares held	Interest held (%)
UAB Koncernas SBA	7 294	76.76
Algirdas Šabūnas	950	10.00
Investment Fund "East Capital Asset"	527	5.55
Other shareholders	732	7.69
	9 503	100.00

76.76 per cent of the Company's shares are owned by the parent company UAB Koncernas SBA, which is owned by Mr. A. Martinkevičius.

As at 31 December 2017 the number of employees of the Company was 791 (31 December 2016 – 750).

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

	Registered address	Group's share (%) as at 31 December		Activity
		2017	2016	
Šatrija AB	Vilniaus Str. 5, Raseiniai	89.78	89.78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	100	90.5	Retail trade
PAT MTF Mrija	Motroso Str. 13, Muk- ačiov, Ukraine	98.95	98.95	Production of knit- ted articles

On 11 April 2017 the Company signed agreement re acquisition of 1 805 units of UAB Gotija shares. Shares acquired consist of 9.5 per cent of total shares and together with already owned shares of 90.5 per cent comprise 100 per cent of giving all 19 000 votes in the meetings of shareholders.

As at 31 December 2017 the number of employees of the Group was 1 124 (31 December 2016 – 1 157).

1. General information (cont'd)

The Company's management authorised these financial statements on 28 March 2018. 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 2017:

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The implementation of this amendment had no impact on the financial statements of the Group and the Company.

Amendments to IAS 7: Disclosure Initiative

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The implementation of these amendments had impact on the disclosure in financial statements of the Group and the Company, which is stated in Note 3.1.

Standards issued but not yet effective

Amendments to IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Based on preliminary management estimate, the implementation of this standard will not have a significant impact on the financial statements of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

Amendments to IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods 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 (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). 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. Management is considering the application of the standard and based on preliminary assessment application of the standard will potentially have a significant impact to the revenue recognition from export sales of the Company from the point in time to the recognition over time. Potential impact (increase), based on preliminary assessment of the management, to the result, assets and equity of the Company will fall within the range of thousand 300-600 EUR as at 31 December 2017. There will be no impact to the liabilities of the Company. The impact to the Group financial statements is the same.

Amendment to IFRS 15: Revenue from Contracts with Customers (Clarifications)

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. 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 apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed the application of the standard as described above.

Amendment to IFRS 16: Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The management has not yet evaluated the impact of the implementation of this standard.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 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 have not yet been endorsed by the EU. Detail analysis of the impact of the implementation of this amendment will be evaluated in 2018

Amendment to IFRS 2: Classification and Measurement of Share based Payment Transactions

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. 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. These Amendments have not yet been endorsed by the EU. The amendments were not applicable for the Group and the Company.

2. Summary of significant accounting policies (cont'd)

Amendments to IAS 40: Transfers to Investment Property

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. 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. These Amendments have not yet been endorsed by the EU. Detail analysis of the impact of the implementation of this amendment will be evaluated in 2018.

Amendment to IFRS 9: Prepayment features with negative compensation

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of this amendment.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The amendments were not applicable for the Group and the Company.

Amendment to IAS 19: Plan Amendment, Curtailment or Settlement

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The Management has not yet evaluated the impact of the implementation of this amendment.

Amendment to IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. 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 prepayment 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 implementation of this amendment had no impact on the financial statements of the Group and the Company.

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. The implementation of this amendment had no impact on the financial statements of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

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.

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.

IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU.

The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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.

2.2 Business combinations and consolidation (cont'd)

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.

In 2017 and 2016 there were no significant business combinations.

The consolidated financial statements of the Group include Utenos Trikotažas AB and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies. Subsidiaries are consolidated from the date from which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The Company controls the entity only if it 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.

Generally, there is a presumption that a majority of voting rights result in control.

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.

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 Measurement and presentation currency

(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 cost. 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).

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. Valuations are performed with sufficient frequency (at least each 5 year, unless there are significant changes in the market of buildings) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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.

2.10 Impairment of financial and non-financial assets

(a) Financial assets

Financial assets are reviewed for impairment at each reporting date.

For financial assets carried at amortised cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

In relation to trade and other receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group and the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

In relation to investments in subsidiaries impairment loss is recognised in the statement of comprehensive income as general and administrative expenses.

(b) 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.

2.10 Impairment of non-financial assets (cont'd)

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.

All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(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. Unrealised inventory is fully written-off.

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.

(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) Legal reserve

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.

(b) Revaluation reserve/surplus

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

(c) Reserve for acquisition of own shares

This reserve is created based on the decision of the shareholders for the acquisition of own shares.

(d) 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.

2.15 Reserves (cont'd)

(e) Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of the derivative financial instruments (interest rate swaps), used by the Group and the Company to secure the cash flows from interest rate risk, at the reporting date. The reserve is accounted for according to the requirements of IAS 39 (Note 15).

2.16 Trade and other payables

Trade payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the trade liabilities are derecognised, as well as through the amortisation process.

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.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are expensed as incurred. Borrowings are classified as non-current if the completion of a refinancing agreement before the reporting date provides evidence that the substance of the liability at the reporting date was non-current.

2.18 Derecognition of financial assets and liabilities

(a) 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.

(b) 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 2017 of the Group's subsidiaries that operate in Lithuania is taxable at a rate of 15 per cent (2016: 15 per cent), corporate income tax rate in Ukraine is 18 per cent (2016 -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.

Investment incentive can be carried forward for 5 year and can not exceed 50 per cent of the taxable profit of the current financial year.

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

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.

2.20 Leases (cont'd)

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.

(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

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, such as convertible notes and share options granted to employees.

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

Subsequent 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. Subsequent 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.

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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.

	Group 31 December		Company 31 December	
	2017	2016	2017	2016
Financial assets reported in the statements of financial position				
Borrowings and receivables				
Non-current amounts receivable from subsidiaries except for prepayments	-	-	1 495	1 426
Non-current trade and other receivables	-	1	-	-
Trade receivables	1 715	1 239	1 445	704
Other current financial assets (Note 12)	-	600	-	600
Cash and cash equivalents	675	1 230	205	598
	2 390	3 070	3 145	3 328
Financial liabilities reported in the statements of financial position				
Financial liabilities measured at amortised cost				
Borrowings	3 696	3 784	3 696	3 784
Borrowings from subsidiaries	-	-	1 061	2 422
Current financial liabilities	-	-	200	-
Trade payables	2 668	1 461	2 649	1 430
Amounts payable to subsidiaries	-	-	4	114
Amounts payable to other related parties	239	129	217	126
Accrued expenses and other current liabilities and other payables (Note 18)	874	594	546	472
Financial liabilities at fair value through profit or loss upon initial recognition				
Derivative financial instrument	29	52	29	52
	7 506	6 020	8 402	8 400

3.1 Financial risk factors(cont'd)

(a) Market risk

(i) Monetary assets and monetary liabilities foreign exchange risk

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 573 thousand during the year ended 31 December 2017 (2016: incurred a foreign exchange loss amounting to EUR 303 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 2016 and 2017. Amount of monetary items attributed to net investment amounts to EUR 3.5 million as of 31 December 2017 and 2016 and foreign currency exchange difference related to this amount for the year 2017 comprises EUR 573 thousand (EUR 303 thousand million in 2016), the difference is accounted in the Group's consolidated financial statements through other comprehensive income.

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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 2017	31 December 2016
Foreign currency exchange difference on monetary items attributed to net investments	573	303
Foreign currency translation reserve on other items	(550)	(297)
Total comprehensive income	23	6

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		Effect on pre-tax equity (excludes the impact from the change in result)
	EUR	Effect on profit before tax	
2017	+ 5 %	Decrease by 5 %	Decrease by 5 %
	- 5%	Increase by 5 %	Increase by 5 %
2016	+ 5 %	Decrease by 3 %	Decrease by 2%
	- 5%	Increase by 3 %	Increase by 2%

(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 2017 and 2016 were denominated in EUR.

The Group and the Company also enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and forecasted variable interest rates.

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 17 thousand (2016 – EUR 24 thousand) and EUR 16 thousand (2016 – EUR 17 thousand), respectively, mainly as a result of higher/lower interest expense/income on borrowings and loans granted.

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3.1 Financial risk factors (cont'd)

(b) Credit Risk

None of the Group's and the Company's customers comprise more than 10% of the Group's and Company's trade receivables. The Group and the Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several industries and operate in largely independent markets.

(i) Maximum exposure to credit risk

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

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

	Group		Company	
	31 December		31 December	
	2017	2016	2017	2016
Cash and cash equivalents (Note 13)	675	1 230	205	598
Trade receivables (Note 11)	1 715	1 239	1 445	704
Current financial assets (Note 12)	-	600	-	600
Non-current loans granted and amounts receivable except for prepayments (Note 25)	-	1	1 495	1 426
Total	2 390	3 070	3 145	3 328

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

	Group		Company	
	31 December		31 December	
	2017	2016	2017	2016
New trade customers (up to 12 months)	74	59	74	59
Current trade customers (more than 12 months) who duly fulfilled their obligations in the past	1 641	1 180	1 375	645
Total	1 715	1 239	1 445	704

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3.1 Financial risk factors (cont'd)

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

	Group		Company	
	31 December 2017	2016	31 December 2017	2016
A+ and above *	662	1 217	199	594
No rating	7	8	1	1
Total	669	1 225	200	595

* Independent ratings established by Fitch agency.

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

	Group		Company	
	31 December 2017	2016	31 December 2017	2016
Not past due receivables	1 307	1 123	1 137	603
Past due not impaired				
Past due up to 30 days	333	100	233	85
Past due 31-60 days	58	9	58	9
Past due 61-180 days	3	1	3	1
Past due more than 181 days	14	6	14	6
Total past due not impaired	408	116	308	101
Overdue and impaired				
Past due up 180 days	72	72	72	72
Past due more than 181 days	121	115	94	94
Impairment allowance for trade receivables	(193)	(115)	(166)	(94)
Total accounts receivable after impairment	1 715	1 239	1 445	704

If the Company does not receive all loans granted and trade receivables according to agreed payment terms, loss of trade receivables impairments is recognized in the statement of comprehensive income.

