Dokumentą elektroniniu parašu pasirašė REDA,KUČINSKIENĖ Data: 2020-03-30 20:32:27

Dokumentą elektroniniu parašu pasirašė PETRAS,JAŠINSKAS Data: 2020-03-30 20:34:17

UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENT

Building a better
working world

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VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Utenos Trikotažas

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

Opinion

We have audited the accompanying separate financial statements of AB Utenos Trikotažas, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Utenos Trikotažas and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matters

Recoverability of investment, loans granted and receivables from subsidiary (Company's separate financial statements)

Investment and loans granted to subsidiary Mrija PAT MTF and receivables from the subsidiary before impairment allowance amount to EUR 7.082 thousand and after impairment allowance to EUR 2.000 thousand in the statements of financial position of the Company as of 31 December 2019. The Company's management performed an impairment test of these assets as disclosed in Note 4 to the financial statements. No additional impairment or reversal of impairment was determined and accounted for in year 2019.

This annual impairment test was significant to our audit as:

- it involves management judgment in making the assumptions related to cash flows forecasts and discount rate estimation based on which the value in use is calculated for the recoverable value of the investment impairment test,
- it involves management judgment in making the assumptions related to Mrija PAT MTF fair value less costs of disposal estimation, which is based on the net assets valuation of this subsidiary as it its disclosed in Note 4 and,
- it involves management judgment in making the assumptions related to impairment of loans granted and receivables from Mrija PAT MTF based on expected credit loss (hereinafter – ECL) model of IFRS 9, Financial instruments, as disclosed in Note 2.11 to the financial statements.

Furthermore, the investments, loans granted and related trade receivables after impairment allowance represent 10% of the total assets of the Company as of 31 December 2019.

How the matter was addressed in the audit

We gained an understanding of how management evaluate recoverability of investments, impairment of loans granted and trade receivables from subsidiaries. Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Company to evaluate the recoverable amount (higher of fair value less costs of disposal and value in use) and expected credit losses estimation.

To evaluate the assumptions made by the management in their estimation of value in use we involved a valuation specialist to assist us with the assessment of the discount rate and the methodology of the discounted cashflow model used by the management in performing the impairment test. We considered other key assumptions used by the management in the estimation of cash flows forecasts by comparing revenues and costs to historical performance levels and growth rates. We assessed whether future cash flows were based on the strategic and business plans and other relevant developments in the business of the cash generating unit (hereinafter - CGU).

We discussed with the management and gained an understanding of the main assumptions applied in Mrija PAT MTF net assets valuation. We assessed if fair value estimate of Mrija PAT MTF assets and liabilities was made in accordance with the requirements set in International financial reporting standard 13, Fair value measurement.

As the main part of Mrija PAT MTF assets is real estate – buildings, in evaluation of management's assumptions related to estimation of the fair value we have reviewed the analysis of changes in real estate market prices in Ukrainian Transcarpathian region performed by independent valuator and inspected if there were no significant changes in value in year 2019 and values estimated as at 31 December 2018 corresponds to market values. We assessed the competence, objectivity and independence of the independent valuator.

We discussed with the management and gained an understanding of the key components of estimated disposal costs and the assumptions used to determine their value.

We involved EY valuation specialist who assisted us in determining whether the estimation of Mrija PAT MTF recoverable value was performed in accordance with the requirements set in International accounting standard 36 Impairment of assets.

Key audit matters	How the matter was addressed in the audit
Recoverability of investment, loans granted and receivables from subsidiary (Company's separate financial statements)	We have assessed the key inputs used in the ECL model (probability of default, loss given default and exposure at default) when estimating impairment for loans granted and accounts receivable from subsidiary and considered consistency of the assumptions used by the management with the assumptions used in determination of the CGU's recoverable value. We tested the sensitivity in the available headroom of the CGU considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. Finally, we evaluated the adequacy of the Company's disclosures included in Note 4 about the assumptions used in the impairment test and the outcome of the test.
Inventory net realizable value and allowance for obsolescence (Company's separate and consolidated financial statements)	
Inventories of the Company and the Group amount to EUR 7,085 thousand and EUR 7,555 thousand respectively before impairment allowance and to EUR 6,665 thousand and EUR 6.518 thousand, respectively, after impairment allowance in the statements of financial position as of 31 December 2019. This is significant matter to our audit since it is a material amount for the Company and the Group comprising respectively 31% and 29 % of the Company's and the Group's total assets, and it requires management judgment in assessing if the carrying amount of inventories is lower than the net realizable value at year-end. There is also management judgment required in determining inventory obsolescence allowance based on obsolescence rates and assessing if the impairment allowance level is adequate as disclosed in Note 10 of the accompanying financial statements.	Our audit procedures included, among others, gaining an understanding of how management evaluates inventory net realizable value and allowance for obsolescence. We have reviewed calculations of inventory net realizable value, which was performed by the management of the Group and the Company based on review of subsequent sales after the year-end. We have also analyzed obsolescence data and rates applied in calculations of allowance and compared the inventory obsolescence allowance to the Company's and the Group's historic figures. We have also tested controls over inventory count and observed the procedure for obsolete or damaged inventories identification. Finally, we have evaluated the adequacy of the Group's and the Company's disclosures included in Note 10.

Other information

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

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

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

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

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

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment and approval of the auditor

In accordance with the decision made by Shareholders we have been appointed to carry out the audit of Company's financial statements and Group's consolidated financial statements the first time on 18 April 2011. Our appointment to carry out the audit of Company's financial statements and Group's consolidated financial statements in accordance with the decision made by Shareholders has been renewed annually and the period of total uninterrupted engagement is 9 years.

Consistency with the audit report submitted to the audit committee

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

Non audit services

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

Throughout our audit engagement period, we have not provided to the Company and the Group any other services except for the audit of the financial statements and translation services (note 21).

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

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

Asta Štreimikienė
Auditor's licence
No. 000382

30 March 2020

(All amounts are in EUR thousand, unless otherwise stated)

Statements of Financial Position

	Notes	Group As at 31 December		Company As at 31 December	
		2019	**2018**	**2019**	**2018**
ASSETS					
Non-current assets					
Intangible assets	6	548	655	145	249
Property, plant and equipment	7	10,350	9,661	6,507	6,130
Right-of-use assets	17	802	-	365	-
Investment property	8	114	90	114	90
Investments in subsidiaries	9	-	-	1,553	1,550
Receivables from subsidiaries	26	-	-	1,126	1,055
Prepayments to subsidiaries	26	-	-	874	733
Deferred income tax asset:	24	96	104	-	-
		11,910	**10,510**	**10,684**	**9,807**
Current assets					
Inventories	10	6,665	5,827	6,518	5,678
Trade receivables	11	1,234	2,419	966	2,081
Contract assets	11	2,007	2,416	1,970	2,328
Other current assets	12	224	339	177	277
Cash and cash equivalents	13	895	703	652	120
		11,025	**11,704**	**10,283**	**10,484**
Total assets		**22,935**	**22,214**	**20,967**	**20,291**

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(All amounts are in EUR thousand, unless otherwise stated)

Statements of financial position (continued)

		Group As at 31 December		Company As at 31 December	
		2019	2018	2019	2018
EQUITY AND LIABILITIES					
Equity attributable to the equity holders of the Company					
Share capital	14	2,756	2,756	2,756	2,756
Legal reserve	15	574	574	574	574
Revaluation reserve	15	4,215	4,340	2,245	2,303
Reserve for acquisition of own shares	15	1,090	90	1,000	-
Foreign exchange translation reserve	15	1,085	936	-	-
Cash flow hedge reserve	15	-	(4)	-	(4)
Retained earnings		1,039	2,150	3,616	3,731
		10,759	**10,842**	**10,191**	**9,360**
Non-controlling interest	26	**211**	**319**	**-**	**-**
Total equity		**10,970**	**11,161**	**10,191**	**9,360**
LIABILITIES					
Non-current liabilities					
Borrowings	16	2,597	379	2,597	379
Non-current lease liabilities	17	685	-	285	-
Borrowings from subsidiaries	16, 26	-	-	-	1,200
Deferred income tax liability	24	830	822	333	374
Provisions for employee benefits	18	276	240	212	188
		4,388	**1,441**	**3,427**	**2,141**
Current liabilities					
Current portion of non-current borrowings	16	567	2,871	567	2,871
Borrowings from subsidiaries	26, 16	-	-	750	1
Other current liabilities	26, 16	-	1,239	-	1,239
Current lease liabilities	17	148	-	107	-
Derivative financial instruments	15	-	13	-	13
Trade payables		2,568	2,577	2,528	2,498
Payables to other related parties and subsidiaries	26	1,076	36	1,075	57
Contract liabilities		133	94	134	115
Income tax payable		13	4	16	-
Accrued expenses and other current liabilities	19	3,072	2,778	2,172	1,996
		7,577	**9,612**	**7,349**	**8,790**
Total liabilities		**11,965**	**11,053**	**10,776**	**10,931**
Total equity and liabilities		**22,935**	**22,214**	**20,967**	**20,291**

The notes on pages 16 to 74 are an integral part of these financial statements.

These financial statements were approved by Chief Executive Officer and Chief Accountant on 30 of March 2020.

Chief Executive Officer

Chief Accountant

(All amounts are in EUR thousand, unless otherwise stated)

Statements of Comprehensive Income

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2019	**2018**	**2019**	**2018**
Revenue from contracts with customers	5	30,771	30,457	26,979	26,971
Cost of sales	20	(25,164)	(24,601)	(22,261)	(21,997)
Gross profit		**5,607**	**5,856**	**4,718**	**4,974**
Selling expenses	21	(2,217)	(2,037)	(2,095)	(1,916)
General and administrative expenses	21	(2,843)	(2,739)	(2,060)	(1,933)
Other operating income	22	127	138	44	52
Other operating expenses	22	(15)	(18)	(10)	(11)
Operating profit		**659**	**1,200**	**597**	**1,166**
Interest income	23	9	-	69	-
Other finance income	23	293	225	1,299	108
Finance costs	23	(202)	(274)	(164)	(668)
Profit before tax		**759**	**1,151**	**1,801**	**606**
Income tax	24	4	(10)	(3)	(35)
Net profit for the year		**763**	**1,141**	**1,798**	**571**
Net profit attributable to:					
Equity holders of the Company		734	1,107	1,798	571
Non-controlling interests	26	29	34	-	-
		763	**1,141**	**1,798**	**571**
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax					
Exchange differences on translation of foreign operations		151	799	-	-
Net gain/(loss) on cash flow hedge		4	17	4	17
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		**155**	**816**	**4**	**17**

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(All amounts are in EUR thousand, unless otherwise stated)

Statements of Comprehensive Income (continued)

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2019	2018	2019	2018
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) from the pensions reserve	18	(20)	77	(21)	77
Result of revaluation of non-current assets	7	-	1,764	-	750
Tax effect of revaluation of non-current assets		-	(440)	-	(112)
Total other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**(20)**	**1,401**	**(21)**	**715**
Total other comprehensive income/(loss), net of tax		**135**	**2,217**	**(17)**	**732**
Total comprehensive income, net of tax		**898**	**3,358**	**1,781**	**1,303**
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		867	3,299	1,781	1,303
Non-controlling interests		31	59	-	-
		898	**3,358**	**1,781**	**1,303**
Basic/diluted earnings per share (EUR)	25	0.08	0.12		

The notes on pages 16 to 74 are an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

(All amounts are in EUR thousand, unless otherwise stated)

Statements of Changes in Equity

Group

Equity attributable to the equity holders of the Company

	Notes	Share capital	Legal reserve	Revaluation reserve	Reserve for acquisition of own shares	Foreign currency translation reserve	Other reserves	Retained earnings/(deficit)	In total	Non-controlling interests	Total equity
Balance at 31 December 2017		**2,756**	**574**	**3,107**	**90**	**142**	**(21)**	**528**	**7,176**	**260**	**7,436**
IFRS 15 adoption impact	7,15, 18	-	-	-	-	-	-	367	367	-	367
Balance as at 1 January 2018 (restated)		**2,756**	**574**	**3,107**	**90**	**142**	**(21)**	**895**	**7,543**	**260**	**7,803**
Net profit for the year		-	-	-	-	-	-	1,107	1,107	34	1,141
Other comprehensive income		-	-	1,304	-	794	17	77	2,192	25	2,217
Total comprehensive income		**-**	**-**	**1,304**	**-**	**794**	**17**	**1,184**	**3,299**	**59**	**3,358**
Transfer of revaluation reserve to retained earnings		-	-	(71)	-	-	-	71	**-**	-	-
Balance at 31 December 2018		**2,756**	**574**	**4,340**	**90**	**936**	**(4)**	**2,150**	**10,842**	**319**	**11,161**
Net profit for the year		-	-	-	-	-	-	734	734	29	763
Other comprehensive income	7, 15, 18	-	-	-	-	149	4	(20)	133	2	135
Total comprehensive income		**-**	**-**	**-**	**-**	**149**	**4**	**714**	**867**	**31**	**898**
Transfer of revaluation reserve to retained earnings		-	-	(125)	-	-	-	125	**-**	-	-
Reserve for acquisition of own shares		**-**	**-**	-	1,000	-	-	(1,000)	**-**	-	-
Reduction of non-controlling interest	26	-	-	-	-	-	-	-	**-**	(139)	(139)
Dividends declared		-	-	-	-	-	-	(950)	(950)	-	(950)
Balance at 31 December 2019		**2,756**	**574**	**4,215**	**1,090**	**1,085**	**-**	**1,039**	**10,759**	**211**	**10,970**

