



UTENOS TRIKOTAŽAS AB
CONSOLIDATED ANNUAL REPORT
ENDED 31 DECEMBER 2016

1. Reporting period covered by the Annual Report

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

All amounts in the Annual Report presented as at 31 December 2016, unless otherwise stated. Further in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

2. Issuer and its contact data

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

3. Nature of the Issuer's operations

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

The Company's profile of activities:

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

4. Agreements with intermediaries of securities' public turnover

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

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

5. Key performance indicators of the Group

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

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

Financial ratios

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

Relative ratios

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

Operating figures

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

Ratios related with the share price

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

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

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

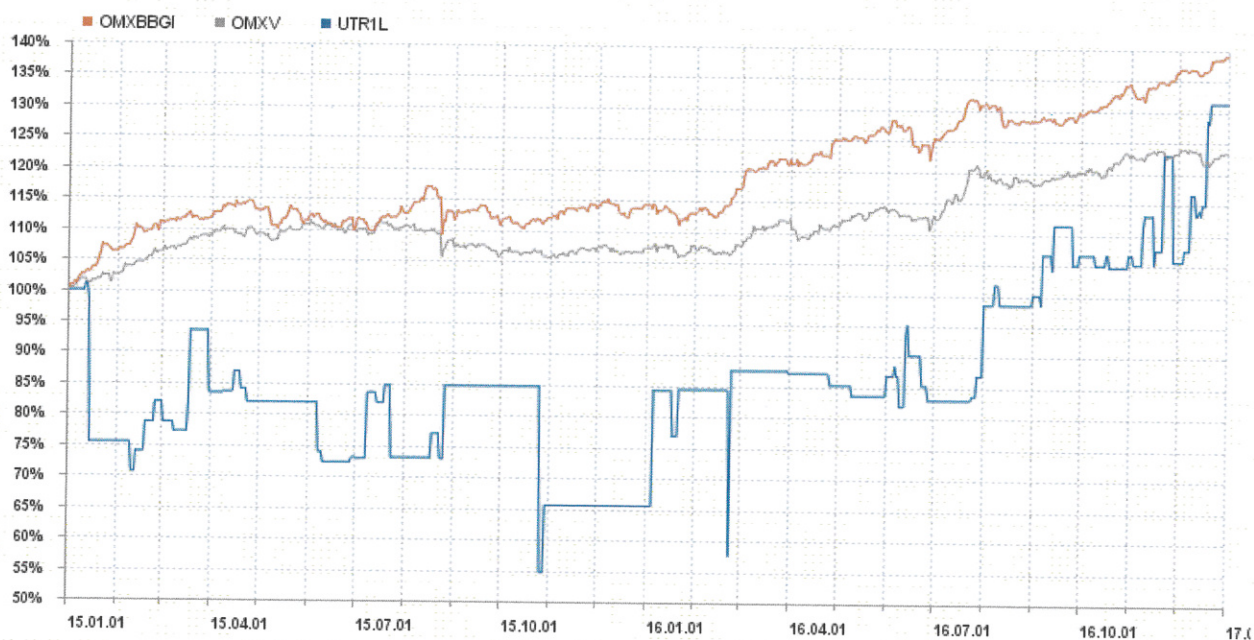
7. Information regarding the price of shares and their dynamics

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



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

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



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

8. Dividend policy

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

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

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

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

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

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

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

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

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

Revenue (EUR '000)

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

EBITDA (EUR '000)

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

Sales by regions

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

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

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

Lithuania

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

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

Export

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

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

Trade

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

Production

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

Production (units '000)

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

Investments

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

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

In 2016, Šatrija AB invested EUR 56 thousand.

In 2016, MTF Mrija PAT invested EUR 40 thousand.

In 2016, Gotija UAB had no investments.

Risk factors related to the Issuer's operations

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

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

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

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

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

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

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

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

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

All 2016 and 2015 financial data presented in this Annual Report is calculated based on the financial information presented in the Group's financial statements for the year 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the EU. These financial statements were audited by the auditor assigned under established procedure.