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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 3 172 thousand EUR as of 31 December 2017 (current assets exceeded current liabilities by EUR 3 106 thousand as at 31 December 2016). Group's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2017 were 1.48 and 0.44 respectively (1.68 and 0.76 as at 31 December 2016 respectively). Company's (AB Utenos trikotazas) current assets exceeded its current liabilities by 2 920 thousand as at 31 December 2017 (current assets exceeded current liabilities by EUR 2 228 thousand as at 31 December 2016). Company's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2017 were 1.50 and 0.35 respectively (1.55 and 0.53 as at 31 December 2016 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

31 December 2017

	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from banks including future interest	199	714	2 879	3 792
Derivative financial instruments	19	-	10	29
Trade payables and other financial liabilities	3 781	-	-	3 781
	3 999	714	2 889	7 602

31 December 2016

	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from banks including future interest	199	594	3 119	3 912
Derivative financial instruments	24	-	28	52
Trade payables and other financial liabilities	2 184	-	-	2 184
	2 407	594	3 147	6 148

Company

31 December 2017

	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from Banks including future interest	199	714	2 879	3 792
Borrowings from subsidiaries	-	200	1 100	1 300
Derivative financial instruments	19	-	10	29
Trade payables and other financial liabilities	3 416	-	-	3 416
	3 634	714	3 989	8 537

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3.1 Financial risk factors (cont'd)

31 December 2016	Up to 3 months	3-12 months	1-5 years	Total
Borrowings from Banks including future interest	199	594	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
	2 365	594	5 703	8 662

Changes in liabilities arising from financing activities:

Group	1 January 2017	Cash flows	Reclassifica- tion	Change in fair value	Interests for the year	31 Decem- ber 2017
Current portion of non-current borrowings	738	(836)	860	-	98	860
Non-current portion of borrowings	3 046	650	(860)	-	-	2 836
Derivative financial instruments	52	-	-	(23)	-	29
	3 836	(186)	-	(23)	98	3 725

Company	1 January 2017	Cash flows	Reclassifica- tion	Change in fair value	Interests for the year and net-offs*	31 Decem- ber 2017
Current portion of non-current borrowings	738	(875)	860	-	137	860
Current financial liabilities	-	961	-	-	(761)	200
Non-current portion of borrowings	5 468	650	(860)	-	(1 361)*	3 897
Derivative financial instruments	52	-	-	(23)	-	29
	6 258	736	-	(23)	(1 985)	4 986

* Net-off was made with dividends, loan received and interests payable.

Group	1 January 2016	Cash flows	Reclassifi- cation	Change in fair value	Interests for the year	31 Decem- ber 2016
Current portion of non-current borrowings	691	(808)	738	-	117	738
Non-current portion of borrowings	3 617	167	(738)	-	-	3 046
Derivative financial instruments	51	-	-	1	-	52
	4 359	(641)	-	1	117	3 836

Company	1 January 2016	Cash flows	Reclassifi- cation	Change in fair value	Interests for the year	31 Decem- ber 2016
Current portion of non-current borrowings	691	(851)	738	-	160	738
Non-current portion of borrowings	5 539	667	(738)	-	-	5 468
Derivative financial instruments	51	-	-	1	-	52
	6 281	(184)	-	1	160	6 258

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	
	2017	2016	2017	2016
Total borrowings	3 696	3 784	4 957	6 206
Less: cash and cash equivalents	(675)	(1 230)	(205)	(598)
Net debt	3 021	2 554	4 752	5 608
Total equity	7 436	7 273	7 690	5 393
Total capital	10 457	9 827	12 442	11 001

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 2017 and 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).

Mrija PAT MTF

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2017 and 31 December 2016. 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 2017 and 31 December 2016, the shareholders' equity of this subsidiary was less than the statutory minimal amount of authorised share capital. If the company does not take decision on its liquidation, its creditors may claim early termination or the execution of the company's liabilities and compensation of losses, if any. In practice, such actions of the creditors are not likely and the management of the Group considers such risk to be remote. On the date of these financial statements there were no decisions made or actions taken concerning PAT MTF Mrija negative shareholders' equity.

3.3 Fair value measurement

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

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

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

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

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Valuations are performed by the Group's and the Company's management at each reporting date. For the purpose of fair value disclosures, the Group and the Company 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.

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3.3 Fair value measurement (cont'd)

Valuation of assets according to the fair value hierarchy levels:

31 December 2017	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
Investment property	-	-	258	-	-	258
Buildings	-	-	4 221	-	-	3 072
Assets for which fair values are disclosed:						
Non-current amounts receivable from subsidiaries except for prepayments	-	-	-	-	-	1 495
Trade receivables	-	-	1 715	-	-	1 445
Cash and cash equivalents	-	-	675	-	-	205
Liabilities measured at fair value:						
Derivative financial instruments	-	29	-	-	29	-
Liabilities for which fair values are disclosed:						
Borrowings	-	-	3 696	-	-	3 696
Borrowings from subsidiaries	-	-	-	-	-	1 061
Current financial liabilities	-	-	-	-	-	200
Trade payables	-	-	2 668	-	-	2 649
Amounts payable to subsidiaries	-	-	-	-	-	4
Amounts payable to other related parties	-	-	239	-	-	217
Accrued expenses and other current liabilities and other payables (Note 18)	-	-	874	-	-	546
31 December 2016						
Assets measured at fair value:						
Investment property	-	-	258	-	-	258
Buildings	-	-	4 326	-	-	3 086
Assets for which fair values are disclosed:						
Non-current amounts receivable from subsidiaries except for prepayments	-	-	-	-	-	1 426
Non-current trade and other receivables	-	-	1	-	-	-
Trade receivables	-	-	1 239	-	-	704
Other current financial assets (Note 12)	-	-	600	-	-	600
Cash and cash equivalents	-	-	1 230	-	-	598
Liabilities measured at fair value:						
Derivative financial instruments	-	52	-	-	52	-
Liabilities for which fair values are disclosed:						
Borrowings	-	-	3 784	-	-	3 784
Borrowings from subsidiaries	-	-	-	-	-	2 422
Trade payables	-	-	1 461	-	-	1 430
Amounts payable to subsidiaries	-	-	-	-	-	114
Amounts payable to other related parties	-	-	129	-	-	126
Accrued expenses and other current liabilities and other payables (Note 18)	-	-	594	-	-	472

3.3 Fair value measurement (cont'd)

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 2017 and 2016 (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 fair value of loans received 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 2017 and 2016 the management of the Group and the Company did not make 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.

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 that amounted to EUR 1 429 thousand as at 31 December 2017 in the Company's statement of financial position (to EUR 1 429 thousand as at 31 December 2016).

After testing for impairment, there was no impairment detected for the goodwill related to subsidiary Šatrija AB, that amounted to EUR 404 thousand as at 31 December 2017 in the Group's statement of financial position (to EUR 404 thousand as at 31 December 2016).

Key assumptions used in the impairment assessment are disclosed below. If reasonably worsened inputs as of 31 December 2017 and 2016 would be used in impairment testing, this would result in no impairment.

As at 31 December 2017 and 2016 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.

Investment in the subsidiary PAT MTF Mrija and related goodwill

Investment in PAT MTF Mrija, including loan granted and trade receivables amounted to EUR 6 718 thousand before impairment and to EUR 2 137 thousand after impairment as at 31 December 2017 in the Company's statement of financial position (EUR 6 721 thousand and to EUR 2 140 thousand as at 31 December 2016, respectively). Additional impairment for loan granted and trade receivables was not identified in 2016 and 2017 (investment is already impaired by 100 per cent).

Goodwill related to PAT MTF Mrija amounts to EUR 184 thousand as at 31 December 2017 in the Group's statement of financial position (EUR 217 thousand as at 31 December 2016). Goodwill was not impaired.

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

The recoverable amount of the cash generating unit was determined based on the value in use calculation using discounted cash flow projections. Cash flows are based on the forecast prepared by the management for the year 2018. The pre-tax discount rate of 24 per cent and 22 per cent in 2017 and 2016 was applied, respectively. The following significant assumptions were used for the assessment of the value in use in 2017 and 2016:

- 1) Based on the current market situation, experience from prior periods, increasing number of Group manufacturing orders and actions of the Group management to significantly increase manufacturing orders and manufacturing employees in PAT MTF Mrija in 2017 model assumptions of increase in revenue from manufacturing activities of PAT MTF Mrija by 66 per cent in 2018 comparing to 2017, by 42 per cent in 2019, by 10 per cent in 2020, and annual decrease by 2 per cent starting from 2012. Planned actions to attract and motivate new employees will allow to reach growth of manufacturing quantities, however due to that gross profit should decrease and amount to 32-33 per cent were used.
- 2) In 2016 model: 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 increase by 2 per cent starting from 2019, maintaining a gross profit of 37-38 per cent.
- 3) 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.

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 24 per cent to 25 per cent in 2017 and from 22 per cent to 23 per cent in 2016, with all other inputs remaining stable) would not result in an additional impairment loss on amount receivable from subsidiary as at 31 December 2017 and 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.

Reduction in revenue growth from manufacturing activities in 2018 by 33 percentage points (i.e. from 66 per cent to 33 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 2017 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 2019 by 21 percentage points (i.e. from 42 per cent to 21 per cent, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 333 thousand as at 31 December 2017 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 2018 by 41 percentage points (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.

As of the date of these financial statements management of the Group do expect any significant changes in assumptions used, including revenue growth and discount rate.

Determination of the carrying value of the buildings

Revaluation of buildings is performed periodically (every 5 years, unless there are indications that there are significant differences in market of buildings) 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 2017, 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 2017 and the management concluded that there are no such indications. Therefore, no valuation was performed in 2017.

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

Inventory net realizable value and provision for obsolescence

As at 31 December 2017 and 2016 the Group's and the Company's management assessed whether carrying value of the outstanding stock was not higher than their net realizable value, based on actual sales during the subsequent period. The management has also assessed allowance for obsolete inventories, by determining obsolescence rates based on periods of aged inventories and assessing whether overall allowance for obsolete inventories is adequate.

5. Segment information

The Group has two main business segments: production of knitted articles (that includes the Company and its subsidiary PAT MTF Mrija) and production of working clothes (that includes subsidiary of the Company Satrija AB).

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.