(All amounts are in EUR thousand, unless otherwise stated)

Statements of Changes in Equity (continued)

Company	Notes	Share capital	Legal reserve	Reserve for acquisition of own shares	Revaluation reserve	Other reserves	Retained earnings/(deficit)	In total
Balance at 31 December 2017		**2,756**	**574**	**-**	**1,709**	**(21)**	**2,672**	**7,690**
IFRS 15 adoption impact		-	-	-	-	-	367	367
Balance as at 1 January 2018 (restated)		**2,756**	**574**	**-**	**1,709**	**(21)**	**3,039**	**8,057**
Net profit for the year		-	-	-	-	-	571	571
Other comprehensive income	7, 18	-	-	-	638	17	77	732
Total comprehensive income/(loss)		**-**	**-**	**-**	**638**	**17**	**648**	**1,303**
Transfer of revaluation reserve to retained earnings		-	-	-	(44)	-	44	-
Balance at 31 December 2018		**2,756**	**574**	**-**	**2,303**	**(4)**	**3,731**	**9,360**
Net profit for the year							1,798	1,798
Other comprehensive income	18	-	-	-	-	4	(21)	(17)
Total comprehensive income/(loss)		**-**	**-**	**-**	**-**	**4**	**1,777**	**1,781**
Transfer of revaluation reserve to retained earnings		-	-	-	(58)	-	58	-
Reserve for acquisition of own shares		-	-	1,000	-	-	(1,000)	-
Dividends declared		-	-	-	-	-	(950)	(950)
Balance at 31 December 2019		**2,756**	**574**	**1,000**	**2,245**	**-**	**3,616**	**10,191**

The notes on pages 16 to 74 are an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

(All amounts are in EUR thousand, unless otherwise stated)

Statements of Cash Flows

	Notes	Group Year ended 31 December 2019	Group Year ended 31 December 2018	Company Year ended 31 December 2019	Company Year ended 31 December 2018
Cash flows from (to) operating activities					
Net profit for the year		763	1,141	1,798	571
Adjustments for non-cash items:					
Depreciation and amortisation	6, 7, 8, 17	1,051	854	739	664
(Gain) from disposal of property, plant and equipment and investment property	22	(10)	-	(11)	-
Impairment (reversal of impairment) and write-off of accounts receivable		90	4	90	504
Impairment and write-off of goodwill and non-current assets		-	200	-	-
Impairment and write-off of inventories	10, 21	52	100	52	100
Elimination of finance (income)/costs	23	(100)	75	(1,206)	60
Income tax expense/(benefit)	24	(4)	10	3	35
Changes in working capital:					
(Increase)/decrease in inventories		(890)	1,293	(892)	1,315
(Increase)/decrease in trade receivables		1,095	(708)	1,025	(640)
(Increase)/decrease in contract asset		409	(2,416)	358	(2,328)
(Increase)/decrease in non-current receivables from subsidiaries		-	-	(212)	(91)
Decrease/(increase) in other receivables and other current assets		118	163	102	93
Increase/(decrease) in contract liabilities		39	94	19	115
Increase (decrease) in trade payables and other accounts payable		141	11	184	107
Increase/(decrease) in taxes payable and other current liabilities	19	354	(372)	196	(277)
Income tax (paid)		(107)	(46)	(54)	(55)
Net cash flows from operating activities		**3,001**	**403**	**2,191**	**173**
Cash flows used in investing activities					
Purchase of property, plant and equipment	7	(994)	(831)	(896)	(641)
(Purchase) of intangible assets and prepayments	6	(43)	(223)	(43)	(223)
Proceeds from sale of property, plant and equipment		10	-	11	-
(Acquisition) disposal of investments in subsidiaries		-	-	(3)	-
Interest received	23	9	-	69	-
Dividends received		-	-	69	10
Net cash flows used in investing activities		**(1,018)**	**(1,054)**	**(793)**	**(854)**

(All amounts are in EUR thousand, unless otherwise stated)

Statements of Cash Flows (continued)

		Group		Company	
		Year ended 31 December		Year ended 31 December	
	Notes	**2019**	**2018**	**2019**	**2018**
Cash flows from/(used in) financing activities					
Loans received		5,000	1,653	5,850	1,793
Loans repaid		(6,326)	(860)	(6,426)	(1,060)
Interest paid	23	(126)	(114)	(133)	(137)
Dividends paid	1	(60)	-	(60)	-
Reduction and pay-out of non-controlling interest	26	(139)	-	-	-
Lease payments		(140)	-	(97)	-
Net cash flows from financing activities		**(1,791)**	**679**	**(866)**	**596**
Net increase/(decrease) in cash and cash equivalents		**192**	**28**	**532**	**(85)**
Cash and cash equivalents at the beginning of the year		**703**	**675**	**120**	**205**
Cash and cash equivalents at the end of the year		**895**	**703**	**652**	**120**

Supplementary cash flow information:

Non-cash activities:

Non-cash investing and financing activities:

Offset of dividends received against repaid borrowings from subsidiaries	-	-	(1,200)	-
Effect of adoption of IFRS 16 as at 1 January 2019: recognition of the right-of-use assets and lease liabilities	741	-	321	-
Acquisition of the right-of-use asset under lease, excl. VAT	143	-	143	-

The notes on pages 16 to 73 are an integral part of these financial statements.

Chief Executive Officer

Chief Accountant

(All amounts are in EUR thousand, unless otherwise stated)

Notes to the Financial Statements

1. General

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

Basanavičiaus st. 122,
Utena,
Lithuania

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

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

As at 31 December 2019 and 2018, the shareholders of the Company were:

	2019		2018	
	Number of shares held	**% of share capital**	**Number of shares held**	**% of share capital**
Koncernas SBA	7,821	82.31	7,821	82.31
Algirdas Šabūnas	950	10	950	10
Other shareholders	732	7.69	732	7.69
	9,503	**100**	**9,503**	**100**

82.31% of the Company's shares are owned by the parent company Koncernas SBA UAB with 90% of shares owned by Mr. A. Martinkevičius.

As at 31 December 2019, the number of employees of the Company was 795 (as at 31 December 2018 – 793).

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

		Group's share (%) as at 31 December		
	Registered office	**2019**	**2018**	**Activity**
Šatrija AB	Šatrijos st. 3, Raseiniai	89.78	89.78	Manufacture of wearing apparel
Gotija UAB	Laisvės ave. 33, Kaunas	100	100	Retail
PAT MTF Mrija	Tomas Masarik 13, Mukachevo, Ukraine	98.95	98.95	Production of knitted articles
Utenas trikotaža SIA	Cietokšna st. 60, Daugavpils, Latvia	100	-	Retail

As at 31 December 2019, the number of employees of the Group was 1,151 (31 December 2018 – 1,164).

1. General (continued)

The Company's management authorized these financial statements on 30 of March 2020. The shareholders of the Company have a statutory right to either approve or refuse to approve these financial statements and require the management to prepare a new set of financial statements.

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

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

Compared to the previous financial year, the accounting policies adopted are consistent with those of the previous financial year, except for the following new/amended IFRSs which have been adopted by the Company as of 1 January 2019:

IFRS 16: Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the substance of transactions in the legal form of a lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessor will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company and Group is the lessor.

The Company and Group has adopted IFRS 16 using the modified retrospective approach of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard is recognized in retained earnings at the date of initial application and comparative information is not restated.

The Company and Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Company and Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Adoption of IFRS 16 had significant impact on the Company's and Group's financial statements. Since the impact is significant, the disclosures used are provided below.

Before the adoption of IFRS 16, the Company and Group (as lessee) classified each of its leases at the inception date as either a finance lease or an operating lease. Refer to Note 2.19 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Company and Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Refer to Note 2.19 *Leases* for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Company and Group.

<u>Leases previously classified as finance leases</u>

The Company and Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

(All amounts are in EUR thousand, unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Leases previously classified as operating leases

The Company and Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's and Group's incremental borrowing rate at the date of initial application, i.e. 1 January 2019. The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized – the Company and Group applied this approach to all leases.

The Company and the Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	Company	**Group**
Assets		
Right-of-use assets	321	741
Total assets	**321**	**741**
Liabilities		
Current lease liabilities	(84)	(119)
Non-current lease liabilities	(237)	(622)
Total liabilities	**(321)**	**(741)**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Company	**Group**
Non-cancellable operating lease commitments as at 31 December 2018	185	185
Weighted average incremental borrowing rate as at 1 January 2019	2.44%	2.44%
Discounted operating lease commitments as at 1 January 2019	180	180
Add:		
Extension and termination options reasonably certain to be exercised	141	561
Lease liabilities as at 1 January 2019	**321**	**741**

IFRS 9: Prepayment features with negative compensation (Amendment)

The Amendment allows financial asset with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be "negative compensation"), to be measured at amortized cost or at fair value through other comprehensive income. The management has evaluated and identified that the application of the standard did not have material impact on the Company's and the Group's financial statements.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

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

The Amendments relate to whether the measurement, in particular impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. The Company and Group do not have any associates or joint ventures.

IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The implementation of this interpretation did not have significant impact on the Group/Company.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The implementation of this interpretation did not have significant impact on the Group/Company.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The implementation of these improvements did not have significant impact on the Group/Company.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:**
  The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:**
  The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:**
  The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Standards issued but not yet effective and not early adopted

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. This standard is not applicable for the Group/Company.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Company and Group do not have any associates or joint ventures.

Conceptual Framework in IFRS standards
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group/Company will not be affected by these amendments on the date of transition.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'Material' (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has not yet evaluated the impact of the implementation of these amendments.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)
The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has not yet evaluated the impact of the implementation of these amendments.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)
The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of these amendments.

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

2.2 Consolidation and Business Combinations

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

If the business combination is achieved in stages, at the acquisition date, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date in the statement of comprehensive income. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is assessed for impairment at each reporting date

2.3 Segment Reporting

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

2.4 Measurement and Presentational Currency

(a) Functional and presentational currency

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

(b) Transactions and balances

Transactions in foreign currencies are initially converted based on their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

2. Summary of Significant Accounting Policies (continued)

2.4 Measurement and Presentational Currency (continued)

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as the Group's net investment in a foreign subsidiary. These are recognised in other comprehensive income. On disposal of a foreign subsidiary, the cumulative amount of the translation differences recognised in other comprehensive income is reclassified to profit or loss. Tax charges attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

(c) Group companies

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

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

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

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

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

2.5 Derivative Financial Instruments

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

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

2.6 Hedge Accounting

For the purposes of hedge accounting, hedges are classified into two categories:

(a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and
(b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

The Group and the Company use cash flow hedge.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other comprehensive income and the ineffective portion is recognized in the statement of comprehensive income as profit or loss.

The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to profit or loss in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

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

2. Summary of Significant Accounting Policies (continued)

2.6 Hedge Accounting (continued)

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

The Group and the Company have entered into interest swap agreement with a purpose to hedge itself against a possible fluctuation (increase) of EURIBOR on the loan taken from a bank (Note 16) and with this action fixed the payable interest rate.

These hedged items are subject to a single risk component, thus the Company hedged an item in its entirety, not splitting into different components.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). The Company and Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks are identical to the hedged risk component. To test the hedge effectiveness, the Company and Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:
- Differences in timing of cash flows of the hedged item and hedging instrument;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item;
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

2.7 Intangible assets

(a) Goodwill

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

(b) Computer software

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

2.8 Property, Plant and Equipment

Buildings are stated at revalued amounts less accumulated depreciation and impairment losses.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Valuations are performed with sufficient frequency (at least every 5 years, unless there are significant changes in the market of buildings) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

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

(All amounts are in EUR thousand, unless otherwise stated)

2. Summary of Significant Accounting Policies (continued)

2.8 Property, plant and equipment (continued)

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

Buildings	10 to 80 years
Structures	15 to 25 years
Vehicles	4 to 7 years
Machinery	5 to 15 years
Other property, plant and equipment	2 to 20 years

Land is not depreciated.