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

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

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

12. Social responsibility

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

SA 8000 standard objectives:

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

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

Social responsibility (SA 8000) standard demands:

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

13. Information about the Company's own share acquisitions

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

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

On 29 February 2016, announcement of unaudited interim consolidated financial statements of 2015.

On 7 April 2016, the general meeting of shareholders of Utenos Trikotažas AB was convened. Draft decisions of the Annual General Meeting of Shareholders.

On 29 April 2016, decisions of the general shareholder meeting were announced.

On 29 April 2016, annual information 2015.

On 29 April 2016, announcement of the performance results for the first quarter of 2016.

On 13 June 2016, notification on the acquisition of a block of shares. SBA Concern has acquired 24.94% of shares of Utenos Trikotažas AB.

On 14 June 2016, notification about disposal of voting rights. Investment Funds concluded a transaction regarding sale of 24.94% of shares of Utenos Trikotažas AB.

On 14 June 2016, Robertas Berzinskas officially resigned from the board of Utenos Trikotazas AB.

On 29 July 2016, announcement of the consolidated interim report and the financial statements for a six-month period of 2016.

On 6 September 2016, A.Šabūnas acquired 10% of Utenos Trikotažas AB shares.

On 6 September 2016, notification and public disclosure of transactions by persons discharging managerial responsibilities in Utenos trikotažas AB.

On 6 September 2016, announcement of change of managing director of Utenos Trikotažas AB.

On 6 September 2016, notification and public disclosure of transactions by persons discharging managerial responsibilities in Utenos trikotažas AB.

On 6 September 2016, Comment of Utenos Trikotažas AB on material events.

On 31 October 2016, announcement of the financial statements for the 9-month period.

On 23 December 2016, announcement of publishing terms of the interim reports and audited consolidated report in 2017.

On 23 January 2017, Utenos Trikotažas AB becomes first Lithuanian company to join Greenpeace Detox campaign.

On 31 January 2017, Utenos Trikotažas AB group reports 20.5 pct increase in sales for 2016.

On 28 February 2017, announcement of unaudited interim consolidated financial statements of 2016.

15. The Company's operating plans and objectives

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

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

Priority directions for 2017:

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

16. Structure of the Issuer's authorised share capital

As at 31 December 2016, the Company's authorised share capital was comprised of 9 503 000 ordinary registered shares with a nominal value of EUR 0.29 each.

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

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

All shares of Utenos Trikotažas AB are fully paid.

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

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

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

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

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

17. Restrictions on disposal of securities

There are no restrictions.

18. Shareholders

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

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

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

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

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

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

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

| | Registered address | Group's share (%) | Activity |
|---------------|------------------------------------|---------------------------------|--------------------------------|
| | | as of 31 December 2016 and 2015 | |
| Šatrija AB | Vilniaus Str. 5, Raseiniai | 89.78 | Sewing of clothes |
| Gotija UAB | Laisvės Str. 33, Kaunas | 90.50 | Retail trade |
| MTF Mrija PAT | Motroso Str. 13, Mukačiov, Ukraine | 98.95 | Production of knitted articles |

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

There are no such shareholders.

20. All restrictions regarding voting rights

There are no restrictions.

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

There are no such agreements.

22. Personnel

Average number of employees of the Group, by companies:

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

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

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

The average monthly wages of employees before taxes:

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

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

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

23. Management of the Group companies

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

24. Management incentives

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

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

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

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

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

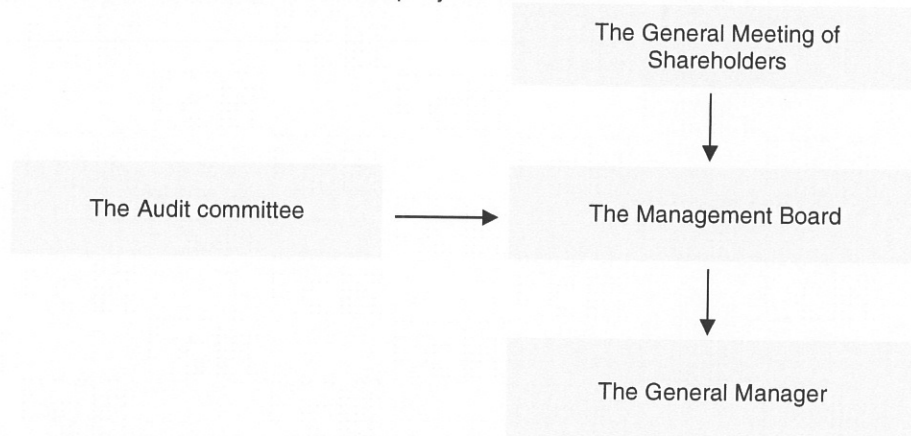
Hereby announces that on 14 January 2015, the procedure of the increase of Company's authorized capital was completed and Company's ordinary registered shares' issue registration account was amended: issue was increased to 9 503 000 ordinary registered shares of EUR 0.29 par value each (the previously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

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

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

26. Issuer's management bodies

The management bodies of the Company are listed below:



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

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

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

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

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

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

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

In 2016 the Audit committee held 1 meeting (on 18 March 2016) and 1 meeting after the end of 2016 financial year (on 13 March 2017). During the meetings The Audit Committee considered the questions which fall under its competency.

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

Genadijus Makušėvas (b. 1959)

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

Education:

- Vilnius University, Financial Accounting (1980).

Workingplace:

- Grant Thornton Baltic UAB General Manager, auditor.

Participation in the management of other companies:

- Chairman of the Board of Grant Thornton Baltic UAB;
- Member of the Board of Association of Lithuanian accounting companies,
- Member of the Presidium of Lithuanian Chamber of Auditors.

Jolanta Grašienė (b. 1976)

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

Education:

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

Working place:

- Koncernas SBA UAB, Finance Director.

Participation in the management of other companies:

- Member of the Board in SBA Baldų kompanija UAB,
- Novomebel ZAO, UAB,
- Urban Inventors", UAB,
- Capitalica asset management the chairman of the board.

Giedrius Grondskis (b. 1973)

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

Education:

- Kaunas University of Technology, Master degree in Management.

Working place:

- General Manager of Šatrija AB.

Participation in the management of other companies:

- Kauno baldai, UAB.

The Duties of the Audit Committee:

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

Audit committee rights:

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

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

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

As at 31 December 2016:

| Position | Name, surname | Number of the Issuer's shares held | Beginning of the term of office | End of the term of office |
|---|---------------------|------------------------------------|---------------------------------|---------------------------|
| Board | | | | |
| Chairman of the Board | Algirdas Šabūnas | 950 300 | 2013.04.30 | 2016.09.05 |
| Chairman of the Board | Gintautas Rudis | 28 | 2016.09.05 | 2017.04.30 |
| Member of the Board | Gintautas Rudis | 28 | 2013.04.30 | 2016.09.05 |
| Member of the Board | Algirdas Šabūnas | 950 300 | 2016.09.05 | 2017.04.30 |
| Member of the Board | Robertas Beržinskis | - | 2013.04.30 | 2016.06.09 |
| Member of the Board | Vytautas Vaškys | 3 | 2013.04.30 | 2017.04.30 |
| Head of Administration and the Chief Financial Officer | | | | |
| General Manager | Algirdas Šabūnas | 950 300 | 2016.09.06 | - |
| General Manager | Eimundas Mačiulis | - | 2015.09.10 | 2016.09.05 |
| Finance Director | Andrej Grobov | - | 2015.02.03 | - |
| The Audit committee | | | | |
| The independent auditor | Genadijus Makušėvas | - | 2013.04.30 | 2017.04.30 |
| Member of the audit committee | Jolanta Grašienė | 3 | 2013.04.30 | 2017.04.30 |
| Member of the audit committee | Giedrius Grondskis | - | 2013.04.30 | 2017.04.30 |

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

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

Information about board members:

Gintautas Rudis (b. 1963)

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

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

Working place:

- Enteco Baltic UAB, CEO.