2017	Production of knitted articles	Production of working clothes	Eliminations	Total
External sales	22 671	3 172	-	25 843
Internal sales	950	-	(950)	-
Total revenue	23 621	3 172	(950)	25 843
Gross profit	4 320	749	-	5 069
EBITDA	1 006	464	-	1 470
Profit for the year	19	282	-	301
Depreciation and amortization	659	166	-	825
Interest expenses	137	-	(39)	98
Income tax	19	52	-	71
Total segment assets	15 545	1 999	-	17 544
Total segment liabilities	9 143	975	-	10 118
2016				
	Production of knitted articles	Production of working clothes	Eliminations	Total
External sales	19 763	3 027	-	22 790
Internal sales	524	5	(529)	-
Total revenue	20 287	3 032	(529)	22 790
Gross profit	4 012	758	-	4 770
EBITDA	1 706	499	-	2 205
Profit for the year	723	330	-	1 053
Depreciation and amortization	634	154	-	788
Interest expenses	161	-	(43)	118
Income tax	112	55	-	167
Total segment assets	12 395	3 213	-	15 608
Total segment liabilities	7 660	675	-	8 335

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

	2017	2016
EBITDA	1 470	2 205
Depreciation and amortization	(825)	(788)
Operating profit	645	1 417
Interest expenses	(98)	(118)
Other finance cost, net	(175)	(79)
Profit for the year before income tax	372	1 220

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:

	2017	2016
Sale of goods	20 805	19 061
Sales of services	186	51
Other income	1 565	510
	22 556	19 622

The Group's and the Company's revenue from main customers in 2017 and 2016 was as follows:

Customer	Region	Group		Company	
		Percentage of total sales (%)		Percentage of total sales (%)	
		2017	2016	2017	2016
Customer 1	Western Europe	11	11	13	13
Customer 2	Western Europe	8	9	9	10

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

The table below summarizes the Group's revenues geographically:

2017	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other regions	Total
Sales of the Group	10 925	6 676	5 515	2 727	25 843
Sales of the Company	9 720	6 273	4 007	2 556	22 556
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

The majority of the Group's sales were performed to DACH customers. In 2017, 26 per cent of total sales was to Swedish customers (2016: 26 per cent) and 42 per cent - to German customers (2016: 42 per cent - to German 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 723 thousand as at 31 December 2017 (EUR 802 thousand as at 31 December 2016).

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6. Intangible assets

	Group			Company	
	Goodwill, re- lated to PAT MTF Mrija	Goodwill, related to Šatrija AB	Other in- tangible assets	Total	Other intan- gible assets
Cost:					
Balance as at 31 December 2015	236	441	1 138	1 815	992
Additions	-	-	65	65	60
Disposals and write-offs	-	-	(82)	(82)	(82)
Foreign currency translation differences	(19)	-	-	(19)	-
Balance as at 31 December 2016	217	441	1 121	1 779	970
Additions	-	-	29	29	29
Disposals and write-offs	-	-	(125)	(125)	(125)
Foreign currency translation differences	(33)	-	-	(33)	-
Balance as at 31 December 2017	184	441	1 025	1 650	874
Amortization and impairment:					
Balance as at 31 December 2015	-	37	1 026	1 063	963
Charge for the year	-	-	55	55	14
Disposals and write-offs	-	-	(82)	(82)	(82)
Foreign currency translation differences	-	-	(1)	(1)	-
Balance as at 31 December 2016	-	37	998	1 035	895
Charge for the year	-	-	78	78	35
Disposals and write-offs	-	-	(124)	(124)	(124)
Foreign currency translation differences	-	-	-	-	-
Balance as at 31 December 2017	-	37	952	989	806
Net book value as at 31 December 2015	236	404	112	752	29
Net book value as at 31 December 2016	217	404	123	744	75
Net book value as at 31 December 2017	184	404	73	661	68

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 2017 acquisition cost of fully depreciated but still in use assets amounted to EUR 766 thousand and EUR 764 thousand, respectively (as at 31 December 2016 – EUR 881 thousand and EUR 879 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
Cost or revalued amount:						
Balance as at 31 December 2015	4	4 534	168	20 794	413	25 913
Additions	-	35	-	163	214	412
Reclassification	-	-	-	413	(413)	-
Disposals and write-offs	-	-	(4)	(419)	-	(423)
Foreign currency translation differences	-	(76)	(4)	(35)	-	(115)
Balance as at 31 December 2016	4	4 493	160	20 916	214	25 787
Additions	-	142	9	583	86	820
Reclassification	-	-	152	61	(213)	-
Disposals and write-offs	-	-	-	(722)	-	(722)
Foreign currency translation differences	-	(145)	(8)	(66)	-	(219)
Balance as at 31 December 2017	4	4 490	313	20 795	87	25 655
Accumulated depreciation:						
Balance as at 31 December 2015	-	34	145	18 261	-	18 440
Charge for the year	-	137	6	613	-	756
Disposals and write-offs	-	-	(4)	(417)	-	(421)
Foreign currency translation differences	-	(17)	(4)	(26)	-	(47)
Balance as at 31 December 2016	-	154	143	18 431	-	18 728
Charge for the year	-	136	9	599	-	744
Disposals and write-offs	-	-	-	(708)	-	(708)
Foreign currency translation differences	-	(34)	(6)	(50)	-	(90)
Balance as at 31 December 2017	-	256	146	18 295	-	18 728
Impairment						
Balance as at 31 December 2015	-	13	-	-	-	13
Balance as at 31 December 2016	-	13	-	-	-	13
Balance as at 31 December 2017	-	13	-	-	-	13
Net book value as at 31 December 2015	4	4 487	23	2 533	413	7 460
Net book value as at 31 December 2016	4	4 326	17	2 485	214	7 046
Net book value as at 31 December 2017	4	4 221	167	2 500	87	6 979

The Group property (except for the property of subsidiary MTF Mrija PAT, which is located in Ukraine) is in the Republic of Lithuania. Non – current assets, which is located in Ukraine, recognized value as at 31 December 2017 was EUR 723 thousand (31 December 2016 was EUR 802 thousand)

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

Company	Land	Build-ings	Struc-tures	Vehicles and other property, plant and equipment	Con-struction in pro-gress	Total
Cost or revalued amount:						
Balance as at 31 December 2015	4	3 283	117	18 417	409	22 230
Additions	-	-	-	109	212	321
Disposals and write-offs	-	-	-	(362)	-	(362)
Reclassification from construction in progress	-	-	-	409	(409)	-
Balance as at 31 December 2016	4	3 283	117	18 573	212	22 189
Additions	-	60	9	423	72	564
Reclassification from construction in progress	-	-	-	(653)	-	(653)
Disposals and write-offs	-	-	152	61	(213)	-
Balance as at 31 December 2017	4	3 343	278	18 404	71	22 100
Accumulated depreciation:						
Balance as at 31 December 2015	-	114	111	16 337	-	16 562
Charge for the year	-	74	4	522	-	600
Disposals and write-offs	-	-	-	(361)	-	(361)
Balance as at 31 December 2016	-	188	115	16 498	-	16 801
Charge for the year	-	74	8	500	-	582
Disposals and write-offs	-	-	-	(638)	-	(638)
Balance as at 31 December 2017	-	262	123	16 360	-	16 745
Impairment:						
Balance as at 31 December 2015	-	9	-	-	-	9
Balance as at 31 December 2016	-	9	-	-	-	9
Balance as at 31 December 2017	-	9	-	-	-	9
Net book value as at 31 December 2015	4	3 160	6	2 080	409	5 659
Net book value as at 31 December 2016	4	3 086	2	2 075	212	5 379
Net book value as at 31 December 2017	4	3 072	155	2 044	71	5 346

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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.

	Group		Company	
	2017	2016	2017	2016
Cost of sales (Note 19)	632	654	477	509
General and administrative expenses (Note 20)	190	156	140	104
Other expenses	3	3	3	3
Total	825	813	620	616

Property, plant and equipment of the Group and the Company with the acquisition cost of EUR 12 451 thousand and EUR 10 526 thousand, respectively, were fully depreciated as at 31 December 2017 (as at 31 December 2016 EUR 12 384 thousand and EUR 10 175 thousand, respectively), but was still in use.

Property, plant and equipment and inventories of the Company with the net book value of EUR 7 724 thousand as at 31 December 2017 was pledged to the banks as a collateral for the borrowings (Note 16). (As at 31 December 2016 property, plant and equipment of the Group and the Company the net book value of these items was EUR 4 897 thousand).

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

	Group	Company
	31 December 2017	31 December 2017
Cost	3 542	1 851
Accumulated depreciation and impairment	(1 977)	(983)
Net carrying amount	1 565	868

	Group	Company
	31 December 2016	31 December 2016
Cost	3 399	1 790
Accumulated depreciation and impairment	(1 923)	(958)
Net carrying amount	1 476	832

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 kuba (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

	Group	Company
Cost:		
Balance as at 31 December 2015	184	184
Balance as at 31 December 2016	184	184
Balance as at 31 December 2017	184	184
Accumulated depreciation:		
Balance as at 31 December 2015	73	73
Charge for the year	2	2
Balance as at 31 December 2016	75	75
Charge for the year	3	3
Balance as at 31 December 2017	78	78
Impairment		
Balance as at 31 December 2015	-	-
Balance as at 31 December 2016	-	-
Balance as at 31 December 2017	-	-
Net book value as at 31 December 2015	111	111
Net book value as at 31 December 2016	109	109
Net book value as at 31 December 2017	106	106

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

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

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8. Investment property (cont'd)

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 carrying values and concluded 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 (Note 3.3).

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Net book value of investment property	106	109	106	109
Fair value of investment property	258	258	258	258

Investment property future rental income

	Group		Company	
	2017	2016	2017	2016
During 1 year	3	13	3	13
After 1 year but not later than 5 years	-	2	-	2
	3	15	3	15

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

9. Investments in subsidiaries

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

	2017	2016
Cost of investments:		
Balance as at 1 January	3 694	3 694
Acquisitions	51	-
Balance as at 31 December	3 745	3 694
Impairment:		
Balance as at 1 January	2 195	2 195
Impairment	-	-
Balance as at 31 December	2 195	2 195
Carrying amount of investments in subsidiaries as at 31 December	1 550	1 499

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

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10. Inventories

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Raw materials	2 652	1 759	2 286	1 416
Work in progress	2 460	1 734	2 451	1 724
Finished goods	2 489	1 321	2 460	1 299
Goods for resale	47	52	-	-
	7 648	4 866	7 197	4 439
Write-down to net realisable value:				
Opening balance	(650)	(724)	(326)	(381)
Change	(145)	74	(145)	55
Closing balance	(795)	(650)	(471)	(326)
	6 853	4 216	6 726	4 113

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as at 31 December 2017 amounted to EUR 1 006 thousand and EUR 646 thousand, respectively (as at 31 December 2016: EUR 678 thousand and EUR 343 thousand, respectively). Changes in impairment allowance for inventories during 2017 and 2016 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 3 200 thousand as at 31 December 2017 (EUR 2 232 thousand as at 31 December 2016). The Company does not hold third-party inventories.

11. Trade receivables

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Trade receivables, gross	1 908	1 354	1 611	798
Allowance for trade receivables:				
Opening balance	(115)	(115)	(94)	(94)
Additional allowance	(78)	-	(72)	-
Written - off	-	-	-	-
Closing balance	(193)	(115)	(166)	(94)
	1 715	1 239	1 445	704

Changes in allowance for doubtful trade receivables during 2017 and 2016 were recorded within the Group's and the Company's general and administrative expenses (Note 20).

For trade receivables ageing see Note 3.1.