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

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

Borrowing costs incurred in relation to acquisition of qualifying property, plant and equipment are capitalized. Other borrowing costs are recognised as finance costs as incurred.

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

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

2.9 Investment Properties

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

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

Land is not depreciated. Buildings are depreciated over their expected useful life (40 to 70 years) using the straight-line method by writing-off the cost of each asset to its residual value. Depreciation of investment property is recognised in other operating expenses.

When the carrying amount of an asset is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10). Impairment of investment property as well as reversals for the year are included in operating expenses.

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

2. Summary of Significant Accounting Policies (continued)

2.10 Impairment of Non-Financial Asset

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

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

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

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

2.11 Financial Assets and Financial Liabilities

IFRS 9 Financial Instruments

Financial instrument: a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial asset

Initial recognition and measurement:

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's/Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group/Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's/Company's business model for managing financial assets refers to how the Group/Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A regular way purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Group/Company commits to purchase or sell the asset.

2. Summary of Significant Accounting Policies (continued)

2.11. Financial Assets and Financial Liabilities (continued)

Subsequent measurement

After initial recognition, The Group/Company measures a financial asset at:

(a) Amortised cost (debt instruments)
(b) Fair value through other comprehensive income OCI with recycling of cumulative gains and losses upon derecognition (debt instruments). The Group/Company did not have such items as at 31 December 2019 and 2018.
(c) Fair value through other comprehensive income OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group/Company did not have such items as at 31 December 2019 and 2018.
(d) Fair value through profit or loss (Note 2.5).

Financial assets at amortised cost (debt instruments)

The Group/Company measures financial assets at amortised cost if both of the following conditions are met:
(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
(ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Group's/Company's financial assets at amortised cost includes trade, other current and non-current receivables, loans granted.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (according to IFRS 9). Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income (OCI), as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss (Note 2.5).

Impairment of financial asset

According to IFRS 9, the Group/Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group/Company expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the impairment loss is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECLs).

(a) Impairment of trade receivables

For trade receivables and contract assets, the Group/Company applies a simplified approach in calculating ECLs. Therefore, the Group/Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group/Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group/Company considers a financial asset in default when contractual payments are past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.11 Financial Assets and Financial Liabilities (continued)

(a) Impairment of trade receivables (continued)

The Company/Group is also making allowances on individual assessment basis for certain debtors.

(b) Assessment of impairment of loans granted

The Company grants loans to the entities of the Group with a fixed maturity as it is disclosed in Note 4. Upon issuing a loan, expected credit losses for 12 months are generally assessed and accounted. In subsequent reporting periods, when there is no significant increase in credit loss risk related to the lessee, the Company modifies the balance of expected credit losses for 12 months with regard to the remaining debt amount that is not yet repaid at the assessment date. If a lessee's financial position significantly deteriorates in comparison to the position upon issuing of the loan, the Company accounts all expected credit losses that fall within maturity term. Loans with estimated credit losses within maturity term are considered as credit-impaired financial assets.

ii) Financial liabilities

Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's/Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income.

Loans and other payables

After initial recognition, loans, borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income, when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

2. Summary of Significant Accounting Policies (continued)

2.11 Financial Assets and Financial Liabilities (continued)

Derecognition of financial assets and liabilities

<u>Financial assets</u>

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's/Company's statement of financial position) when:

i) the rights to receive cash flows from the asset have expired; or
ii) the Group/Company has transferred its rights to receive cash flows from financial asset; or has undertaken a liability to pay all received cash flows to a third party based on contract of disposal without significant overdue and (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

<u>Financial liabilities</u>

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

2.12 Inventories

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

2.13 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at banks, deposits on demand with banks and other short-term highly liquid investments with original maturities of 3 months or less.

2. Summary of Significant Accounting Policies (continued)

2.14 Share Capital

(a) Ordinary shares

Ordinary shares are stated at their par value.

(b) Treasury shares

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

2.15 Reserves

(a) Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5% of net result are required until the reserve reaches 10% of issued capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

(b) Revaluation reserve

A Revaluation reserve is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, when new revaluated amount is higher than net book value previously recognised impairment for the asset accounted in statement of comprehensive income as loss, the increase in value of revaluated amount which not exceed recognized impairment is recognised in statement of comprehensive income as profit. If a revaluation surplus still exists after the reversal of an impairment loss, it is recognized in comprehensive income as other comprehensive income (and, accordingly, in equity in the statement of financial position).

A revaluation deficit is recognised in the statement of profit comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the consolidated financial statement as a change in equity. Upon disposal or write-off of an asset carried at revalued amount, the related revaluation surplus is transferred to retained earnings in the statement of changes in equity.

Revaluation reserve in foreign currency in the consolidated financial statements is converted based on their respective functional currency spot rates at the date of revaluation. Revaluation reserve in foreign currency is not translated at the closing rate at the date of that statement of financial position.

(c) Reserve for acquisition of own shares

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

(d) Foreign currency translation reserve

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

(e) Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of derivative financial instruments (interest rate swaps), used by the Group and the Company to secure the cash flows from interest rate risk, at the reporting date. The reserve is accounted for according to the requirements of IFRS 9 (Note 3.1).

2. Summary of Significant Accounting Policies (continued)

2.16 Trade and Other Payables

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

2.17 Borrowing Costs

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

2.18 Income tax

(a) Current income tax

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

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

Profit for the year 2019 of the Group companies that operate in Lithuania is taxable at a rate of 15% (2018 – 15%), corporate income tax rate in Ukraine is 18% (2018 – 18%).

In accordance with tax legislation of the Republic of Lithuania, taxable losses, except for losses related to transfer of securities and (or) financial instruments may be carried forward for an unlimited period. As from 1 January 2014, tax loss carry forward that is deducted cannot exceed 70% of the taxable profit of the current financial year.

The losses from disposal of securities and (or) derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce taxable income earned from the transactions of the same nature.

Investment incentive can be carried forward for 5 years.

In accordance with tax legislation of the Republic of Ukraine, as from 1 January 2012, tax loss carry forward that is deducted cannot exceed 25% of the taxable profit of the current financial year.

(b) Deferred Tax

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

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

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

2. Summary of Significant Accounting Policies (continued)

2.19 Lease

A. THE COMPANY/GROUP ARE LESSEE

Policy applicable from 1 January 2019

The Company/Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company/Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company/Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company/Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Premises	5–6 years
Land	25-99 years
Vehicles	4-7 years
Other property, plant and equipment	4–6 years

If ownership of the leased asset transfers to the Company and the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.10 "Impairment of non-financial assets".

Lease liabilities

At the commencement date of the lease, the Company/Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company/Group and payments of penalties for terminating the lease, if the lease term reflects the Company/Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company/Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the estimates of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company and the Group apply the short-term lease recognition exemption to its non-current-asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies (continued)

2.19 Lease (continued)

<u>**Policy applicable before 1 January 2019**</u>

In the comparative period, the Company and the Group as a lessee classified leases that transfer substantially all of the risks and rewards of ownership as finance leases and all other leases as operating leases. For the purpose of a finance lease, upon initial recognition the leased assets were measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under operating leases were not recognized in the Company's and the Group's statement of financial position. Instead, payments made under such leases were recognized in profit or loss on a straight-line basis over the term of the lease.

B. THE COMPANY/GROUP IS A LESSOR

At inception of a contract, the Company and the Group, as a lessor, determine whether the lease is a finance lease or an operating lease. If the Company and the Group determine that the lease transfers substantially all of the risks and rewards of ownership of the underlying asset, the lease is a finance lease. Leases in which the Company and the Group do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease payments are accounted for on a straight-line basis over the lease term and recognised as revenue in the statement of comprehensive income based on its lease nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent payments are recognised as revenue in the period in which they are earned.

The accounting policies applied by the Group as a lessor in the comparative period were not different from IFRS 16.

2.20 Revenue Recognition

Revenue from contracts with customers

The main activity of the Company and the Group is production of knitted articles and working clothes upon particular customers' order. The service includes the full process of production from making yarns to preparation of fully finished production. Revenue from contracts with customers is only recognized when the control of goods or services is transferred to the customer to the extent that reflects the remuneration which the Group and the Company expects to receive in return for these goods or services.

As it is disclosed in the Note 5, the Company and the Group in their activities generate revenue from sales of goods with their brand and from other commercial activities. This type of revenue, in comparison with knitted article production under particular customers' order, is relatively insignificant. This type of revenue is recognised when the control over goods is transferred to the customer (conditions of goods collection are agreed differently with separate customers) and the goods are transferred at a particular time. Payment terms vary from 2 to 45 days.

<u>Knitted article and working clothes production under particular customers' order</u>

The main performance obligation arising from contracts with customers is to provide knitted article production defined in technical specifications (knitting, dying, decorating, sewing, and cutting) service with a fixed price set for each produced (finished) knitted article separately.

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customer at the amount that the Company and the Group expect to receive in return for goods or services. The Company and the Group has evaluated that it controls goods or services before it transfers them to the customer, therefore, the Company and the Group functions as the main income contract party.

The Company and the Group allocate the transaction price over the product production period based on the relative selling prices of the individual production levels.

The Company has performed an analysis and evaluated that the Company and the Group fulfils their performance obligation described in contracts with customers over a period of time (not at point in time) due to the following reasons:

- The Company and the Group do not create an alternatively usable asset while providing article production services;
- The Company and the Group have an enforceable right to remuneration for work in progress.

2. Summary of Significant Accounting Policies (continued)

2.20 Revenue recognition (continued)

Management calculates its share of revenue and its cost based on the expected costs plus margin. Based on management and production accounting data, the production fulfilment status of a particular order is deducted at each stage of production (calculating what proportion of the expected product cost at which stage of production is reached accordingly). The calculations shall be completed by adding the applicable margin to the estimated relative levels of work-in-progress at different stages of production. Thus, the calculated revenue is recognized in the statement of comprehensive income under the caption "Revenue from contracts with customers" and contract assets are accounted in the current assets in the statement of financial position under the caption "Contract asset". Costs related to this revenue amount are reflected in the statement of comprehensive income under the caption "Cost of sale".

In preparation of financial statements according to IFRS and applying IFRS 15, the Company's and the Group's management has to apply particular assumptions and estimates that have significant impact on amounts presented in financial statements. According to the management, the most significant estimates and associated uncertainties arising while calculating and recognising revenue from contracts with costumers relate to:

- The estimated product margin (percentage);
- Application of historical management and production accounting data in calculating value ratios, related to each stage of production.

Aside from aforementioned, the management considered the impact of other matters on revenue recognition, such as the existence of significant financing components, non-cash considerations, discounts applied, return of products, etc. None of these terms appear in the Company's and the Group's contracts with customers or, in the judgement of management, they are not significant in application of IFRS 15.

Contract assets: Accrued income

Contract asset is the right to contribution for goods or services that have been performed in favour of the customer (including partial performance).

If the Company and the Group transfer goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets – accrued revenue – at the end of production cycle (usually within 60 days) after fulfilling contractual obligations and issuing an invoice, is accounted as trade receivable.

Contract liabilities: Prepayments received

Contract liabilities consist of prepayments received from customers for services to be rendered or goods to be sold in the future.

Trade receivables

A receivable represents the Company's and the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables usually have a set payment delay term of 10–60 days.

Interest income

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

Dividend income

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

Rental income

Payments received under operating leases (net of any incentives given to the lessee) are credited to profit and loss on a straight-line basis over the period of the lease (Note 2.19).

2. Summary of Significant Accounting Policies (continued)

2.21 Dividend Distribution

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

2.22 Earnings (Losses) Per Share

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

2.23 Non-Current Assets Held for Sale

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

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

2.24 Subsequent Events

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

2.25 Current Versus Non-Current Classification

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

• Expected to be realised or intended to be sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
• Expected to be realised within 12 months after the reporting period
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

• It is expected to be settled in the normal operating cycle
• Held primarily for the purpose of trading
• It is due to be settled within 12 months after the reporting period
• There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group and the Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. Summary of Significant Accounting Policies (continued)

2.26 Employee Benefits

(a) Social security contributions

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

(b) Bonus plans

The Company and the Group recognises a liability and expenses for bonuses where contractually obliged or where there was a practice applied in the past that has created a constructive obligation.