Participation in the management of other companies:

- Utenos trikotažas AB the chairman of the board
- Koncernas SBA UAB, the board member
- Urban Inventors UAB, the board member
- Šatrija AB, the board member
- Kauno baldai AB, the chairman of the supervisory board
- Šilutės baldai AB, the supervisory board
- Euromodus UAB the chairman of the board
- Enteco Baltic UAB the general manager

Algirdas Šabūnas (b. 1974)

Utenos Trikotažas AB chairman of the Board from 26 April 2007, re-elected for four years term on 30 April 2013. As the chairman of the Board was re-elected on 8 May 2013. As the board member on 5 September 2016.

Education:

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

Working place:

- Utenos trikotažas AB, general manager.

Participation in the management of other companies:

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

Vytautas Vaškys (b. 1967)

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

Education:

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

Working place:

- Koncernas SBA UAB, business risks director.

Participation in the management of other companies:

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

In 2016, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2016, the aggregate remuneration of the Company General Manager and the Finance Director amounted to EUR 194.8 thousand.

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

28. Information about significant agreements

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

29. Information about the compliance with the Governance Code

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

30. Information about transactions with related parties

Results of transactions with related parties performed in 2016 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2016.

31. Data on publicly announced information

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

32. Company's auditor

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

33. General information on the Group of companies

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

| | |
|---------------------------------|--|
| Company name | 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 clothes |

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

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

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

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

General Manager Algirdas Šabūnas



23 March 2017

APPENDIX TO THE ANNUAL REPORT
UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2016

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

| PRINCIPLES/ RECOMMENDATIONS | YES/NO/ NOT 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 Company's chief executive officer and the chairman of the board is not one and the same person. |
| 2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board. | Not applicable | There are no non-executive directors and the supervisory board. |
| 2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision. | Yes | The Company is in compliance with this recommendation. The Company has not set up the supervisory board, and the chairman of the board has never been in the past and currently is not the Company's chief executive officer. |

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

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

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

| | | |
|--|-----|---|
| <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>3 out of 4 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. |

| 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. |

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| <p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p> | No | <p>During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.</p> <p>The rights and duties of the audit committee are provided in the audit committee's regulations, confirmed during shareholder meeting 30 April 2013.</p> |
| <p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p> | Yes | <p>The Audit Committee acts in accordance with the approved regulations of the Audit Committee.</p> |
| <p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p> | No | <p>The Audit committee is composed of 3 members (one of them is independent).</p> |
| <p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p> | No | <p>Yes. The Audit Committee acts in accordance with the approved regulations of the Audit Committee.</p> <p>The annual report does not include committee's reports.</p> |
| <p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p> | Yes | <p>Yes. The audit committee has the right to invite the Company's Manager, members of the Board, the Chief Financier, other employees responsible for finances, as well as external auditors to attend its meetings.</p> |

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| <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> | No | There is no Nomination Committee. |
| <p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> 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; 2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; | No | There is no Remuneration Committee. |

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| <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> | | |
| <p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> 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); 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; 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; 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; 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; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> | <p>Yes</p> | <p>The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.</p> |

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| <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.

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| <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. |

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| <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. |

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| <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> | No | <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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Principle VII: The avoidance of conflicts of interest and their disclosure

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

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| <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> | Yes | No comments. |
| <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> | Yes | |
| <p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.</p> | Yes | |
| <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> | Yes | |

Principle VIII: Company's remuneration policy

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

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| <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> | No | <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> | No | <p>The remuneration statement is neither prepared nor made public in a form as set forth herein.</p> |

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| <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; 2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the | No | The remuneration statement is neither prepared nor made public in a form as set forth herein. |

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

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| <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.

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| <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 | | |
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| 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>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p> | Yes | <p>All information, except for certain items (see the note below), is disclosed in the Company's annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange.</p> <p>Note:</p> <p>The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, chief executive officer of the Company (remuneration is not disclosed).</p> <p>Information mentioned in recommendation item 10.3 is not disclosed.</p> |
| <p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p> | Yes | Information is posted on the websites of the Vilnius Stock Exchange and the Company. |
| <p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p> | Yes | Information is posted on the websites of the Vilnius Stock Exchange and the Company. |
| <p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p> | Yes | This information is available on the websites of the Stock Exchange and the Company. |

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