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12. Other current assets and financial assets

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Other current assets				
Taxes receivable, except for prepaid income tax	245	89	228	57
Prepayments	92	138	81	132
Deferred expenses	165	138	61	37
Current financial assets*	-	600	-	600
Total current and financial assets	502	965	370	826

*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 Luminor Bank (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

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Cash on hand	5	5	5	3
Cash at bank	594	1 225	124	595
Cash equivalents	76	-	76	-
	675	1 230	205	598

As at 31 December 2017 cash equivalents stands for restricted cash that is used to secure payments to suppliers. Such restrictions are short-term (up to 3 months).

14. Share capital

As at 31 December 2017 and 2016, the share capital comprised of 9 503 000 ordinary registered shares with nominal value of EUR 0.29 each.

As at 31 December 2017 and 2016 all the shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2017 and 2016. The Company did not hold its own shares as at 31 December 2017 and 2016.

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15. Other reserves

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 2017 and 2016 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.

Revaluation surplus

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

Reserve for acquisition of own shares

In 2017 according to the decision of the shareholders of Šatrija AB the reserve for acquisition of own shares of EUR 300 thousand was reduced to EUR 100 thousand (including non-controlling interest).

Foreign currency translation reserve

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

Cash flow hedge reserve

The Company's loan with Lumior 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 Luminor 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 29 thousand as of 31 December 2017 and was accounted for under non-current (amounting EUR 10 thousand) and current liabilities (amounting EUR 19 thousand) (EUR 52 thousand as at 31 December 2016: under non-current (EUR 28 thousand) and current (EUR 24 thousand) liabilities).

16. Borrowings

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Current				
Current portion of non-current bank borrowings	860	738	860	738
Current financial liabilities	-	-	200	-
Non-current				
Borrowings from subsidiaries	-	-	1 061	2 422
Long-term bank borrowings	2 836	3 046	2 836	3 046
Total borrowings	3 696	3 784	4 957	6 206

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16. Borrowings (cont'd)

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Šatrija AB, amounting to EUR 1 061 thousand with maturity as at 26 November 2019 and variable interest rate 12 month EURIBOR+1.9 %.

As of 31 December 2017 and 2016, 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:

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
EUR	3 696	3 784	4 957	6 206

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

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Long-term borrowings from subsidiaries	-	-	1,9	1,9
Long-term bank borrowings	1,57	1,59	1,57	1,59

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

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

Interest changes	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Every 3 months	3 696	3 784	3 696	3 784
Every 12 months	-	-	1 261	2 422
	3 696	3 784	4 957	6 206

On 12 April 2017 the Company signed:

- Agreement with Luminor bank to increase loan up to EUR 4 250 thousand (additional amount of EUR 650 thousand with termination as at 31 March 2022)
- Agreement with Luminor bank regarding credit line amounting EUR 500 thousand for the one year.

On 1 June 2017 cash pool agreement between Luminor bank AB, Utenos Trikotažas AB and Šatrija AB was signed. According to the agreement as at 31 December 2017 Utenos Trikotažas AB had a liability EUR 200 thousand to Šatrija AB.

On 22 March 2016 the Company and Luminor bank AB signed an agreement according to which on 22 June 2015 additionally granted credit amount was decreased to EUR 423 thousand and the base of interest rate establishment was changed.

As at 31 December 2017 and 2016 the Group and the Company complied with all covenants stated in the bank loan agreements.

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16. Borrowings (cont'd)

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 Luminor 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 2017	31 December 2016	31 December 2017	31 December 2016
Within one year	27	30	27	26
After one year but not more than five years	56	79	56	73
	83	109	83	99

17. Provisions for employee benefits

	Group	Company
Balance as at 31 December 2015	282	255
Benefits earned	(36)	(57)
Interest costs	3	3
Actuarial (gain) loss	186	186
Reduction of costs due to cancelled labour contracts	(55)	(52)
Balance as at 31 December 2016	380	335
Benefits earned	88	78
Interest costs	-	-
Actuarial (gain) loss	(40)	(40)
Reduction of costs due to cancelled labour contracts	(34)	(34)
Balance as at 31 December 2017	394	339

	Group	Company
Long term provisions for employee benefits as at 31 December 2017	309	260
Short term provisions for employee benefits as at 31 December 2017	85	79
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

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.

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17. Provisions for employee benefits (cont'd)

2017 provisions were calculated with the discount rate of 1.52 per cent and employee turnover rate of 9.74 per cent (in 2016: 0.81 per cent and 9.74 per cent, respectively).

	Impact on defined benefit obligation as at 31 December 2017				
	Change in as- sumption	Group		Company	
		Positive change in assumption	Negative change in as- sumption	Positive change in as- sumption	Negative change in as- sumption
Discount rate	0.5 %	Decreased by 3.43%	Increased by 3.67 %	Decreased by 3.28 %	Increased by 3.52 %
Salary growth rate	0.5 %	Increased by 3.63%	Decreased by 3.42 %	Increased by 3.49 %	Decreased by 3.28 %

	Impact on defined benefit obligation as at 31 December 2016				
	Change in as- sumption	Group		Company	
		Positive change in assumption	Negative change in as- sumption	Positive change in as- sumption	Negative change in as- sumption
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 %

18. Accrued expenses and other current liabilities

	Group		Company	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Accrual for vacation reserve	1 043	849	655
Wages, salaries and social security	679	577	528	461
Amounts payable for services and non-current assets	329	228	319	226
Taxes payable, except for income tax	203	150	146	128
Prepayments received	154	141	136	116
Provisions for employee benefits	85	70	79	64
Other liabilities	257	155	2	66
	2 750	2 170	1 865	1 574

19. Cost of sales

	Group		Company	
	2017	2016	2017	2016
Wages, salaries and social security	7 874	7 609	7 554	5 647
Materials	8 250	6 730	5 999	6 491
Other overhead expenses	2 583	2 402	3 154	2 861
Depreciation and amortization (Notes 6, 7 and 8)	593	629	437	480
Cost of materials sold	1 474	650	1 462	637
	20 774	18 020	18 606	16 116

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20. Selling general and administrative expenses

	Group		Company	
	2017	2016	2017	2016
Selling expenses				
Wages, salaries and social security	728	574	658	507
Advertising and marketing costs	505	267	500	265
Agency costs	275	265	272	265
Transportation costs	204	196	204	194
Maintenance costs of retail outlets	112	134	93	115
Depreciation and amortization (Notes 6, 7 and 8)	52	42	52	42
Other selling expenses	134	56	129	51
Total selling expenses	2 010	1 534	1 908	1 439
General and administrative expenses				
Wages salaries and social security	910	865	636	649
Communications and consulting services	341	298	278	241
Provisions for employee benefits (reversal) (Note 17)	54	(88)	44	(106)
Depreciation and amortization (Notes 6, 7 and 8)	137	114	88	62
Security	113	105	56	54
Vehicles exploitation expenses	90	68	73	54
Taxes other than income tax	126	126	80	77
Services of financial institutions	54	59	47	54
Premises exploitation expenses	40	36	34	34
Travel expenses	25	32	19	29
Representation expenses	27	16	25	13
Allowance and write-off (reversal) of inventories and trade receivables (Notes 10, 11)	231	13	255	39
Other	379	316	251	165
Total general and administrative expenses	2 527	1 960	1 856	1 365
	4 537	3 494	3 764	2 804

21. Other income and expenses

	Group		Company	
	2017	2016	2017	2016
Gain from disposal of non-current assets	13	22	11	21
Rent income	18	21	15	18
Other income	89	120	18	44
Other income	120	163	44	83
Loss from disposal of non-current assets	-	(1)	-	-
Rent costs	(5)	(13)	(4)	(11)
Other expenses	(2)	(8)	-	(1)
Other expenses	(7)	(22)	(4)	(12)

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22. Finance costs, net

	Group		Company	
	2017	2016	2017	2016
Dividends received	-	-	2 092	-
Foreign exchange gain	115	484	29	24
Interest income	-	-	60	60
Other finance income	1	-	11	-
Income from financing activities	116	484	2 192	84
Interest expenses	(98)	(118)	(137)	(161)
Foreign exchange loss	(291)	(563)	(32)	(22)
Financial expenses	(389)	(681)	(169)	(183)

On 29 December 2017 based on the decision of the shareholders of the Company's part of dividends were netted-off with loan payable to Satrija AB amounting to EUR 1 003 thousand.

23. Income tax

Income tax expense comprised as follows:

	Group		Company	
	2017	2016	2017	2016
Current tax	(78)	(104)	(14)	(28)
Change in deferred tax	7	(63)	-	(77)
Income tax income (expense) recognised in the statement of comprehensive income	(71)	(167)	(14)	(105)

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:

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23. Income tax (cont'd)

	Group		Company	
	2017	2016	2017	2016
Profit (losses) before tax	372	1 220	2 249	674
Income tax income (expense) at a rate of 15%	(56)	(183)	(337)	(101)
Effect of different tax rates applicable to subsidiary in Ukraine	18	4	-	-
Change in valuation allowances for deferred tax asset	(1)	2	-	-
Non-taxable income	-	-	314	-
Expenses not deductible for tax purposes	(32)	10	9	(4)
Income tax income (expenses) reported in the statement of comprehensive income	(71)	(167)	(14)	(105)

In 2017, 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 2016). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using the tax rate of 18 per cent (in 2016, 18 per cent).

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

Group	31 December 2015	Recognised in profit (loss)	Recognised in other comprehensive income	31 December 2016	Recognised in profit (loss)	Recognised in other comprehensive income	31 December 2017
Deferred tax assets							
Tax loss carry forward	229	(133)	(4)	92	(83)	(3)	6
Inventories	64	(10)	-	54	22	-	76
Receivables	3	-	-	3	12	-	15
Impairment of property, plant and equipment	1	-	-	1	-	-	1
Provisions for employee benefits	42	14	-	56	2	-	58
Goodwill	16	(5)	-	11	(4)	-	7
Accrued charges	50	15	-	65	12	-	77
Deferred tax assets before valuation allowance	405	(119)	(4)	282	(39)	(3)	240
Less: valuation allowance	(42)	2	-	(40)	(1)	-	(41)
Deferred tax assets, net	363	(117)	(4)	242	(40)	(3)	199
Deferred tax liabilities							
Depreciation of property, plant and equipment	(222)	48	-	(174)	39	-	(135)
Property, plant and equipment revaluation	(441)	6	18	(417)	8	18	(391)
Deferred tax liabilities	(663)	54	18	(591)	47	18	(526)
Deferred tax, net	(300)	(63)	14	(349)	7	15	(327)

Recognised in the statement of financial position*:

	31 December 2017	31 December 2016
Deferred income tax asset	63	58
Deferred income tax liabilities	390	407

*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 2015	Recognised in profit (loss)	31 De- cember 2016	Recognised in profit (loss)	31 De- cember 2017
Deferred tax assets					
Tax loss carry forward	219	(134)	85	(85)	-
Inventories	57	(8)	49	22	71
Impairment of trade receivables	-	-	-	11	11
Impairment of property, plant and equipment	1	-	1	-	1
Provisions for employee benefits	37	13	50	1	51
Accrued charges	14	4	18	5	23
Deferred tax assets before valuation allowance	328	(125)	203	(46)	157
Less: valuation allowance	-	-	-	-	-
Deferred tax assets, net	328	(125)	203	(46)	157
Deferred tax liabilities					
Depreciation of property, plant and equipment	(204)	41	(163)	35	(128)
Property, plant and equipment re-valuation	(317)	7	(310)	11	(299)
Deferred tax liabilities	(521)	48	(473)	46	(427)
Deferred tax, net	(193)	(77)	(270)	-	(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 2017 the Group's company PAT MTF Mrija had tax losses amounting to EUR 3 373 thousand (2016: EUR 3 331 thousand) for which no deferred tax assets were recognised due to uncertainties related to their realisation. These tax losses may be carried forward for an unlimited term.