(c) Non-current employee benefits

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

Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. Previously incurred service costs are recognised as expenses on a straight-line basis over the average period until the benefits become vested.

Any gains or losses appearing as a result of changes in terms of benefits (curtailment or settlement) are recognised in the statement of comprehensive income as incurred.

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

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

2.27 Offsetting and comparative figures

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except for the cases when certain International Financial Reporting Standard specifically requires such set-off.

Where necessary, comparative figures have been adjusted to agree with the current year's presentation of information.

(All amounts are in EUR thousand, unless otherwise stated)

3. Financial risk management

3.1 Financial risk factors

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

	Group As at 31 December		Company As at 31 December	
Financial assets reported in the statement of financial position	**2019**	**2018**	**2019**	**2018**
Financial assets at amortised cost				
Non-current amounts receivable from subsidiaries except for prepayments	-	-	1,126	1,055
Trade receivables and contract assets (Note 11)	3,241	4,835	2,936	4,409
Cash	895	703	652	120
	4,136	**5,538**	**4,714**	**5,584**

	Group As at 31 December		Company As at 31 December	
Financial liabilities reported in the statement of financial position	**2019**	**2018**	**2019**	**2018**
Financial liabilities measured at amortised cost				
Borrowings	3,164	4,489	3,164	4,489
Borrowings from subsidiaries	-	-	750	1,200
Lease liabilities	833	-	392	-
Current financial liabilities	-	-	-	1
Trade payables	2,568	2,577	2,528	2,498
Accounts payable to subsidiaries	-	-	-	21
Payables to other related parties	1,076	36	1,075	36
Accrued expenses and other current liabilities, other payables (Note 19)	821	909	535	665
Financial liabilities at fair value through profit or loss upon initial recognition				
Current and non-current derivative financial instruments	-	13	-	13
	8,462	**8,024**	**8,444**	**8,923**

(All amounts are in EUR thousand, unless otherwise stated)

3 Financial Risk Management (continued)

3.1 Financial Risk Factors (continued)

(a) Market risk

(i) Monetary assets and monetary liabilities foreign exchange risk

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

The Ukrainian subsidiary had a foreign exchange profit on the loans received and long term payables to the Company amounting to EUR 694 thousand during 2019 (during 2018, the subsidiary had a foreign exchange profit amounting to EUR 190 thousand) due to fluctuations in the official exchange rate of Ukrainian gryvnia (UAH) to EUR set by the National Bank of Ukraine. As from 2014, due to the geopolitical situation in Ukraine and significant drop in the value of UAH against EUR, the management of the Group and the Company re designated of loans granted and long term receivables from the subsidiary Mrija PAT MTF to net investment, considering that the repayment of these amounts is not expected in the foreseeable future.

Accordingly, gains (losses) arising from foreign exchange related to the monetary items considered to be part of net investment into foreign operation are accounted in Group's consolidated financial statements through other comprehensive income (loss) in 2019 and 2018. Amount of monetary items attributed to net investment amounts to EUR 3,5 million and foreign currency exchange difference related to this amount for the year 2019 comprises EUR (608) thousand (EUR (171) thousand in 2018), the difference is accounted in the Group's consolidated financial statements through other comprehensive income.

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

	2019	2018
Foreign currency exchange difference on monetary items attributed to net investments	(608)	(171)
Foreign currency translation reserve on other items	756	970
Total comprehensive income	**148**	**799**

Other comprehensive income (loss) from foreign currency translation included in other comprehensive income attributable to non-controlling interests was not material.

Company's business transactions mainly are denominated in euro, therefore, the Company is not exposed to significant foreign exchange risk.
In the Group the UAH exchange risk is related to intercompany balances in different currencies. The following table demonstrates the sensitivity to a reasonably possible change in UAH exchange rate related to EUR, with all other variables held constant.

	Change in UAH rate with regard to EUR	Effect on profit before tax	Effect on equity
2019	+ 5 %	72	245
	- 5%	(72)	(245)
2018	+ 5 %	61	234
	- 5%	(61)	(234)

(All amounts are in EUR thousand, unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(ii) Cash flow interest rate risk

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. In 2019 and 2018, the Company's and the Group's borrowings with variable interest rates were denominated in EUR.

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

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

Based on the sensitivity analysis performed, the impact of a 0.5% increase/decrease in interest rates on the Company's and the Group's net result would be an increase/decrease at maximum of EUR 12 thousand (in 2018 – EUR 13 thousand) and EUR 13 thousand (in 2018 – EUR 12 thousand), respectively, mainly as a result of higher/lower interest expenses/income on borrowings and loans granted.

(b) Credit risk

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

(i) Maximum exposure to credit risk

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

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

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2019	**2018**	**2019**	**2018**
Cash and cash equivalents at banks (Note 13)	895	703	652	120
Trade receivables and contract assets (Note 11)	3,241	4,835	2,936	4,409
Non-current loans granted and amounts receivable except for prepayments (Note 26)	-	-	1,126	1,055
In total	**4,136**	**5,538**	**4,714**	**5,584**

(ii) Credit quality of financial assets

Trade customer quality is assessed with respect to their financial position, work experience and other facts.

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

(All amounts are in EUR thousand, unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Trade receivables and contract assets – trade customers with no independent rating

	Group		Company	
	As at 31 December		As at 31 December	
	2019	2018	2019	2018
New trade customers (up to 12 months)	46	629	46	628
Current trade customers (more than 12 months) that fully fulfilled their obligations in the past	3195	4206	2890	3781
Total	**3,241**	**4,835**	**2,936**	**4,409**

Impairment analysis is performed at each balance sheet date based on provision matrix and individual assessment in order to evaluate expected credit losses. Provision rates are assessed based on the number of days past due payment, grouping customers based on similar previous credit loss risk experience. Calculations reflect the possibility to calculate the amount, time value of money, reasonable and predicable information on past events, current conditions and forecasts of expected economic conditions, that can be obtained at the reporting date. Based on the performed analysis, the Company/Group assessed that its customers may be attributable to the low risk category.

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

	Group		Company	
	As at 31 December		As at 31 December	
	2019	2018	2019	2018
Rating "A"	717	600	481	19
Rating "BBB+"	167	97	167	97
No rating	6	2	1	1
Total	**890**	**699**	**649**	**117**

*Independent ratings established by Fitch agency.

As at 31 December 2019, the Company's non-current receivables and loans granted comprises of receivables only from PAT MTF Mrija (Note 26).

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

	Group		Company	
	As at 31 December		As at 31 December	
	2019	2018	2019	2018
Not past due receivables	**2,990**	**4,170**	**2,718**	**3,854**
Past due not impaired				
Less than 30 days	205	428	187	346
Past due from 31 to 60 days	36	5	22	5
Past due from 61 to 180 days	3	24	3	24
More than 181 days	7	208	6	180
Total past due not impaired	**251**	**665**	**218**	**555**
Overdue and impaired				
Up to 180 days	-	-	-	-
More than 181 days	274	197	248	170
Impairment allowance for trade receivables	(274)	(197)	(248)	(170)
Total accounts receivable and contract assets after impairment	**3,241**	**4,835**	**2,936**	**4,409**

(All amounts are in EUR thousand, unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

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

(c) Liquidity risk

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

As at 31 December 2019, the Group's current assets exceeded its current liabilities by EUR 3,448 thousand (as at 31 December 2018, current assets exceeded current liabilities by EUR 2,092 thousand). As at 31 December 2019, the Group's liquidity (current assets/current liabilities) and quick ratios ((current assets - inventory)/current liabilities) were 1.46 and 0.58 respectively (as at 31 December 2018, 1.22 and 0.61 respectively). As at 31 December 2019, the Company's (Utenos Trikotažas AB) current assets exceeded its current liabilities by EUR 2,934 thousand (as at 31 December 2018 – by EUR 1,694 thousand). As at 31 December 2019, the Company's liquidity (current assets/current liabilities) and quick ratios ((current assets - inventory)/current liabilities) were 1.40 and 0.51, respectively (as at 31 December 2018, 1.19 and 0.55, respectively).

The table below summarises the Group's and the Company's undiscounted financial liabilities. The financial liabilities are classified into relevant maturity groupings based on the remaining period to the contractual maturity date.

Fair value of accounts payable and other financial liabilities due within 3 months or less are equal to their carrying balances as the impact of discounting is insignificant.

The tables below summarise the maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018, based on contractual undiscounted payments:

Group

31 December 2019	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**	**In total**
Borrowings from the banks with future interest	159	472	2,716	-	3,347
Derivative financial instruments	-	-	-	-	-
Lease liabilities	43	131	496	351	1,021
Trade payables and other financial liabilities	3,644	-	-	-	3,644
	3,846	**603**	**3,212**	**351**	**8,012**

31 December 2018	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**	**In total**
Borrowings from the banks with future interest	282	2,389	374	-	3,045
Derivative financial instruments	13	-	-	-	13
Lease liabilities	-	-	-	-	-
Trade payables and other financial liabilities	2,613	-	-	-	2,613
	2,908	**2,389**	**374**	**-**	**5,671**

Company

31 December 2019	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**	**In total**
Borrowings from the banks with future interest	159	472	2,716	-	3,347
Loans from subsidiaries	-	764	-	-	764
Derivative financial instruments	-	-	-	-	-
Lease liabilities	29	100	301	-	430
Trade payables and other financial liabilities	3,603	-	-	-	3,603
	3,791	**1,336**	**3,017**	**-**	**8,144**

(All amounts are in EUR thousand, unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

31 December 2018	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	In total
Borrowings from the banks with future interest	282	2,389	374	-	3,045
Loans from subsidiaries	-	1	1,246	-	1,247
Derivative financial instruments	13	-	-	-	13
Lease liabilities	-	-	-	-	-
Trade payables and other financial liabilities	2,555	-	-	-	2,555
	2,850	**2,390**	**1,620**	**-**	**6,860**

The tables below summarise the changes in the Group's and the Company's liabilities arising from financing activities:

Group

	01/01/2019	Cash flows	New leases	Reclassification	Change in fair value	Interest charges	Effect of exchange rate	31/12/2019
Current portion of non-current borrowings	4,110	(1,325)	-	(2,218)	-	-	-	567
Non-current portion of borrowings	379	-	-	2,218	-	-	-	2,597
Derivative financial instruments	13	-	-	-	(13)	-	-	-
Lease liabilities	741	(140)	168	-	-	-	64	833
	5,243	**(1,465)**	**168**	**-**	**(13)**	**-**	**64**	**3,997**

Company

	01/01/2019	Cash flows	New leases	Reclassification	Change in fair value	Interests for the year and net-offs*	Effect of exchange rate	31/12/2019
Current portion of non-current borrowings	4,111	750	-	(2,344)	-	(1,200)	-	1,317
Non-current portion of borrowings	1,579	(1,326)	-	2,344	-	-	-	2,597
Derivative financial instruments	13	-	-	-	(13)	-	-	-
Lease liabilities	321	(97)	168	-			-	392
	6,024	**(673)**	**168**	**-**	**(13)**	**(1,200)**	**-**	**4,306**

Group

	01/01/2018	Cash flows	Reclassification	Change in fair value	Interest charges	31/12/2018
Current portion of non-current borrowings	860	812	2,335	-	103	4,110
Non-current portion of borrowings	2,836	(133)	(2,335)	-	11	379
Derivative financial instruments	29	-	-	(16)	-	13
	3,725	**679**	**-**	**(16)**	**114**	**4,502**

(All amounts are in EUR thousand, unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Company

	01/01/2018	Cash flows	Reclassification	Change in fair value	Interests for the year and net-offs*	31/12/2018
Current portion of non-current borrowings	1,060	613	2,335	-	103	4,111
Other current financial liabilities	3,897	(17)	(2,335)	-	34	1,579
Other	29	-	-	(16)	-	13
	4,986	**596**	**-**	**(16)**	**137**	**5,703**

* Other non-cash offset of dividends received against repayment of borrowings and interest payable.

3.2 Capital management

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

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

	Group As at 31 December		Company As at 31 December	
	2019	**2018**	**2019**	**2018**
Total borrowings	3,164	4,489	3,164	5,689
Lease liabilities	833	-	392	-
Less: cash and cash equivalents	(895)	(703)	(652)	(120)
Net debt	3,102	3,786	2,904	5,569
Total equity	10,970	11,161	10,191	9,360
Total capital	**14,072**	**14,947**	**13,095**	**14,929**

Utenos Trikotažas AB

According to the Lithuanian Republic Law on Companies, the authorised share capital of a public company must be not less than EUR 40 thousand (EUR 2.5 thousand for a private limited liability company) and the shareholders' equity should not be lower than 50% of the company's registered share capital. As at 31 December 2019 and 2018, the Company and its subsidiaries registered in Lithuania complied with these requirements. Furthermore, the Group has to comply with Equity/Assets ratio identified in the loan agreement with bank (Note 16).

