

AB UTENOS TRIKOTAŽAS AUDIT COMMITTEE ACTIVITY REPORT FOR 2016

14 March 2017

INTRODUCTORY PART

AB Utenos Trikotažas (hereinafter - "**Company**") audit committee (hereinafter - "**Committee**") was elected for a period of 4 (four) years during the Company's ordinary general meeting of shareholders held on 30 April 2013.

3 (three) members worked in the Committee during the reporting period, one of which is independent:

1. Jolanta Grašienė;
2. Giedrius Grondskis;
3. Genadijus Makušėvas (independent member).

When carrying out its activities, the Committee follows regulations approved by the Company's ordinary general meeting of shareholders on 29 April 2009, which define the Committee's rights and obligations, composition, membership period, the education level of its members, professional experience requirements, the principles of independence applied to an independent member of the Committee, and other matters related to Committee formation and organization of its work (hereinafter - "**Regulations**").

Regulations establish the Committee's main functions:

1. monitor the Company's financial statement preparation process;
2. monitor the effectiveness of the Company's internal control, risk management and internal audit (if such is carried out in the Company) systems,
3. monitor the Company's audit performance process;
4. monitor how the auditor and the audit firm are following the principles of independence and objectivity;
5. provide written recommendations to the Company's Board regarding the proposal of the candidacy of an audit firm to be elected by the general meeting of shareholders;
6. immediately inform the head of the Company on the information provided to the Committee by the audit firm regarding audit related problematic issues, particularly if any significant control deficiencies, related to financial statements, are found.

ISSUES RELATED TO THE ORGANIZATION OF THE COMMITTEE'S WORK

Meetings of the Committee are convened when necessary. During the reporting period of 2016, the Committee held 1(one) meeting (on 18 March 2016) and 1 (one) meeting at the end of the reporting period of 2016 (on 13 March 2017), on which issues falling within the competence of the Committee were addressed.

REVISION OF COMMITTEE MEMBER COMPLIANCE TO THE REQUIREMENTS OF THE RULES

By following section III of the Regulations, on 5 December 2013, members of the Committee carried out a revision of their compliance to the requirements of the Regulations. An assessment of the independence of the independent member of the Committee Genadijus Makušėvas was carried out during the revision, which enabled to determine whether the independent member complies with all the necessary requirements. Genadijus Makušėvas confirmed his independence with a signature.

The main criteria for determining whether a Committee member can be considered as independent are as follows:

1. such person cannot be the head of the Company and a related company (company's sole management body), and cannot have held such a position within the past 5 (five) years;
2. such person cannot be the employee of the Company and a related company, and cannot have held such a position within the past 3 (three) years;
3. such person cannot receive and could not have received significant additional remuneration from the Company and a related company, excluding remuneration for the position of a Committee member;
4. such person cannot be a controlling shareholder, and should not represent such a shareholder;
5. such person cannot have and, over the past year, could not have established significant business relations with the Company or a related company nor directly, nor as a shareholder, executive, administrative employee or partner of an undertaking who established such relations. An undertaking shall be considered as having business relations if it is a significant supplier of goods and services (including financial, legal, advisory and consulting services), or a significant client or organization which receives significant payments from the Company or its group;
6. it cannot be and could not have been a partner or employee of the current or previous audit firm of the Company and related company over the past 3 (three) years.
7. it could not have been holding the position of a member of the Company's Committee for longer than 12 years;
8. it cannot have close family relations with the head of the Company or persons indicated in subparagraph 2.1-2.6. A close family member shall be considered a spouse (cohabitant), children and parents.

A company related to the Company shall be considered as a company which:

1. directly or indirectly controls the Company, or is controlled by it;
2. can have a significant impact on the Company;
3. jointly controls the Company under a joint venture agreement;
4. is controlled by the same legal entity or natural person (or their group) as the Company;
5. is an associated company;
6. is controlled under a joint venture agreement;
7. is a company that accumulates pensions and other payments, and pays them out at end of service.

During the revision, it was found that the qualifications and experience of all members of the Committee comply with the requirements arising from the Regulations (persons with the necessary qualifications are considered those with a university degree in economics, finance or law, and (or) those who have the aforesaid professional experience; an independent member of the audit committee must have a university degree in economics, finance or law, and at least 5 (five) years of work experience in the field of accounting or audit).

PROVISION OF RECOMMENDATIONS

ON THE AGREEMENT WITH THE AUDIT FIRM

By following paragraph 1.5. of section IV of the Regulations, the Committee shall provide recommendations to the Company's Board regarding the proposal of the candidacy of an audit firm to be elected by the general meeting of shareholders. On 13 March 2017, the Committee recommended the Company's Board to extend the audit service agreement, signed on 29 May 2015 with UAB Ernst & Young Baltic (hereinafter - "EY"), for 2017 under the same conditions.

ON THE PROVISION OF ANNUAL FINANCIAL STATEMENTS TO BE APPROVED BY THE SHAREHOLDERS

On 13 March 2017, the Committee prepared a recommendation for the Company's Board regarding the annual financial statements of 2016. In its recommendation, the Committee proposed the Company's Board to provide audited annual financial statements of 2016 to be approved by the Company's shareholders. Before providing the recommendation to the board, members of the Committee have familiarized themselves with the audited annual financial statements, analysed the information provided by the Company's Director of Finance Andrejus Grobovas regarding the process of preparation of the annual financial statements of 2016, familiarized themselves with information provided by EY auditors regarding the audit of annual financial statements of 2016 and related issues, observed the auditing process and analysed whether the auditors followed the principles of independence and objectivity.

EFFECTIVENESS OF THE INTERNAL AUDIT SYSTEM

Since there is no internal audit function in the Company, the Committee was not able to assess the effectiveness of this system. The Committee recommends to implement this function or purchase internal audit services from external providers.

Audit committee members:

Jolanta Grašienė _____

Giedrius Grondskis _____

Genadijus Makušėvas _____