The Company did not recognise deferred tax asset from investment incentive amounting to EUR 122 thousand as at 31 December 2017 (EUR 82 thousand as at 31 December 2016), due to uncertainties related to their realization. These tax losses may be carried forward for an unlimited term.

24. Basic/diluted earnings per share

Profit per share reflect the Group's net profit, divided by the outstanding number of shares. The Company has no dilutive instruments, therefore basic and dilutive earnings per share are equal. Calculation of the profit per share is presented below:

	Group	
	2017	2016
Profit attributable to the equity holders of the Group	274	1 015
Weighted average number of shares in issue (thousand)	9 503	9 503
Basic/dilutive earnings per share (in EUR)	0,03	0,11

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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:

Related party	Description of relation
A. Martinkevičius	Ultimate controlling individual
UAB Koncernas SBA	Ultimate parent company, exercising control through majority of Board members
SBA group companies	UAB Koncernas SBA subsidiaries
Company's management	Directors, Board members and their 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 2017 and 31 December 2016, 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.

Proportion of equity interest held by non-controlling interests:

	Country of incorporation and operation	2017	2016
Gotija, UAB	Lithuania	-	9.50%
Šatrija, AB	Lithuania	10,22%	10.22%
PAT MTF Mrija	Ukraine	1,05%	1.05%

Accumulated balances of non-controlling interest:	2017	2016
Gotija, UAB	-	51
Šatrija, AB	216	434
PAT MTF Mrija	(39)	(71)

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25. Related party transactions (cont'd)

Summarised statement of comprehensive income
 for 2017:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Revenue	278	3 172	787
Cost of sales	(174)	(2 401)	(611)
Administrative expenses	(70)	(540)	(168)
Other operating income (expenses)	-	83	-
Finance income (expenses)	2	36	(702)
Profit before tax	36	350	(694)
Income tax	(6)	(54)	-
Profit for the year from continuing operations	30	296	(694)
Total comprehensive income	30	296	(694)
Attributable to non-controlling interests	5	29	(7)
Dividends paid to non-controlling interests	-	114	-

Summarised statement of comprehensive income for
 2016:

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

Summarised statement of financial position as at 31 December 2017:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories and cash and bank balance (current)	86	1 045	75
Property, plant and equipment and other non-current financial assets (non-current)	-	2 003	727
Trade and other payables (current)	(21)	(877)	(3 482)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	-	(49)	(1 066)
Total equity	65	2 122	(3 746)
Attributable to:			
Equity holders of parent	65	1 906	(3 707)
Non-controlling interest	-	216	(39)

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25. Related party transactions (cont'd)

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)
Total equity	539	4 242	(6 783)
Attributable to:			
Equity holders of parent	488	3 808	(6 712)
Non-controlling interest	51	434	(71)

Summarised cash flow information for year ending 31 December 2017:

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Operating	(49)	557	26
Investing	(26)	(642)	(632)
Financing	-	-	605
Net increase/(decrease) in cash equivalents	(75)	(85)	(1)

Summarised cash flow information for year ending 31 December 2016:

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

Related party transactions are disclosed below:

	Group		Company	
	2017	2016	2017	2016
Sales of goods and services				
Subsidiaries of the Company	-	-	189	146
SBA group companies	12	11	12	11
Ultimate parent company	2	3	2	3
	14	14	203	160

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25. Related party transactions (cont'd)

	Group		Company	
	2017	2016	2017	2016
Interest income				
Subsidiaries of the Company	-	-	60	60
	-	-	60	60

	Group		Company	
	2017	2016	2017	2016
Interest expenses				
Subsidiaries of the Company	-	-	39	42
	-	-	39	41

	Group		Company	
	2017	2016	2017	2016
Purchases of goods and services				
Subsidiaries of the Company	-	-	934	774
Ultimate parent company	215	286	215	259
Other related parties	11	7	11	6
	226	293	1 160	1 039

	Group		Company	
	2017	2016	2017	2016
Dividend income				
Subsidiaries of the Company	-	-	2 093	-
	-	-	2 093	-

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25. Related party transactions (cont'd)

	Group		Company	
	31 De- cember 2017	31 De- cember 2016	31 De- cember 2017	31 De- cember 2016
Amounts receivable (including prepayments and loans)				
Accounts receivable from subsidiaries, gross*	-	-	2 256	2 247
Impairment allowances made	-	-	(1 958)	(1 958)
Accounts receivable from subsidiaries, net	-	-	298	289
Prepayments to subsidiaries	-	-	642	714
Loans granted including interest receivable from subsidiaries, gross**	-	-	1 625	1 565
Impairment allowances made	-	-	(428)	(428)
Loans granted including interest receivable from subsidiaries, net	-	-	1 839	1 851
	-	-	2 137	2 140

* As at 31 December 2017 and 2016 the accounts receivable consists only of accounts receivable from PAT MTF Mrija.

** As at 31 December 2017 and 2016 the amount stands for loan granted to (including interest receivable) PAT MTF Mrija with fixed annual interest rate of 6 per cent.

Interest rates set 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	
	2017	2016	2017	2016
Current and non-current payables				
Subsidiaries of the Company:				
Borrowings	-	-	1 261	2 422
Other payables	-	-	4	114
SBA group companies:				
Other related parties	25	2	3	1
Ultimate parent company	214	127	214	125
	239	129	1 482	2 662

On 1 April 2017 the Company signed cash pool agreement with Luminor AB and Šatrija AB. According to the signed agreement 31 December 2017 liabilities were EUR 200 thousand.

Payables and receivables between related parties are non-interest bearing. Receivables and payables payment terms between the related parties are up to 15-30 days, except for the dividends and loans, which are repaid in accordance to the legal or contractual requirements, respectively.

Outstanding balances at the year-end are unsecured and settlement occurs in cash, unless agreed otherwise. There have been no guarantees provided or received for any related party receivable or payable.

25. Related party transactions (cont'd)

In 2017 the amount of loan from subsidiary Šatrija AB decreased by EUR 999 thousand and as at 31 December 2017 amounted to EUR 1 061 thousand.

	Group		Company	
	2017	2016	2017	2016
Key management compensation including social security costs				
Remuneration of management	650	509	431	332
Defined benefit obligations for management	5	4	2	2
	655	513	433	334

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

In 2017 and 2016 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 2017 and 2016.

26. Other commitments

As at 31 December 2017 and 2016 the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

27. Subsequent sheet events

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



UTENOS TRIKOTAŽAS AB

CONSOLIDATED ANNUAL REPORT
For the year ended 31 DECEMBER 2017

1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2017 to 31 December 2017. All amounts in the Annual Report presented as at 31 December 2017, unless otherwise stated. Further in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

2. Issuer and its contact data

Company name	Utenos Trikotažas AB
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 st December 1994; reregistered with the Ministry of Economy of the Republic of Lithuania on 18 st September 1998.
Registration code	BĮ 98-257
Code of the Register of Legal Entities	183709468
Authorised share capital	EUR 2 755 870
Address	J.Basanavičiaus g.122, LT-28214, Utena, Lithuania
Name of Register of Legal Entities	Registru centras VĮ
Telephone	+370 389 51445
Fax	+370 389 69358
E-mail	utenos.trikotazas@ut.lt
Website	www.ut.lt
Main activities	production of knit-wear and textile articles
Auditors	ERNST&YOUNG BALTIC UAB

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.

Šatrija AB activity type:

- sewing of clothes;

MTF Mrija PAT activity type:

- sewing of knitwear;

Gorija UAB activity type:

- retail trade ;

4. Company and group companies

The Company and Group companies do not have branches or representative offices.

5. 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.

6. Overview of the company's activities

Utenos trikotažas AB group (hereinafter referred to as "the Group"), the largest textile and clothing company in Central and Eastern Europe, grew rapidly in 2017 - sales increased in all business segments. This was due to both the development of export markets, cooperation with new customers, the development of the own brands' sales network, and the creation of new collections.

2017 significant raw material costs, as well as raw material supply failures, prevented full realization potential of customer orders. The group's rising wage costs were partially offset by increased production volumes and orders.

Last year, Scandinavia and the German-speaking countries, Germany, Austria and Switzerland, remain the largest exporting regions of the Group.

Sales in Lithuania also increased significantly. This is due to the renewed UTENOS brand, with the growing attention of the users, the rapid development of branded chain stores of this brand - at the end of last year, 4 new stores were opened in Mažeikiai, Alytus, Tauragė and Kaunas. In total, the Group owns 15 stores throughout Lithuania, 11 of them operate on a franchise basis.

2017 the Group has systematically invested in increasing production capacity and acquisition of new technological equipment. At the beginning of last year, the Utenos trikotažas AB group of companies joined the Greenpeace project for clean fashion - Detox. By joining this project, the Group committed itself by 2020 eliminate harmful chemicals from the production chain that have a negative impact to humans and the environment.