Mrija PAT MTF

As at 31 December 2019 and 31 December 2018, the shareholders' equity of the subsidiary registered in Ukraine was negative. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies at the moment of the company's registration. On the date of these financial statements there were no decisions made or actions taken concerning PAT MTF Mrija negative shareholders' equity. Taking into the account appropriate financial support to PAT MTF Mrija, the management of the Group assesses the liquidation risk as low.

3 Financial risk management (continued)

3.3 Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

(All amounts are in EUR thousand, unless otherwise stated)

3.3 Fair value of financial assets and liabilities (continued)

Valuation of assets according to the fair value hierarchy levels:

As at 31 December 2019	**Group**			**Company**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets for which fair values are disclosed:						
Loans receivable and other receivables from subsidiaries	-	-	-	-	-	1,126
Trade receivables	-	-	1,234	-	-	966
Cash and cash equivalents (Note 13)	-	-	895	-	-	652
Liabilities for which fair values are disclosed						
Bank borrowings	-	-	3,164	-	-	3,164
Borrowings payable to subsidiaries	-	-	-	-	-	750
Current financial liabilities	-	-	-	-	-	0
Trade payables	-	-	2,568	-	-	2,528
Accounts payable to subsidiaries	-	-	-	-	-	3
Accounts payable to other related parties	-	-	1,077	-	-	1,072
Lease liabilities	-	-	833	-	-	392
Accrued expenses and other current liabilities (Note 19)	-	-	1,177	-	-	816

As at 31 December 2018	**Group**			**Company**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets for which fair values are disclosed:						
Loans receivable and other receivables from subsidiaries	-	-	-	-	-	1,055
Trade receivables	-	-	2,419	-	-	2,081
Cash and cash equivalents (Note 13)	-	-	703	-	-	120
Liabilities measured at fair value						
Derivative financial instruments	-	13	-	-	13	-
Liabilities for which fair values are disclosed						
Bank borrowings	-	-	4,489	-	-	4,489
Borrowings payable to subsidiaries	-	-	-	-	-	1,200
Current financial liabilities	-	-	-	-	-	1
Trade payables	-	-	2,577	-	-	2,498
Accounts payable to subsidiaries	-	-	-	-	-	21
Accounts payable to other related parties	-	-	36	-	-	36
Accrued expenses and other current liabilities (Note 19)	-	-	909	-	-	665

3.3 Fair value of financial assets and liabilities (continued)

The fair value of receivables from subsidiaries and loans granted to the subsidiary by the Company is estimated as described in Note 4, therefore, the management estimates that their fair value approximates carrying amounts as at 31 December 2019 and 2018 (level 3 in fair value hierarchy). Interest rate on the loans received by the Group and the Company is subject to repricing at least every six months, therefore, the fair value of loans received equals their carrying amount.

4. Critical accounting estimates and judgements

The Company and the Group make estimates and assumptions that affect the reported amounts of assets and liabilities within. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. As at 31 December 2019 and 2018, the management of the Group and the Company did not make any significant judgements. Estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimates of recoverable amounts of goodwill, investments in subsidiaries, as well as loans to and receivables from subsidiaries

The Group annually tests goodwill for impairment in accordance with the accounting policy described in Note 2.7. The recoverable amount of cash-generating units has been determined based on the greater of their value in use and its fair value less costs to sell. Loans granted and accounts receivable are tested for impairment in accordance with the accounting principles described in Note 2.11. These calculations require the use of significant estimates as outlined below.

Valuation of investment in the subsidiary PAT MTF Mrija, including loan granted and amounts receivable, in the Company's separate financial statements, as well as valuation of non-current assets in the Company's consolidated financial statements

As at 31 December 2019, the Company's investment in PAT MTF Mrija, including loan granted and amounts receivable, amounted to EUR 7,082 thousand before impairment allowance and to EUR 2,000 thousand after impairment allowance, and, respectively, EUR 6,870 thousand and EUR 1,788 thousand as at 31 December 2018. In 2019, the Company neither identified nor recognised any additional impairment or impairment reversal. In 2018, the Company recognised additional impairment of EUR 500 thousand for the loan granted (investment is already impaired by 100%). The impairment is accounted for in the Company's statement of comprehensive income under financial expenses (Note 22)

As at 31 December 2019 and 2018, goodwill which is related to PAT MTF Mrija and accounted in consolidated financial statements amounted to EUR 0 thousand. In 2018, goodwill before impairment amounted to EUR 195 thousand. Impairment was accounted for in the statement of comprehensive income of the Group under general and administrative expenses (Note 20).

At the Group's consolidated financial statement and Utenos Trikotažas separate financial statement level, cash generating unit, related to the subsidiary PAT MTF Mrija is comprised of the entity's property, plant and equipment, goodwill and working capital.

As at 31 December 2019, the recoverable amount of the cash generating unit was determined as the higher of its value in use and its fair value less costs of disposal, as provided for in IAS 36 *Impairment of Assets.* Following the valuation, the management of the Group determined that the higher of the values is the fair value less costs to sell. The following significant assumptions were used for the assessment of the values:

Value in use

The value in use of the cash generating unit was determined using discounted cash flow projections. Cash flows are based on the forecast prepared by the management for the consecutive 5 years and continuous period. Cash flows were discounted at the pre-tax discount rate of 30% (the weighted average return on equity).

When making cash flow forecast and taking into the account the current market situation, experience from prior periods, increasing number of Group manufacturing orders, changes in the Group's transfer pricing and actions taken by the Group's management to significantly increase manufacturing orders and manufacturing employees in PAT MTF Mrija, in 2019, the Group's management made assumptions in the model regarding the increase in revenue from manufacturing activities of PAT MTF Mrija by 44% in 2020, compared to 2019, by 15% in 2021, compared to 2020, will remain stable in 2022, compared to 2021, as well as assumptions regarding annual growth by 2% after 2022. It is envisaged that the targeted actions to attract and motivate new employees will allow to reach potential output growth, however due to that gross profit should decrease to 27–28% over the forecast period.

In the opinion of the Group's management, if the key assumptions change within the reasonable possible limits, the value in use would not exceed the fair value and would not become the basis for recoverable value, therefore the sensitivity analysis of the value in use is not presented.

4. Critical Accounting Estimates and Judgements (continued)

Fair value less costs to sell

The fair value of the cash generating unit was estimated based on the net asset value of PAT MTF Mrija less the estimated costs of disposal.

The major part (96%) of the assets of PAT MTF Mrija consists of real estate – buildings located in the Transcarpathian region of Ukraine. As disclosed in Note 7, the fair value of these assets was determined at revaluation of buildings of the Company and the Group in October and November 2018 and is based on valuations performed by certified appraiser. In order to assess possible changes in the fair value of buildings in 2019, the management of the Group relied on the analysis of changes in real estate market value carried out by an independent property appraiser in the Transcarpathian region of Ukraine, where it is stated that significant changes in the value in this region during 2019 did not occur. Therefore, the values of the buildings of PAT MTF Mrija identified in 2018 less depreciation for the year approximates to the market values as at 31 December 2019.

The fair values of the other components of net assets of PAT MTF Mrija, in the Group's management opinion, approximate their carrying amount. Liabilities of PAT MTF Mrija mostly (98%) comprise loans granted by and payables to the Company.

Based on the above estimate of the recoverable amount of the assets, the management of the Company and the Group did not identify and recognise in the consolidated financial statements the impairment of the Group's property, plant and equipment related to MTF Mrija PAT, nor did it identify and account for in the separate financial statements the reversal of impairment related to investment in MTF Mrija PAT, which was impaired to zero. Significantly negative net asset position of MTF Mrija PAT (i.e. liabilities to the Company) would not lead to a reversal of an impairment loss related to the investment, if key assumptions used in the measurement of fair value (less costs of disposal) change within reasonably possible limits.

The expected credit loss (ECL) model was applied to assess impairment of loans, borrowings and accounts receivables from the subsidiary PAT MTF Mrija in the separate financial statements of the Company, as provided for in IFRS 9 *Financial Instruments*. Because the credit exposure of the subsidiary PAT MTF Mrija has increased significantly since initial recognition (negative balance in equity), the impairment loss is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. The probability of default without the Company's financial support in the near future is considered to be close to 100%, and the loss given default is close to net assets of PAT MTF Mrija (Including its liabilities to the Company) less costs of disposal, as this value is negative. Based on this estimate, the Company neither identified nor recognised any additional impairment or impairment reversal of loans granted and accounts receivable from the subsidiary in 2019.

Determination of the carrying value of the buildings

Revaluation of buildings is performed periodically (every 5 years, unless there are indications that there are significant differences in the market of buildings) to ensure that the carrying value of buildings does not significantly differ from fair value at the balance sheet date. In 2018, the Group's and the Company's management identified changes in probable impairment of buildings and due to that, based on the data of October 2018, professional valuators performed an independent valuation in 2018 (the latest valuation by professional valuators was performed in 2013). The methods and principal assumptions, evaluation results and their accounting are disclosed in Note 7.

Revenue recognition

Management's judgement related to revenue recognition over time is disclosed in note 2.20.

Determining the lease term of contracts with renewal and termination options – Company/Group as lessee

The Company/Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company/Group has few land lease contracts that include extension or/and termination options. The Company/Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company/Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset). For more details please see Note 17.

(All amounts are in EUR thousand, unless otherwise stated)

5. Segment information

The Group has two main business segments which are identified based on products type and the entities within the Group producing them: production of knitted articles (that includes the Company and its subsidiary PAT MTF Mrija) and production of working clothes (that includes subsidiary Šatrija AB).

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

2019	**Production of knitted articles**	**Production of working clothes**	**Eliminations**	**In total**
External sales	27,084	3,687	-	30,771
Internal sales	1,060	-	(1,060)	-
Total sales	**28,144**	**3,687**	**(1,060)**	**30,771**
Gross profit	**4,797**	**810**	**-**	**5,607**
EBITDA	**1,291**	**419**	**-**	**1,710**
Profit	**504**	**259**	**-**	**763**
Depreciation and amortisation	908	143	-	1,051
Interest expense	204	-	(78)	126
Income tax	33	(37)	-	(4)
Total segment assets	**21,944**	**991**	-	**22,935**
Total segment liabilities	**11,057**	**907**	-	**11,965**

(All amounts are in EUR thousand, unless otherwise stated)

5. Segment information (continued)

2018	Production of knitted articles	Production of working clothes	Eliminations	In total
External sales	27,079	3,378		30,457
Internal sales	922	-	(922)	-
Total sales	**28,001**	**3,378**	**(922)**	**30,457**
Gross profit	**5,126**	**730**	**-**	**5,856**
EBITDA	**1,609**	**423**	**-**	**2,032**
Profit	**826**	**315**	**-**	**1,141**
Depreciation and amortisation	696	136	-	832
Interest expense	136	-	(22)	114
Income tax	34	(24)	-	10
Total segment assets	**20,128**	**2,086**	**-**	**22,214**
Total segment liabilities	**10,229**	**825**	-	**11,053**

	2019	2018
EBITDA	**1,710**	**2,032**
Depreciation and amortisation	(1,051)	(832)
Operating profit	**659**	**1,200**
Interest expense	(126)	(114)
Other finance costs, net	226	65
Profit for the year before income tax	**759**	**1,151**

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

Breakdown of the Company's revenue by type of activity:

	2019	2018
Sales of goods ordered (recognised over time)	22,261	22,133
Company brands (About, Utena) (recognised at the point in time)	3,879	3,812
Sales of services	404	434
Other sales	435	592
	26,979	**26,971**

(All amounts are in EUR thousand, unless otherwise stated)

5. Segment information (continued)

The table below summarizes the Group's and the Company's revenues geographically:

2019	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other markets	In total
Group's sales	16,480	5,259	6,216	2,816	30,771
Company's sales	15,231	5,168	4,910	1,670	26,979

2018	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other markets	In total
Group's sales	13,618	8,250	5,752	2,837	30,457
Company's sales	12,798	7,893	4,425	1,855	26,971

The majority of the Group's sales (53.6%) were made to DACH customers (in 2018 – 44.7%). In 2019, 17.1% of total production was sold to Scandinavian customers (in 2018 – 27.1%).

(All amounts are in EUR thousand, unless otherwise stated)

6. Intangible assets

The Group's assets (except for the assets of subsidiary PAT MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. As at 31 December 2019, the carrying amount of property, plant and equipment located in Ukraine was EUR 284 thousand (EUR 305 thousand as at 31 December 2018).

				Group	Company
	Goodwill related to PAT MTF Mrija	**Goodwill related to Šatrija AB**	**Other intangible assets**	**In total**	**Other intangible assets**
Cost:					
Balance at 31 December 2017	**184**	**441**	**1,025**	**1,650**	**874**
Additions	-	-	223	223	223
Disposals and write-offs	(195)	-	-	(195)	-
Foreign currency translation differences	11	-	-	11	-
Balance at 31 December 2018	**-**	**441**	**1,248**	**1,689**	**1,097**
Additions	-	-	43	43	43
Reclassified to property, plant and equipment	-	-	(100)	(100)	(100)
Impairment	-	-	-	-	-
Balance at 31 December 2019	**-**	**441**	**1191**	**1,632**	**1,040**
Amortization and impairment:					
Balance at 31 December 2017	**-**	**37**	**952**	**989**	**806**
Amortisation for the reporting period	-	-	45	45	42
Disposals and write-offs	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-
Balance at 31 December 2018	**-**	**37**	**997**	**1,034**	**848**
Amortisation for the reporting period	-	-	50	50	47
Disposals and write-offs	-	-	-	-	-
Balance at 31 December 2019	**-**	**37**	**1,047**	**1,084**	**895**
Net book value at 31 December 2017	**184**	**404**	**73**	**661**	**68**
Net book value at 31 December 2018	**-**	**404**	**251**	**655**	**249**
Net book value at 31 December 2019	**-**	**404**	**144**	**548**	**145**

The Company and the Group do not have internally generated intangible assets. Amortisation expenses of intangible assets are recognised in general and administrative expenses in the statement of comprehensive income (Note 21).

As at 31 December 2019, acquisition cost of fully depreciated but still in use intangible assets of the Company and the Group amounted to EUR 931 thousand and EUR 799 thousand, respectively (as at 31 December 2018, EUR 790 thousand and EUR 788 thousand, respectively).

In 2018, impairment test was carried out for investment in PAT MTF Mrija and Šatrija AB. As a result of the impairment test, an impairment of EUR 195 thousand was recognised and this amount was accounted for in the statement of comprehensive income under general and administrative expenses.

(All amounts are in EUR thousand, unless otherwise stated)

7. Property, plant and equipment

Group	Land	Buildings	Structures	Vehicles and other property, plant and equipment	Construction-in-progress	In total
Cost or revalued amount:						
Balance at 31 December 2017	**4**	**4,490**	**313**	**20,772**	**87**	**25,666**
Additions	-	34	-	507	240	781
Impact of revaluation	-	2,629	-	-	-	2,629
Transfer*	-	(332)	-	-	-	(332)
Reclassification between asset groups	-	-	-	166	(166)	-
Reclassified from investment property		21	-	-	-	21
Disposals and write-offs	-	-	-	(201)	-	(201)
Foreign currency translation differences	-	28	3	29	-	60
Balance at 31 December 2018	**4**	**6,870**	**316**	**21,273**	**161**	**28,624**
Additions	-	23	78	430	463	994
Impact of revaluation	-	-	-	-	-	-
Reclassification between asset groups	-	-	-	105	(105)	-
Reclassified from intangible assets	-	-	-	100	-	100
Reclassified to investment property	-	(31)	-	-	-	(31)
Disposals and write-offs	-	(5)	-	(760)	-	(765)
Foreign currency translation differences	-	476	7	20	-	503
Balance at 31 December 2019	**4**	**7,333**	**401**	**21,168**	**519**	**29,425**
Accumulated depreciation:						
Balance at 31 December 2017	**-**	**256**	**146**	**18,272**	**-**	**18,674**
Depreciation charge for the year	-	72	13	629	-	714
Depreciation of revaluated asset	-	85	-	-	-	85
Transfer*	-	(332)	-	-	-	(332)
Disposals and write-offs	-	-	-	(197)	-	(197)
Foreign currency translation differences	-	-	3	23	-	26
Impairment	-	(40)	-	20	-	(20)
Balance at 31 December 2018		**41**	**162**	**18,747**	**-**	**18,950**
Depreciation charge for the year	-	60	12	617	-	689
Depreciation of revaluated asset	-	166	-	-	-	166
Reclassified to investment property	-	(5)	-	-	-	(5)
Disposals and write-offs	-	(5)	-	(760)	-	(765)
Foreign currency translation differences	-	8	6	13	-	27
Balance at 31 December 2019		**265**	**180**	**18,617**	**-**	**19,062**
Impairment:						
Balance at 31 December 2017	**-**	**13**	**-**	**-**	**-**	**13**
Balance at 31 December 2018	**-**	**13**	**-**	**-**	**-**	**13**
Balance at 31 December 2019	**-**	**13**	**-**	**-**	**-**	**13**
Net book value at 31 December 2017	**4**	**4,221**	**167**	**2,500**	**87**	**6,979**
Net book value at 31 December 2018	**4**	**6,816**	**154**	**2,526**	**161**	**9,661**
Net book value at 31 December 2019	**4**	**7,055**	**221**	**2,551**	**519**	**10,350**

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

The Group's assets (except for the assets of subsidiary PAT MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. As at 31 December 2019, the carrying amount of property, plant and equipment located in Ukraine was EUR 2,838 thousand (as at 31 December 2018 – EUR 2,491 thousand).

(All amounts are in EUR thousand, unless otherwise stated)

7. Property, plant and equipment (continued)

Company	Land	Buildings	Structures	Vehicles, equipment and other property, plant and equipment	Construction-in-progress	In total
Acquisition cost or revalued amount:						
Balance at 31 December 2017	**4**	**3,343**	**278**	**18,404**	**71**	**22,100**
Additions	-	20	-	332	255	607
Revaluation	-	750	-	-	-	750
Transfer*	-	(328)	-	-	-	(328)
Disposals and write-offs	-	-	-	(195)	-	(195)
Reclassification between asset groups	-	-	-	166	(166)	-
Reclassified from investment property	-	21	-	-	-	21
Balance at 31 December 2018	**4**	**3,806**	**278**	**18,707**	**160**	**22,955**
Additions	-	18	78	336	464	896
Disposals and write-offs	-	-	-	(655)	-	(655)
Reclassification between asset groups	-	-	-	105	(105)	-
Reclassified from intangible assets		-	-	100	-	100
Reclassified to investment property	-	(31)	-	-	-	(31)
Balance at 31 December 2019	**4**	**3,793**	**356**	**18,593**	**519**	**23,265**
Accumulated depreciation:						
Balance at 31 December 2017		**262**	**123**	**16,360**	**-**	**16,745**
Depreciation for the reporting period	-	34	11	498	-	543
Depreciation of revaluated asset	-	51	-	-	-	51
Transfer*	-	(328)	-	-	-	(328)
Disposals and write-offs	-	-	-	(195)	-	(195)
Balance at 31 December 2018		**19**	**134**	**16,663**	**0**	**16,816**
Depreciation for the reporting period	-	28	11	487	-	526
Depreciation of revaluated asset	-	67	-	-	-	67
Reclassification	-	(5)	-	-	-	(5)
Disposals and write-offs	-	-	-	(655)	-	(655)
Balance at 31 December 2019	-	**109**	**145**	**16,495**	**-**	**16,749**
Impairment:						
Balance at 31 December 2017		9	-	-	-	9
Balance at 31 December 2018		9	-	-	-	9
Balance at 31 December 2019		9	-	-	-	9
Net book value at 31 December 2017	**4**	**3,072**	**155**	**2,044**	**71**	**5,346**
Net book value at 31 December 2018	**4**	**3,778**	**144**	**2,044**	**160**	**6,130**
Net book value at 31 December 2019	**4**	**3,675**	**211**	**2,098**	**519**	**6,507**

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset

(All amounts are in EUR thousand, unless otherwise stated)

7. Property, plant and equipment (continued)

Allocation of depreciation and amortisation of property, plant and equipment, intangible assets, investment property and the right-of-use asset is disclosed in the table below.

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
Cost of sales (Note 20)	755	671	519	493
General and administrative expenses (Note 21)	288	158	213	138
Other operating expenses	7	3	7	3
Total	**1,050**	**832**	**739**	**634**

As at 31 December 2019, property, plant and equipment of the Group and the Company with the cost of EUR 14 915 thousand and EUR 12,244 thousand, respectively, were fully depreciated (as at 31 December 2018 – EUR 14,079 thousand and EUR 11,686 thousand, respectively).

As at 31 December 2019, the Company's carrying amount of property, plant and equipment pledged to the bank was EUR 3,903 thousand (Note 16). (As at 31 December 2018, the Company's carrying amount of property, plant and equipment pledged to the bank was EUR 2,049 thousand).

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

	Group **As at 31 December 2019**	**Company** **As at 31 December 2019**
Acquisition cost	4,017	2.104
Accumulated depreciation and impairment losses	(2,417)	(1,051)
Net book value	**1,600**	**1,053**

	Group **As at 31 December 2018**	**Company** **As at 31 December 2018**
Acquisition cost	3,941	2,115
Accumulated depreciation and impairment losses	(2,330)	(1,027)
Net book value	**1,611**	**1,088**

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

Fair value of the properties was determined by using the market prices method. This means that valuations performed by the valuer are based on active market prices for comparable properties adjusted for difference in the nature, location or condition of the specific property. As at the date of the last revaluation (October and November 2018) the properties' fair values were based on valuations performed by accredited independent valuers Centro kubas UAB (Lithuania) and certified valuer Aleksandr Tidir (Ukraine). The value of the Group's and the Company's assets is based on third level of fair value hierarchy.

(All amounts are in EUR thousand, unless otherwise stated)

7. Property, plant and equipment (continued)

Significant directly or indirectly observable valuation inputs:

	Group	**Company**
Price per sq. m (EUR)	Average price	Average price
Administration buildings	96–125	96–125
Manufacturing and warehouse buildings	96–125	96–125
Shop premises	178–475	178–475

Significant increases (decreases) in estimated price per square metre alone would result in a significantly higher (lower) fair value

Impact of non-current asset revaluation:

	Group	**Company**
Net book value of the building as at 31 December 2017	**4,221**	**3,072**
Net book value of buildings revaluated amount as at 31 December 2017:	**2,644**	**1,991**
Net book value of buildings acquisition cost as at 31 December 2017:	**1,577**	**1,081**
Positive impact of buildings revaluation	2,629	750
Acquisitions of buildings	55	41
Effect of exchange rate to revaluated amount	17	-
Effect of exchange rate to building acquisition cost	51	-
Buildings acquisition cost depreciation charges	(72)	(34)
Buildings revaluation depreciation charges	(85)	(51)
Net book value of buildings revaluated amount as at 31 December 2018:	**5,205**	**2,690**
Net book value of buildings acquisition cost as at 31 December 2018:	**1,611**	**1,088**
Net book value of the building as at 31 December 2018	**6,816**	**3,778**
Acquisition, reclassification, write-off of buildings	(12)	(12)
Effect of exchange rate to revaluated amount	416	-
Effect of exchange rate to building acquisition cost	51	-
Buildings acquisition cost depreciation charges	(50)	(23)
Buildings revaluation depreciation charges	(166)	(67)
Net book value of buildings revaluated amount as at 31 December 2019:	**5,455**	**2,622**
Net book value of buildings acquisition cost as at 31 December 2019:	**1,600**	**1,053**
Net book value of the building as at 31 December 2019	**7,055**	**3,675**

(All amounts are in EUR thousand, unless otherwise stated)

8. Investment property

	Group	Company
Cost:		
Balance at 31 December 2017	184	184
Reclassified to property, plant and equipment	(21)	(21)
Balance at 31 December 2018	163	163
Reclassified from property, plant and equipment	31	31
Balance at 31 December 2019	194	194
Accumulated depreciation:		
Balance at 31 December 2017	78	78
Depreciation for the reporting period	3	3
Reclassification	(8)	(8)
Balance at 31 December 2018	73	73
Depreciation for the reporting period	2	2
Reclassified from property, plant and equipment	5	5
Balance at 31 December 2019	80	80
Impairment:		
Balance at 31 December 2017	-	-
Balance at 31 December 2018	-	-
Balance at 31 December 2019	-	-
Net book value at 31 December 2017	**106**	**106**
Net book value at 31 December 2018	**90**	**90**
Net book value at 31 December 2019	**114**	**114**

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

Investment property of the Company and the Group is comprised of buildings rented to a third party.