7. Key performance indicators of the Group

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

	2017	2016	2015	2014	2013
Revenue (EUR'000)	25 843	22 790	18 922	19 766	20 142
Profit for the year (loss) (EUR'000)	301	1 053	(261)	51	(332)
Price per share	0.950	0.800	0.400	0.609	0.264

Trade

	Group			Company		
	2017 12 months	2016 12 months	Change, per cent	2017 12 months	2016 12 months	Change, per cent
Revenue (EUR '000)						
Products manufactured on demand of other clients	19 146	16 776	14.1	19 146	16 776	14.1
Own brands (ABOUT, UTENOS)	3 525	2 987	18.0	3 410	2 846	19.8
Services of specialised clothing manufacture	3 172	3 027	4.8	-	-	-
	25 843	22 790	13.4	22 556	19 622	15.0

Revenue (EUR '000)

	2017	2016	Change, per cent	2015
Utenos Trikotažas AB	22 556	19 622	15.0	16 014
Šatrija AB	3 172	3 032	4.6	2 615
MTF Mrija PAT	787	436	80.5	398
Gotija UAB	278	229	21.3	224
Elimination of intercompany transactions	(950)	(529)	79.6	(329)
	25 843	22 790	13.4	18 922

Sales by regions

In 2017, total sales of goods and services of the Company amounted to EUR 22.6 million. Trade volume increased by EUR 2.9 million or by 15.0 per cent as compared to 2016. The Company's exports to Western Europe and other countries amounted to 82.2 per cent, whereas sales in Lithuania amounted to 17.8 per cent of total production.

In 2017, total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to EUR 25.8 million. The Group's exports amounted to 78.7 per cent, whereas sales in Lithuania amounted to 21.3 per cent of total production.

Lithuania

In 2017, the Company sold 409.1 thousand knit-wear items in Lithuania totalling to EUR 4.0 million. The sales in Lithuania decreased by EUR 0.3 million or 6.8 per cent.

In 2017, the Group's sales in Lithuania amounted to EUR 5.5 million, which is more by EUR 0.5 million as compared to 2016.

Export

In 2017, the Company exported 2.5 million knit-wear items totalling to EUR 18.6 million. The Company's exports increased by EUR 3.2 million or 21.1 per cent comparing to 2016. Large retail chains from Western Europe remained as the major customers of the Company.

In 2017, the Group's exports to Western Europe and other regions amounted to EUR 20.3 million, which is more by EUR 2.6 million compared to 2016.

Regional trade is disclosed in Note 5 to the financial statements.

Operating figures

	Group			Company *		
	2017	2016	2015	2017	2016	2015
Manufactured items units	3 231	2 861	2 696	3 099	2 700	2 415
Average number of employees	1 061	1 025	1 148	714	679	776

*- The production is shown in conjunction with the subsidiary's production according to the company's orders.

Production

In 2017, the Company produced 2.1 million knit-wear items. The Company's subcontractors (including the subsidiary in Ukraine) produced 1.4 million knit-wear items or 34.5 per cent of total production volume. In 2017, Šatrija AB produced 125 thousand sewn items. In 2017, MTF Mrija PAT produced 1 million items.

Production (units '000)

	2017	2016	Change, per cent
Utenos Trikotažas AB	2 104	1 845	14.0
Šatrija AB	125	111	12.2
MTF Mrija PAT	1 002	904	10.7
Gotija UAB	-	-	-
	3 231	2 861	12.9

Financial ratios

	Group			Company		
	2017	2016	2015	2017	2016	2015
Revenue (EUR'000)	25 843	22 790	18 922	22 556	19 622	16 014
Operating profit (loss) (EUR'000)	645	1 417	266	226	773	(88)
Operating profit (loss) margin (per cent)	2.5	6.2	1.4	1.0	3.9	(0.5)
EBITDA	1 470	2 205	1 034	846	1 397	922
EBITDA margin (per cent)	5.7	9.7	5.5	6.7	10.8	5.8
Profit (loss) before tax (EUR'000)	372	1 220	(258)	2 249	674	(179)
Profit (loss) before tax, margin (per cent)	1.4	5.4	(1.4)	10.0	3.4	(1.1)
Net profit (loss) for the year (EUR'000)	301	1 053	(261)	2 235	569	(158)
Net profit (loss) for the year margin (per cent)	1.2	4.6	(1.4)	9.9	2.9	(1.0)
Number of shares, (thousand)	9 503	9 503	9 503	9 503	9 503	9 503

Relative ratios

	Group			Company		
	2017. 12.31	2016. 12.31	2015. 12.31	2017. 12.31	2016. 12.31	2015. 12.31
Return on capital employed (per cent)	10.9	38.2	(9.5)	81.1	20.6	(5.7)
Return on assets (per cent)	1.7	6.7	(1.8)	12.4	3.7	(1.1)
Return on shareholders' equity (per cent)	4.0	14.5	(4.1)	29.1	10.6	(3.2)
Debt ratio (per cent)	57.6	53.4	56.0	57.2	65.1	65.4
Debt-to-equity ratio (per cent)	136.1	114.6	127.4	133.5	186.4	188.7
Liquidity ratio (per cent)	148.3	168.4	157.2	150.1	155.5	137.9
Equity to assets ratio (per cent)	42.4	46.6	44.0	42.8	34.9	34.6

Ratios related with the share price

	2017	2016	2015
P/E	32.95	7.49	(14.18)
EPS	0.03	0.11	(0.03)
EV/EBITDA	8.22	4.63	6.82
EV/EBIT	25.70	7.63	(50.38)

Investments

In 2017, the Group's investments in new equipment and new technologies amounted to EUR 849 thousand;

In 2017, the Company's investments in new equipment and technologies amounted to EUR 592 thousand, including transactions within the Group.

In 2017, Šatrija AB invested EUR 148 thousand.

In 2017, MTF Mrija PAT invested EUR 85 thousand.

In 2017, Gotija UAB invested EUR 24 thousand.

8. 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.

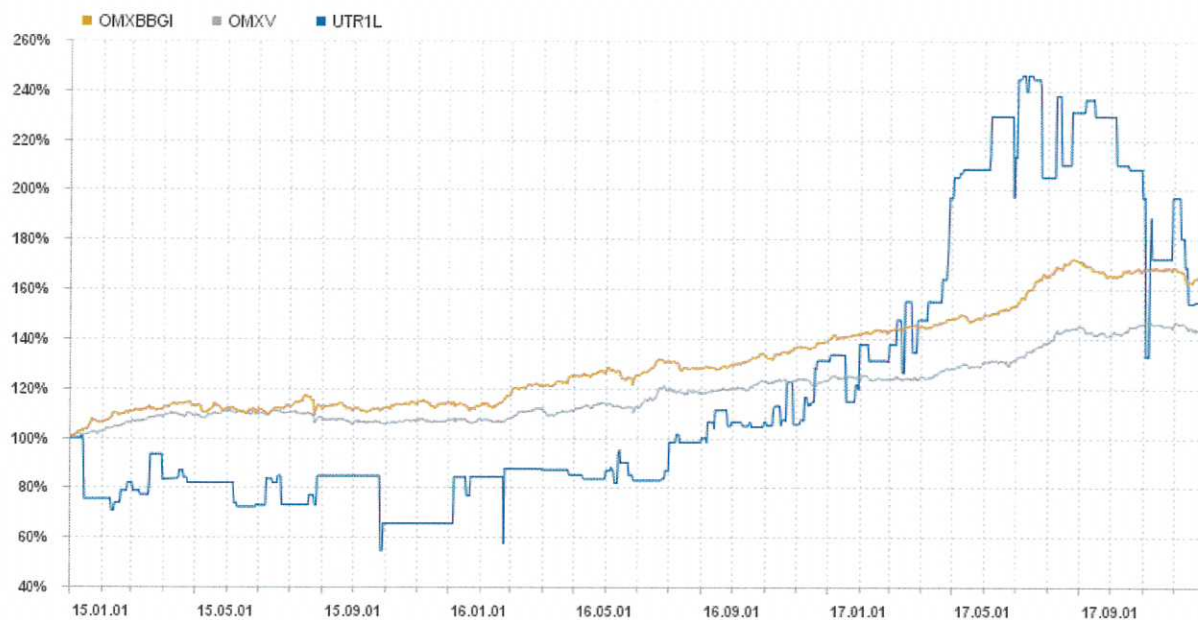
9. Information regarding the price of shares and their dynamics

Utenos Trikotažas AB share price dynamics, 2015-2017 (EUR):



Price ratios	2017	2016	2015
Open price, EUR	0.800	0.400	0.609
High price, EUR	1.500	0.800	0.616
Low price, EUR	0.680	0.351	0.334
Last price, EUR	0.950	0.800	0.400
Traded volume, units	134 721	130 110	56 966
Turnover, million EUR	0.14	0.08	0.03
Capitalisation, million EUR	9.03	7.60	3.80

Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index dynamics, 2015-2017



Index/ Equity	2017.12.31	2016.12.31	2015.12.31	2017/2016 change, %
— OMX Baltic Benchmark GI	944.09	788.17	648.32	19.8↑
— OMX Vilnius	653.29	558.5	485.99	17.0↑
— UTR1L	0.950 EUR	0.800 EUR	0.400 EUR	18.8↑

10. Dividend policy

The decision on dividend distribution for 2017 will be made by the General Meeting of Shareholders, based on the proposal of the Board.

11. Description of its exposure to key risks and contingencies

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 in the 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 meets of 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.

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

All 2017 and 2016 financial data presented in this Annual Report is calculated based on the financial information presented in the Group's and the Company's financial statements for the year 2017, 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.

13. Main features of the Group of Company'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.

14. Corporate social responsibility

AB Utenos trikotažas is the largest Lithuanian knitwear producer, whose production cycle covers the whole process - from the yarn to the finished product and expanding the sales of innovative materials. The goal of the company is to become an innovative leader in the production of knitwear in Europe and an example of a responsible attitude towards the environment and public welfare. Implement innovations for high value-added and new products and increase process flexibility and speed. Maintain a good relationship with existing partners and clients and constantly search for new ones, working flexibly and adapting to the needs of the client.

AB Utenos trikotažas in 2017 officially joined the Greenpeace project "Detox". Entity by 2020 year is committed to eliminating raw materials that could have a negative impact to people or the environment at all stages of the product life, from the start of production and packaging to wearing, washing, sorting and recycling of the product, thus producing products that are safe for the consumer without harming the environment and workers. This is guaranteed by the available certificates and independent auditor audits.

The Company does not tolerate any forms of corruption and is in favor of honest business and transparent cooperation. The risk is reduced by internal controls aimed at identifying potential risk factors for corruption. Information about risk is disclosed in Note 3.1 of the financial statements.

Employees of the company are educated about the importance of social claims, and there is a system of complaints and / or offers in the company that ensures confidentiality and anonymity.

The company complies with the requirements of the legislation in force in the field of environmental protection, labor safety and other fields.

The company is actively involved in the worker trade union, which works closely with the management and simultaneously solves the issues raised by employees.

The Company seeks to continuously improve the conditions of its employees. The employees have the opportunity to exercise free of charge on the sports club located on the premises of the company, subsidized food at the company's canteen.