Fair value of the properties was determined by using the market prices method. This means that valuations performed by the valuer are based on active market prices for comparable properties adjusted for difference in the nature, location or condition of the specific property. As at the date of the last revaluation (October and November 2018), the asset's fair value was based on valuations performed by accredited independent valuers Centro kubas UAB (Lithuania).

The Group's and the Company's investment property fair value was estimated based on the level 3 of fair value hierarchy (Note 3.3).

	Group		Company	
	2019	**2018**	**2019**	**2018**
	As at 31 December	**As at 31 December**	**As at 31 December**	**As at 31 December**
Net book value of investment property	114	90	114	90
Fair value of investment property	194	163	194	163

(All amounts are in EUR thousand, unless otherwise stated)

8. Investment property (continued)

Future rental income of investment property

	Group		Company	
	2019	**2018**	**2019**	**2018**
Within 1 year	13	3	13	3
After 1 year but not later than 5 years	2	-	2	-
	15	**3**	**15**	**3**

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

9. Investments in subsidiaries

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

	2019	**2018**
Cost of investments:		
Balance as at 1 January	3,745	3,745
Additions	3	-
Balance as at 31 December	3,748	3,745
Impairment:		
Balance as at 1 January	2,195	2,195
Impairment	-	-
Balance as at 31 December	2,195	2,195
Carrying amount of investments in subsidiaries as at 31 December	**1,553**	**1,550**

On 28 November 2019, Utenos Trikotažas AB established a subsidiary SIA Utenas trikotaža in Latvia with the capital in the amount EUR 2,800.

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

10. Inventories

	Group		Company	
	2019	**2018**	**2019**	**2018**
	As at 31 December	**As at 31 December**	**As at 31 December**	**As at 31 December**
Raw materials	3,059	3,243	2,711	3,240
Production-in-progress	1,862	1,535	1,853	1,161
Finished goods	2,552	1,885	2,521	1,848
Goods for re-sale	82	58	-	-
	7,555	**6,721**	**7,085**	**6,249**
Write-down to net realisable value:				
Opening balance	(894)	(795)	(571)	(471)
Change	4	(99)	4	(100)
Closing balance	(890)	(894)	(567)	(571)
	6,665	**5,827**	**6,518**	**5,678**

(All amounts are in EUR thousand, unless otherwise stated)

10. Inventories (continued)

The cost of the Group's and the Company's inventories accounted for at net realisable value as at 31 December 2019 amounted to EUR 1,135 thousand and EUR 800 thousand, respectively (as at 31 December 2018 – EUR 1,096 thousand and EUR 732 thousand, respectively). Changes in impairment allowance for inventories during 2019 and 2018 were recorded within the Group's and the Company's general and administrative expenses (Note 21).

The Group does not account for third-party inventories received for processing and which are stored in the Group's warehouse premises in the statement of financial position. As at 31 December 2019, the unaudited value of such inventories owned by third parties was EUR 2,665 thousand (as at 31 December 2018 – EUR 3,233 thousand). The Company does not hold third-party inventories in its warehouses.

As at 31 December 2019, the Company's carrying amount of inventories pledged to the bank was EUR 5,678 thousand (Note 16). (As at 31 December 2018, the Company's carrying amount of inventories pledged to the bank was EUR 5,675 thousand).

11. Trade receivables, contract assets

	Group		Company	
	2019	**2018**	**2019**	**2018**
	As at 31 December	**As at 31 December**	**As at 31 December**	**As at 31 December**
Trade receivables, gross	1,508	2,616	1,214	2,251
Impairment:				
Opening balance	(197)	(193)	(170)	(166)
Accrued over the year	(77)	(4)	(78)	(4)
Written-off	-	-	-	-
Closing balance	(274)	(197)	(248)	(170)
	1,234	**2,419**	**966**	**2,081**

Changes in allowance for doubtful trade receivables during 2019 and 2018 were recorded within the Group's and the Company's general and administrative expenses (Note 21).

For trade receivables ageing see Note 3.1

As at 31 December 2019, contract assets of the Company and the Group comprised of accrued revenue of, respectively, EUR 1,970 thousand and EUR 2,007 thousand, it mainly reflects the earned ordered article sewing service income that had no invoices issued at the year-end and certain performance obligations (such as completion of the order/bunch according to the order. The whole amount is not past due maturity. The amount was assessed for impairment but no impairment has been accounted for.

As at 31 December 2018, contract assets of the Company and the Group comprised of accrued revenue of, respectively, EUR 2,328 thousand and EUR 2,416 thousand, it mainly reflects the earned ordered article sewing service income that had no invoices issued at the year-end and certain performance obligations (such as completion of the order/bunch according to the order. The whole amount is not past due maturity. The amount was assessed for impairment but no impairment was identified.

As at 31 December 2019 and 2018, the Group and the Company did not have amounts past due.

12. Other current assets

	Group		Company	
	2019	**2018**	**2019**	**2018**
	As at 31 December	**As at 31 December**	**As at 31 December**	**As at 31 December**
Other current assets				
Taxes receivable, except for prepaid income tax	8	43	-	33
Prepayments	156	220	94	172
Deferred expenses	60	76	83	72
Total other current assets	**224**	**339**	**177**	**277**

(All amounts are in EUR thousand, unless otherwise stated)

13. Cash and cash equivalents

	Group		Company	
	2019 As at 31 December	**2018 As at 31 December**	**2019 As at 31 December**	**2018 As at 31 December**
Cash on hand	5	4	3	3
Cash at bank	887	655	647	73
Cash equivalents	3	44	2	44
	895	**703**	**652**	**120**

As at 31 December 2019, cash equivalents stand for restricted cash that is used to secure payments to suppliers. Such restrictions are short-term (up to 3 months). The Company's and Group's cash at banks is held in highly rated credit institutions.

14. Share capital

As at 31 December 2019 and 2018, the share capital comprised of 9,503,000 ordinary registered shares with nominal value of EUR 0.29 each.

As at 31 December 2019 and 2018, all shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2019 and 2018. The Company did not hold its own shares as at 31 December 2019 and 2018.

15. Other reserves

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of distributable profit of the Company calculated according to the Lithuanian Company's law, are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2019 and 2018, the legal reserve was fully formed by the Company. The legal reserve cannot be distributed as dividends but can be used to cover accumulated losses.

Revaluation reserve

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

	Group	Company
Net book value of buildings revaluation reserve as at 31 December 2017:	**3,107**	**1,709**
Positive impact of buildings revaluation	2,629	750
Effect of exchange rate	(877)	-
Deferred income tax	(435)	(112)
Non-controlling interest	(13)	-
Building revaluation depreciation charges	(71)	(44)
Net book value of buildings revaluation reserve as at 31 December 2018:	**4,340**	**2,303**
Building revaluation depreciation charges	(125)	(58)
Net book value of buildings revaluation reserve as at 31 December 2019	**4,215**	**2,245**

(All amounts are in EUR thousand, unless otherwise stated)

15. Other Reserves (continued)

Reserve for acquisition of own shares

According to the decision of the shareholders of Šatrija AB in 2019, the reserve for acquisition of own shares amounted to EUR 100 thousand (including that attributable non-controlling interest) No such reserve was formed in 2018.

In 2019, a decision of the shareholders of AB Utenos Trikotažas was passed to build up a reserve of EUR 1,000 thousand for acquisition of own shares. No such reserve was formed in 2018.

Foreign currency translation reserve

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

As at 31 December 2019, foreign currency translation impact on consolidated financial statements amounted to EUR 148 thousand (including non-controlling interest), respectively as at 31 December 2018 – EUR 799 thousand.

Derivative financial instrument reserve

The Company's signed a loan agreement with Luminor AB is with a variable interest rate that is linked to EURIBOR (Note 16). On 26 November 2014, the Company signed interest rate swap contract with Luminor AB in order to avoid interest rate fluctuations. The agreement was valid until 25 November 2019. The fair value of interest rate swap contract used for interest rate risk hedging was EUR 13 thousand as of 31 December 2018 and was accounted under Group's/Company's current liabilities (EUR 13 thousand).

16. Borrowings

	Group		Company	
	2019 As at 31 December	**2018** As at 31 December	**2019** As at 31 December	**2018** As at 31 December
Current				
Current portion of non-current bank borrowings	567	2,871	567	2,871
Borrowings from subsidiaries	-	-	750	1
Other current liabilities	-	1,239	-	1,239
Non-current				
Borrowings from subsidiaries	-	-	-	1,200
Non-current bank borrowings	2,597	379	2,597	379
Total borrowings	**3,164**	**4,489**	**3,914**	**5,690**

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Šatrija AB, amounting to EUR 750 thousand with maturity as at 31 December 2020 and variable interest rate 12 month EURIBOR+1.9%.

As of 31 December 2019 and 2018, the bank borrowings were secured by property, plant and equipment and inventory (Note 7 and 10).

Borrowings were received in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	As at 31 December	**As at 31 December**	**As at 31 December**	**As at 31 December**
EUR	3,164	4,489	3,914	5,690

(All amounts are in EUR thousand, unless otherwise stated)

16. Borrowings (continued)

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

	Group		Company	
	2019 As at 31 December	2018 As at 31 December	2019 As at 31 December	2018 As at 31 December
Non-current borrowings from subsidiaries	-	-	1.9	1.9
Non-current bank borrowings	2.2	1.9	2.2	1.9

The Group's and the Company's borrowings fair value was estimated based on the level 3 of fair value hierarchy, contractual cash-flows were discounted using the prevailing market interest rates.

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

Interest changes	Group		Company	
	2019 As at 31 December	2018 As at 31 December	2019 As at 31 December	2018 As at 31 December
Every 3 months	3,164	4,489	3,164	4,489
Every 12 months	-	-	750	1,201
	3,164	**4,489**	**3,914**	**5,690**

As at 28 March 2019, the Company has signed a long-term credit agreement and an overdraft agreement with OP Corporate Bank plc Lithuania. The main purpose of this loan of EUR 5,000 thousand is to refinance the Company's liabilities to Luminor bank AB. As at 31 December 2019, the amount of the long-term credit was EUR 3,164 thousand with maturity term effective until 29 February 2024.
As at 31 December 2019, the Company had no obligations under the overdraft agreement and as at 31 December 2019 the amount of unused overdraft amounted to EUR 1,600 thousand.

On 12 April 2018, an agreement with Luminor bank AB was signed for increase of credit line limit to EUR 1,300 thousand (additionally receiving EUR 800 thousand share of credit limit with maturity term ending on 31 March 2019). As of 31 December 2018, the unwithdrawn balance of credit limit amounted to EUR 61 thousand.

On 26 April 2018, an agreement with Luminor bank AB was signed for long-term credit enhancement up to EUR 4,562 thousand (additionally receiving EUR 1,050 thousand amount of credit with maturity term ending 25 November 2019).

Interest rate was set based on market interest rate, therefore, according to the management, their carrying amount approximated their fair value.

17. Leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

Company

	Premises	Land	Vehicles	Other property, plant and equipment	In total
31 December 2018	-	-	-	-	-
Effect of adoption of IFRS 16 as at 1 January 2019	197	33	84	7	321
Additions	-	-	133	8	141
Depreciation expense	(49)	(3)	(42)	(3)	(97)
31 December 2019	**148**	**30**	**175**	**12**	**365**

Group

	Premises	Land	Vehicles	Other property, plant and equipment	In total
31 December 2018	-	-	-	-	-
Effect of adoption of IFRS 16 as at 1 January 2019	197	435	101	7	741
Additions	-	-	133	8	141
Depreciation expense	(49)	(43)	(49)	(3)	(144)
Effect of exchange rate	-	64	-	-	64
31 December 2019	**148**	**456**	**185**	**12**	**802**

Set out below are the carrying amounts of lease liabilities and their dynamics during the period:

	Company	Group
1 January 2019	**321**	**741**
Additions	168	168
Accretion of interest	7	18
Payments	(104)	(158)
Effect of exchange rate	-	64
31 December 2019	**392**	**833**
Current	107	148
Non-current	285	685

The maturity analysis of lease liabilities is disclosed in Note 3.1.

The following are the amounts recognized in profit or loss:

	Company	Group
Depreciation expense of right-of-use assets	88	135
Interest expense on lease liabilities	7	7
Commitments relating to short-term leases	-	-
Commitments relating to leases of low-value assets	-	-
Variable lease payments (included in cost of sales)	9	9
Total amount recognized in profit or loss	**104**	**150**

In 2019, the Company and the Group had total cash outflows for leases of EUR 104 thousand and EUR 150 thousand, respectively.
The Group has lease contracts for premises that contains variable payments based on sales turnover. The following provides information on the Company's variable lease payments in 2019, including the magnitude in relation to fixed payments:

2019	Fixed payments	Variable payments	In total
	EUR thousand	**EUR thousand**	**EUR thousand**
Variable rent with minimum payment	51	9	59
	51	**9**	**59**

17. Lease (continued)

The Company and the Group do not have any contracts that include extension and termination options for which the extension options are expected not to be exercised or termination options are expected to be exercised.