The company's employees participate in external Lean training, aimed not only at managing and optimizing production processes but also in improving workplaces, encouraging employees to contribute to the improvement of the company's operations, optimization and facilitation of work.

The Company and Group companies take care of environmental protection by controlling the waste generated by the company and the use of electricity.

The Company has replaced all light bulbs used in industrial premises in energy saving bulbs, thus saving energy consumption.

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 June 2017).

In order to meet the customer's expectations in a timely and qualitative manner, within the Group, the Company registers and examines the company's internal problems, ascertaining the reasons for the discrepancies and anticipating the actions to prevent the problem from happening again. In case a claim is received from the client, the claim is registered in the register, the causes of the discrepancies are identified and the preventive actions are envisaged so that the problem does not recur and the customer receives feedback.

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.

The Company and the Group companies comply with the requirements of SA 8000: do not use child labor, provide adequate conditions for the protection of occupational safety and health of workers, guarantee the freedom of workers' organizations, prohibit any discrimination against employees, do not apply and does not encourage physical disciplinary measures, forced labor, adhere to working time regulations, correctly remunerates for work.

The Company and its subsidiary Šatrija AB comply with the provisions of the SA 8000 standard and the subsidiary MTF Mrija has performed a pre-certification SA 8000 standard audit.

15. Information about the Company's own share acquisitions

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

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

- On 23 January 2017, Utenos Trikotažas AB becomes first Lithuanian company to join Greenpeace Detox campaign.
- On 31 January 2017, Utenos Trikotažas AB group sales for 2016.
- On 28 February 2017, announcement of unaudited interim consolidated financial statements of 2016.
- On 4 April 2017, the general meeting of shareholders of Utenos Trikotažas AB was convened. Draft decisions of the Annual General Meeting of Shareholders.
- On 11 April 2017, regarding acquisition of shares of Gotija.
- On 14 April 2017, supplemented agenda of the Annual Shareholders Meeting of AB "Utenos trikotažas" that is to be held on 26 April 2017.
- On 26 April 2017, decisions of the general shareholder meeting were announced.
- On 26 April 2017, annual information 2016.
- On 28 April 2017, announcement of the performance results for the first quarter of 2017.
- On 14 June 2017, presentation at "CEO Meets Investors".
- On 31 July 2017, announcement of the consolidated interim report and the financial statements for a six-month period of 2017.
- On 31 October 2017, announcement of the financial statements for the 9-month period.
- On 13 December 2017, Utenos Trikotažas is Expanding Its Store Network.
- On 29 December 2017, reporting dates in 2018.
- On 28 February 2018, announcement of unaudited interim consolidated financial statements of 2017.

17. The Company's operating plans and objectives

The Group has been fast-growing in 2017 -sales of production and services increased 20.8 per cent in the last quarter compared to the corresponding period in 2016. The positive dynamics of the two-digit growth rate is expected to continue in 2018.

The growth potential of the Group is based on the two Organically Innovative Bases of the Business Strategy: First, all attention is given to meeting the customer's needs for the production of the highest quality products and product innovation, and secondly, the environmental friendliness of the production processes and the consumer are very much taken into consideration. It is especially appreciated by customers in Lithuania and abroad.

The growth of operating volumes allows us to continue to increase capacity, to increase production efficiency, thus addressing the challenges of rising labor costs. Efficiency is one of the key priorities in 2018. It is expected that this will allow not only control costs but also successfully fulfill the growing customer orders.

Priority directions for 2018:

- 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.

18. Research and development activities

The company and the group did not carry out research.

19. Structure of the Issuer's authorised share capital

As at 31 December 2017, 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 (per cent)
Ordinary registered shares	9 503 000	0.29	2 755 870	100.00

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

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

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

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

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

20. Restrictions on disposal of securities

There are no restrictions.

21. Shareholders

As at 31 December 2017, the total number of shareholders of Utenos Trikotažas AB was 1 004.

Information about shareholders is disclosed in Note 1 to the financial statements

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

There are no such shareholders.

23. All restrictions regarding voting rights

There are no restrictions.

24. 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.

25. Personnel

Average number of employees of the Group, by companies:

	2017.12.31	2016.12.31	Change, +/-
Utenos Trikotažas AB	791	750	5.5
Šatrija AB	200	196	2.0
MTF Mrija PAT	166	170	(2.4)
Gotija UAB	4	4	0
	1 161	1 120	3.7

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

	2017	2016	Change (%)
Utenos Trikotažas AB	7 293	6 803	7.2
Šatrija AB	2 039	1 782	14.4
MTF Mrija PAT	479	425	12.7
Gotija UAB	36	38	(4.6)
	9 847	9 048	8.8

The average monthly wages of employees before taxes:

	Group			Company		
	2017	2016	Change, %	2017	2016	Change, %
Workers group						
Managers	1 566	1 374	14.0	1 552	1 256	23.6
Specialists	796	703	13.3	868	754	15.1
Workers	489	484	1.1	582	492	18.3
	588	564	4.3	694	639	8.6

The Company's employee distribution by education (according to 31 December, 2017):

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

26. Management of the Group companies

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

27. Management incentives

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

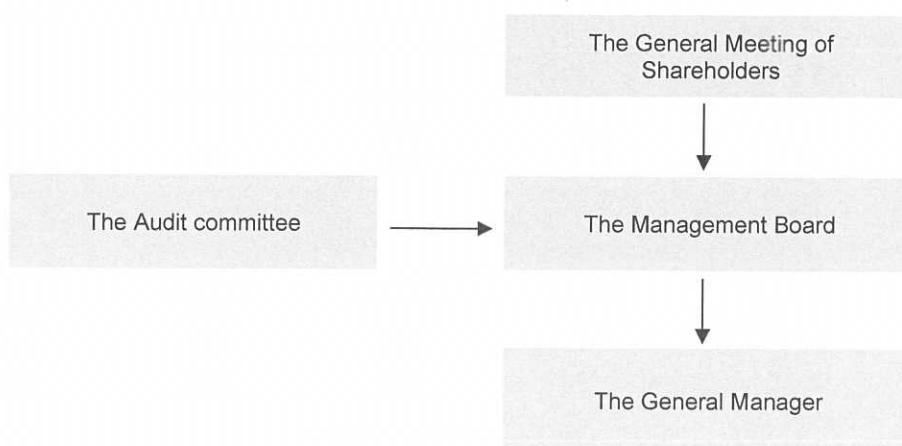
28. Amendment procedure of the Issuer's Articles of Association

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.

2017 and 2016 there were no changes to the Articles of Association.

29. 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, Vytautas Vaškys ir Giedrius Grondskis were elected during the General Meeting of Shareholders on 26 April 2017 for the period until 30 April 2021.

The Audit committee consists of 2 (two) independent members. 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 2017 the Audit committee held 1 meeting (on 13 March 2017) 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 its competency.

The shareholders meeting held on 26 April 2017 confirmed composition of Utenos Trikotažas AB audit committee and operating policies. The shareholders meeting held on 26 April 2017 elected Audit committee members: Arvydas Dalikas and Genadijus Makušėvas.

Genadijus Makušėvas (b. 1959)

Utenos Trikotažas AB independent auditor from 26 April 2017, re-elected for four years term.

Education:

- Vilnius University, Financial Accounting 1980.
- Ministry of Finance of the Republic of Lithuania, Certified Auditor, Certificate No. 000162, 1996;
- Various E&Y, ACCA, Grant Thornton, Mazars, Praxity International Accounting and Audit Standards, Audit Methodology and Management Professional Training Courses.

Workplace:

- 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.

Arvydas Dalikas (b. 1954)

AB Utenos trikotažas has an independent auditor since 2017. April 26, for a four-year term.

Education:

- Vilnius University, 1982, Financial Accounting
- Kaunas Polytechnic, technologist, 1972;
- Vilnius University Vocational Improvement Center, basics of audit profession 1994-1995;
- Ministry of Finance of the Republic of Lithuania, certified auditor, certificate Nr. 000052. 1996;
- Institute of Certified Public Accountants of Ireland, improvement courses, 2010;

Workplace:

- MGI In salvo UAB audit company The partner

Participation in the management of other companies:

- Member of the international audit network "MGI Worldwide" UAB MGI In salvo since 2004;
- Member of the Lithuanian Audit Chamber's Quality Control Committee since 2009;
- Member of the Court of Auditors of the Republic of Lithuania, President 2009-2015;
- JSC "ADKF", general Manager, owner since 1991;
- Kaunas Construction Repair Trust, Restoration Board, Senior Accountant, Centralized Accounting, 1984-1992.

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.

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

As at 31 December 2017:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
Board				
Chairman of the Board	Gintautas Rudis	28	2016.09.05	2021.04.30
Member of the Board	Algirdas Šabūnas	950 300	2016.09.05	2021.04.30
Member of the Board	Vytautas Vaškys	3	2013.04.30	2021.04.30
Member of the Board	Giedrius Grondskis	-	2017.04.26	2021.04.30
Head of Administration and the Chief Financial Officer				
General Manager	Algirdas Šabūnas	950 300	2016.09.06	-
Finance Director	Andrej Grobov	-	2015.02.03	-
The Audit committee				
The independent auditor	Genadijus Makušėvas	-	2013.04.30	2021.04.30
The independent auditor	Arvydas Dalikas	-	2017.04.26	2021.04.30

The Company has not entered into any agreements with members of the organs or employees providing compensation if they would resign or be dismissed without good reason or if their work would end due to the change in the Company's control.

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 26 April 2017. As the chairman of the Board was re-elected on 2 March 2017.

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

Working place:

- Enteco Baltic UAB, CEO.
- Euromodus UAB, CEO.
- Association "Pramonės ir rinkodaros verslo centras" CEO
- Evenmor 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
- Euromodus UAB the general manager
- Association "Pramonės ir rinkodaros verslo centras" the general manager
- Kempingo slėnyje, UAB the chairman of the board

Algirdas Šabūnas (b. 1974)

Member of the board of Utenos trikotažas AB is from 26 April 2017, for a four-year term.

Education:

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

Working place:

- Utenos trikotažas AB, CEO

Participation in the management of other companies:

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

Vytautas Vaškys (b. 1967)

Utenos Trikotažas AB board member from 29 April 2009, re-elected for four years term on 26 April 2017.

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
- Kempingo slėnyje, UAB the chairman of the board
- Kaldera UAB, general Manager

Giedrius Gromskis (b. 1973)

Member of the board of Utenos trikotažas AB from 26 April 2017, for a four-year term..

Education:

- Doctor of the KTU Social Sciences (Administration and Management).

Workplace:

- Šatrija AB, general manager

Participation in the management of other companies:

- Kauno Baldai UAB Member of the Board

In 2017, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2017, the aggregate remuneration of the Company General Manager and the Finance Director amounted to EUR 216.7 thousand.

31. 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.

32. Information about the compliance with the Governance Code

The Companies are guided in accordance with Paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and Paragraph 20.5 of the Trading Rules of the Vilnius Stock Exchange of the Public Company "Vilnius Stock Exchange"; this report discloses compliance with the management code of the companies regulated by the Vilnius Stock Exchange and the specific codes of the companies regulated on the regulated market. its provisions (annex to the annual report).

33. Information about transactions with related parties

Results of transactions with related parties performed in 2017 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2017.

34. 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 and on the website of the Vilnius Stock Exchange at www.baltic.omxgroup.com.

35. Company's auditor

AB Utenos Trikotažas Audit of the Financial Statements for 2017 and 2016 An agreement with ERNST & YOUNG BALTIC UAB (identification code 110878442, the registered address: Subačiaus str. 7, Vilnius). The annual remuneration for the audit services EUR is 15.300 (fifteen thousand three hundred euros) plus VAT.

36. General information on the Group of companies

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

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

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

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

36.2. 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.

37. 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.

38. Diversity policy

Diversity policy applies to the election of members of the company's management, management and supervisory bodies. The top-level team should, depending on the law, be made up of sufficient diversity, including, for example, gender, age, geographical origin, education and work experience.

39. Corporate governance

Information is prepared in accordance with the Law of the Republic of Lithuania on Companies Financial Reporting Law (IX575), effective from 29.11.2017, applicable to annual reports of companies reporting periods beginning on or after 1st of January 2017).

39.1 A reference to the applicable Corporate Governance Code and where it is publicly disclosed and / or by reference to the publicly available complete information on corporate governance practices

The Company provides information on compliance with the applicable Corporate Governance Code in 2017. in the annex to the consolidated annual report. The company publishes its annual reports on the webpage in Investors section.

39.2 If the provisions of the applicable Corporate Governance Code are divergent and / or non-compliant, the provisions for which the derogations and / or non-compliance and the reasons

The company publishes this information in 2017. in the Appendix to the consolidated report to the Annual Report on Compliance with the Corporate Governance Code, "Yes / No / Not applicable" and "Comment"

39.3 Information on risk scale and risk management - Description of risk management related to the financial statements, risk mitigation measures and the company's internal control system

The preparation of the Company's consolidated financial statements, internal control and financial risk management systems, compliance with the legislation regulating the preparation of consolidated financial statements are monitored by the Audit Committee.

The Company is responsible for the supervision and final oversight of the preparation of consolidated financial statements. The Company is constantly reviewing International Financial Reporting Standards (IFRS) to ensure timely implementation of all IFRS developments in the financial statements, analyze transactions that are significant to the Company's and the Group's activities, ensure collection of information from the Group companies, and timely and correct processing and preparation of that information for the financial statements, periodically informing The Board of the Company on the progress of preparation of financial statements.

39.4 Information on significant direct or indirect holding of shares

Information on significant direct or indirect holding of shares is disclosed in note 1 of 2017 financial statements of the Groups and the Company

39.5 Information on shareholders with specific control rights and a description of these rights

The company does not have shareholders with special control rights.

39.6 Information on all existing limitations of voting rights, such as a certain percentage of votes or the number of persons entitled to vote, restrictions on the use of voting rights or systems in which the property rights granted by the securities are separated from the holder of the securities

The Company does not impose any restrictions on rights.

39.7 Information on the rules governing the election and amendment of board members, as well as changes to the articles of association of the company

The Company does not have the rules governing the election and amendment of Board members. The Board of the Company acts in accordance with the Law on Companies, the Articles of Association of the Company, the Rules of Procedure of the Board and other legal acts. The members of the Board are always working to benefit the Company and its shareholders.

The procedure for changing the Company's Articles of Association does not differ from the Law on Company's

39.8 Information on the powers of the members of the Board.

The members of the Board of the Company act in accordance with the Law on Companies, the Articles of Association, the Rules of Procedure of the Board and other legal acts, and do not have special powers. The members of the Board are always working to benefit the Company and its shareholders.

39.9 Information on the competence of the general meeting of shareholders, the rights of shareholders and their implementation, if this information is not provided by law

The company provides information about the competence of the general meeting, the shareholders' rights and their implementation, as well as the organization of meetings of shareholders present in 2017. in the annex of the consolidated annual report.

39.10 Information on the composition of management, supervisory bodies and their committees, and their areas of activity

The company provides information on the members of the company's board, the director in 2017. In the notes 26, 29, 30 of the consolidate annual report, which outline the scope of the management's activities, mention is made of other important information related to the positions held.

39.11 Election of members of the company's manager, management and supervisory bodies is subject to diversity policies related to aspects such as age, gender, education, professional experience, description of the objectives, policy objectives, methods and results of this policy during the reporting period. If the diversity policy does not apply, the reasons for non-application are explained

The election of the members of the Board of Directors and the Head of the Company is subject to the diversity policy.

39.12 Information on the remuneration of each member of the management and supervisory body (average salaries paid during the reporting period, with separate mention of bonuses, bonuses, bonuses and other payments)

The members of the Board of the Company for the four-year term are elected at the shareholders' meeting and no employment contracts are concluded with them as they represent shareholders and are not employees of the Company. On the basis of the decision of the Annual General Meeting of Shareholders, annual payments (tandems) to the members of the Management Board for the work of the Board may be approved by approving the profit distribution report. The Company did not issue loans to members of the management bodies, did not provide guarantees and guarantees to ensure the fulfillment of their obligations.

The Board approves the main terms of the employment contract of the team members. Information on the remuneration paid to the directors of the Company and the Group is disclosed in Note 25 of the financial statements of the Company and the Group.

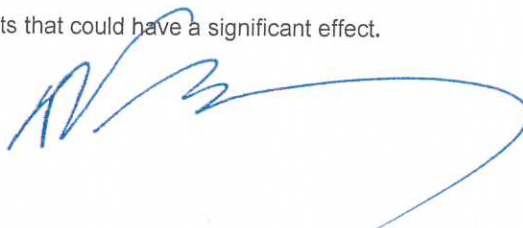
39.13 Information on all agreements between shareholders (their essence, conditions).

The shareholders of the company have no mutual agreements.

40. Subsequent sheet events

There were no significant subsequent events that could have a significant effect.

General Manager Algirdas Šabūnas



28 March 2018

Article I. APPENDIX TO THE ANNUAL REPORT

Article II. **UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2017**

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 APPLIC ABLE	COMMENTARY
Principle I: Basic Provisions		
The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Relevant matters are made public in the Company's internet site www.ut.lt and on the website of the Stock Exchange.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Every year the Company's board approves the plans of operation containing the description of the Company's development strategy for 2-3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation. The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the board, audit committee and chief executive officer (the supervisory board has not been set up).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has a collective employment contract in place. The board every quarter review employee related social questions.
Principle II: The corporate governance framework		
The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The supervisory board has not been set up, however, the general meeting of shareholders has elected the board. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions described in the recommendation are fulfilled at the Company by a collegial management body – the board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Only one collegial body has been set up 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 head of the company is not the chairman of the board
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	There are no non-executive directors and the supervisory board.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company is in compliance with this recommendation. The Company has not set up the supervisory board, and the chairman of the board has never been in the past and currently is not the Company's chief executive officer.

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

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

3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	A collegial management body is set up in accordance with the requirements of the Lithuanian Law on Companies, and the shareholders are notified of candidates to become members of the Company's collegial management body.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	This information on candidates to the board was disclosed to the shareholders together with the notification on convening the general meeting of shareholders (in accordance with the requirements of the Lithuanian Law on Companies), which involved the election of members to the board, and the agenda of the general meeting of shareholders.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information published about the board members in the annual report: education, occupation, participation in the management of the other companies

<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	Yes	<p>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.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	Yes	<p>Newly appointed members by collegial body are acquainted with their duties, the company's organization and operations.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>	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>3.7. 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"> 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1); 	No	<p>All members of the Management Board work in the companies related with the controlling shareholder.</p>

<p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>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	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
<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	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
<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	During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.
<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	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. Information is disclosed in Note 25 to the financial statements.

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

<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<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>	<p>Yes</p>	<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>	<p>Yes</p>	<p>The Audit committee is composed of 2 independent members.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>No</p>	<p>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>	<p>Yes</p>	<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"> 1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) Properly consider issues related to succession planning; 5) Review the policy of the management bodies for selection and appointment of senior management. <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>	<p>No</p>	<p>There is no Nomination Committee.</p>
<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"> 1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ol style="list-style-type: none"> 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; 	<p>No</p>	<p>There is no Remuneration Committee.</p>

<p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <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> <p>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);</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <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>Yes</p>	<p>The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.</p>

<p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <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.

<p>5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.</p>	Yes	No comments.
<p>5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-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.</p>	Not applicable	Not applicable, since only the board has been set up.
<p>Principle VI: The equitable treatment of shareholders and shareholder rights</p>		
<p>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.</p>		
<p>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.</p>	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
<p>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.</p>	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
<p>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.</p>	No	The Company is in compliance with the Law on Companies and its Articles of Association.
<p>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.</p>	Yes	No comments.
<p>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.</p>	Yes	The Company is in compliance with the Law on Companies and its Articles of Association.
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	No comments.

<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	<p>No</p>	<p>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.</p>
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<p>Principle VII: The avoidance of conflicts of interest and their disclosure</p>		
<p>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	<p>Yes</p>	
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	<p>Yes</p>	<p>No comments.</p>
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p>	<p>Yes</p>	
<p>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.</p>	<p>Yes</p>	<p>No comments.</p>

<p>Principle VIII: Company's remuneration policy</p>		
<p>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.</p>	<p>No</p>	<p>The Company's remuneration policy is approved by the board.</p>
<p>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.</p>	<p>No</p>	<p>The remuneration statement is neither prepared nor made public in a form as set forth herein.</p>

<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) Sufficient information on the linkage between the remuneration and performance; 4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 5) A description of the main characteristics of supplementary pension or early retirement schemes for directors. 	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<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"> 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) The remuneration and advantages received from any undertaking belonging to the same group; 3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. <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"> 1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

<p>2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.7.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	Not applicable	
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <p>1) Grant of share-based schemes, including share options, to directors;</p> <p>2) Determination of maximum number of shares and main conditions of share granting;</p> <p>3) The term within which options can be exercised;</p> <p>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</p> <p>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	Not applicable	
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Not applicable	

<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	<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>		

Principle X: Information disclosure and transparency

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

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. <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>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>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>	<p>Yes</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 and 10.4 are 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>	<p>Yes</p>	<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>	<p>Yes</p>	<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>	<p>Yes</p>	<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	