The Company and the Group are lessors

The Company and the Group has entered into operating leases on its investment property portfolio consisting of certain office and manufacturing buildings (refer to Note 8). These leases have terms of between 1 to 2 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties.

Rental income recognized by the Group during the year is EUR 15 thousand (during 2018 – EUR 3 thousand).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2019	2018
	EUR thousand	**EUR thousand**
Within one year	13	3
After one year but not more than five years	2	-
After five years	-	-
	15	**3**

18. Provisions for Employee Benefits

	Group	Company
Balance at 31 December 2017	**394**	**339**
Benefits earned	84	66
Interest expense	4	4
Actuarial (gain) loss	(88)	(77)
Reduction of costs due to cancelled job contracts	(65)	(64)
Balance at 31 December 2018	**329**	**268**
Benefits earned	40	28
Interest expense	2	2
Actuarial (gain) loss	19	19
Reduction of costs due to cancelled job contracts	(27)	(27)
Balance at 31 December 2019	**363**	**290**

	Group	Company
Non-current provisions for employee benefits as at 31 December 2019	276	212
Current provisions for employee benefits as at 31 December 2019	87	78
Non-current provisions for employee benefits as at 31 December 2018	240	188
Current provisions for employee benefits as at 31 December 2018	89	80

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

In 2019, provisions were calculated with the discount rate of 0.71% and employee turnover rate of 12.26% (in 2018, 1.75% and 13.19%, respectively).

(All amounts are in EUR thousand, unless otherwise stated)

18. Provisions for Employee Benefits (continued)

The table below discloses the sensitivity of the Group's and the Company's provisions to possible changes in key assumptions, with all other variables held constant.

31 December 2019

	Group			Company	
	Change in assumption	**Positive changes in assumption**	**Negative changes in assumption**	**Positive changes in assumption**	**Negative changes in assumption**
Discount rate	0.50%	Decreased 3.19%	Increased 3.31%	Decreased 2.68%	Increased 2.85%
Salary growth rate	0.50%	Increased 3.41%	Decreased 3.13%	Increased 2.80%	Decreased 2.66%

31 December 2018

	Group			Company	
	Change in assumption	**Positive changes in assumption**	**Negative changes in assumption**	**Positive changes in assumption**	**Negative changes in assumption**
Discount rate	0.50%	Decreased 2.61%	Increased 2.78%	Decreased 2.37%	Increased 2.52%
Salary growth rate	0.50%	Increased 2.75 %	Decreased 2.61%	Increased 2.50%	Decreased 2.38%

19. Accrued expenses and other current liabilities

	Group		Company	
	As at 31 December 2019	**As at 31 December 2018**	**As at 31 December 2019**	**As at 31 December 2018**
Accrual for vacation reserve	1,249	1,235	865	778
Salaries and social security	646	634	491	553
Accounts payables for services and non-current assets	525	368	522	367
Taxes payable, other than income tax	269	204	203	176
Provisions for employee benefits	87	89	78	80
Other liabilities	296	248	13	42
	3,072	**2,778**	**2,172**	**1,996**

20. Cost of sales

	Group		Company	
	2019	**2018**	**2019**	**2018**
Materials used in production	9,552	9,603	9,220	9,406
Salaries and social security	10,274	9,680	7,405	6,973
Other additional expenses	3,889	3,666	4,497	4,148
Depreciation and amortisation (Notes 6, 7, 8 and 17)	755	671	519	493
Cost of materials sold	694	981	620	977
	25,164	**24,601**	**22,261**	**21,997**

(All amounts are in EUR thousand, unless otherwise stated)

21. Selling, General and Administrative Expenses

	Group		Company	
	2019	**2018**	**2019**	**2018**
Selling expenses				
Salaries and social security	827	747	750	671
Advertising and marketing costs	433	413	426	408
Agency costs	381	313	381	309
Transportation expenses	283	249	280	247
Maintenance costs of retail outlets	33	99	26	79
Depreciation and amortisation (Notes 6, 7, 8 and 17)	122	80	109	71
Other selling expenses	137	136	123	131
Total selling expenses	**2,217**	**2,037**	**2,095**	**1,916**
General and administrative expenses				
Salaries and social security	1,011	1,048	711	770
Communication and consulting services*	468	389	392	319
Taxes (other than income tax)	92	148	91	105
Depreciation and amortisation	167	77	104	68
Security services	131	119	62	59
Car operating expenses	101	62	89	52
Fees to financial institutions	111	64	104	58
Premises operating expenses	39	47	37	45
Travel expenses	26	17	12	12
Representation expenses	44	35	41	32
Allowance (reversal) and write-off of trade receivables and inventories	142	289	142	138
Other	511	444	275	275
	2,843	**2,739**	**2,060**	**1,933**
	5,060	**4,776**	**4,155**	**3,849**

*For year 2019 fee for financial statements audit was EUR 29 thousand, and fee for other non-audit related services provided by independent auditors (translation services) amounted to EUR 1.2 thousand. For year 2018, fee for financial statements audit was EUR 31 thousand, and fee for other non-audit related services provided by independent auditors (translation services) amounted to EUR 1.2 thousand.

22. Other income and expenses

	Group		Company	
	2019	**2018**	**2019**	**2018**
Gain on disposal of non-current assets	10	-	11	-
Rental income	21	18	16	14
Other income	96	120	17	38
Other revenue	**127**	**138**	**44**	**52**
Loss from disposal of non-current assets	-	-	-	-
Expenses related to leasehold assets	(6)	(11)	(3)	(11)
Depreciation	(7)	-	(7)	-
Other expenses	(2)	(7)	-	-
Other expenses	**(15)**	**(18)**	**(10)**	**(11)**

(All amounts are in EUR thousand, unless otherwise stated)

23. Finance expenses, net

	Group		Company	
	2019	2018	2019	2018
Dividends income	-	-	1,269	10
Gain on foreign exchange	291	225	29	38
Interest income	9	-	69	60
Other finance income	2	-	2	-
Income from financing activities	**302**	**225**	**1,368**	**108**
Interest expense	(126)	(115)	(133)	(136)
Loss on foreign exchange	(75)	(159)	(29)	(32)
Impairment of loans granted	(1)	-	-	(500)
Finance costs	**(202)**	**(274)**	**(162)**	**(668)**

24. Income tax

Income tax expenses comprised as follows:

	Group		Company	
	2019	2018	2019	2018
Current income tax	(79)	(23)	(44)	(43)
Change of deferred income tax	83	13	41	8
Income tax (expenses) recognised in the statement of comprehensive income	4	(10)	(3)	(35)

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

	Group		Company	
	2019	2018	2019	2018
Profit before tax	759	1,151	1,801	606
Income tax (expense) at a rate of 15%	(114)	(173)	(270)	(91)
Change in investment incentive	98	-	124	-
Effect of different tax rates applicable to subsidiary in Ukraine	(26)	18	-	-
Change in valuation allowances for deferred tax asset	36	41	-	-
Used tax losses carried forward for which deferred tax assets was not recognised	121	-	-	-
Impact of permanent differences	(111)	104	143	56
Income tax (expenses) recognised in the statement of comprehensive income	**4**	**(10)**	**(3)**	**(35)**

In 2019, deferred income tax asset and liability related to the entities operating in Lithuania were estimated using a tax rate of 15% (in 2018 – 15%). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using a tax rate of 18% (in 2018 – 18%).

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

(All amounts are in EUR thousand, unless otherwise stated)

24. Income Tax (continued)

Group	31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2019
Deferred tax asset:				
Tax loss carry forward	6	(6)	-	0
Inventories	93	-	-	93
Accounts receivable	5	11	-	16
Impairment of property, plant and equipment	1	-	-	1
Provisions for employee benefits	48	5	-	53
Goodwill	3	(3)	-	-
Investment incentive	36	(36)	-	-
Accrued expenses	64	(11)	-	53
Deferred income tax asset before valuation allowance	256	(40)	-	216
Less: valuation allowance	(44)	36	-	(8)
Less: deferred tax asset netted with deferred income tax liability*	(108)	(4)	-	(112)
Deferred income tax asset, net	104	(8)	-	96
Deferred tax liabilities				
Depreciation of property, plant and equipment	(103)	19	-	(84)
Revaluation of property, plant and equipment	(827)	68	(99)	(858)
Deferred tax liabilities	(930)	87	(99)	(942)
Less: deferred tax liability netted with deferred income tax asset*	108	4	-	112
Deferred income tax liability, net	(822)	91	(99)	(830)
Deferred income tax, net	**(718)**	**83**	**(99)**	**(734)**

Group	31 December 2017	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2018
Deferred tax asset:				
Tax loss carry forward	6	3	(3)	6
Inventories	76	17	-	93
Accounts receivable	15	(10)	-	5
Impairment of property, plant and equipment	1	-	-	1
Provisions for employee benefits	58	(10)	-	48
Goodwill	7	(4)		3
Investment incentive	-	36	-	36
Accrued expenses	77	(13)	-	64
Deferred income tax asset before valuation allowance	240	19	(3)	256
Less: valuation allowance	(41)	(3)		(44)
Less: deferred tax assets netted with deferred income tax liability*	(136)	28	-	(108)
Deferred income tax asset, net	63	44	(3)	104
Deferred tax liabilities				
Depreciation of property, plant and equipment	(135)	32	-	(103)
Revaluation of property, plant and equipment	(391)	-	(436)	(827)
Deferred tax liabilities	(526)	32	(436)	(930)
Less: deferred tax liability netted with deferred income tax asset*	136	(28)	-	108
Deferred income tax liability, net	(390)	4	(436)	(822)
Deferred income tax, net	**(327)**	**48**	**(439)**	**(718)**

(All amounts are in EUR thousand, unless otherwise stated)

24. Income Tax (continued)

Company	**31 December 2018**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2019**
Deferred tax asset:				
Tax loss carry forward	-	-	-	-
Inventories	86	(1)	-	85
Allowance for accounts receivable	-	12	-	12
Impairment of property, plant and equipment and investment property	1	-	-	1
Provisions for employee benefits	40	3	-	43
Accrued expenses	2	-	-	2
Deferred income tax asset before valuation allowance	129	14	-	143
Less: valuation allowance	-	-	-	-
Less: deferred tax asset netted with deferred income tax liability*	(129)	(14)	-	(143)
Deferred income tax asset, net	**-**	**-**	**-**	**-**
Deferred tax liabilities				
Depreciation of property, plant and equipment	(100)	17	-	(83)
Revaluation of property, plant and equipment	(403)	10	-	(393)
Deferred income tax liability	(503)	27	-	(476)
Less: deferred tax liability netted with deferred income tax asset*	129	14	-	143
Deferred income tax liability, net	(374)	41	-	(333)
Deferred income tax, net	**(374)**	**41**	**-**	**(333)**

Company	**31 December 2017**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2018**
Deferred tax asset:				
Tax loss carry forward	-	-	-	-
Inventories	71	15	-	86
Allowance for accounts receivable	11	(11)	-	-
Impairment of property, plant and equipment and investment property	1	-	-	1
Provisions for employee benefits	51	(11)	-	40
Accrued expenses	23	(21)	-	2
Deferred income tax asset before valuation allowance	157	(28)	-	129
Less: valuation allowance	-	-	-	-
Less: deferred tax asset netted with deferred income tax liability*	(157)	28	-	129
Deferred income tax asset, net	**-**	**-**	**-**	**-**
Deferred tax liabilities				
Depreciation of property, plant and equipment	(128)	28	-	(100)
Revaluation of property, plant and equipment	(299)	-	(104)	(403)
Deferred income tax liability	(427)	28	(104)	(503)
Less: deferred tax liability netted with deferred income tax asset*	157	(28)	-	129
Deferred income tax liability, net	(270)	-	-	(374)
Deferred income tax, net	**(270)**	**-**	**(104)**	**(374)**

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

24. Income Tax (continued)

As at 31 December 2019, the subsidiary PAT MTF Mrija had tax losses carried forward amounting to EUR 3,498 thousand (as at 31 December 2018 – EUR 3,464 thousand) for which it did not recognise deferred tax assets due to uncertainties related to their realisation. These tax losses may be carried forward for an unlimited term.

25. Earnings per share

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

Group	2019	2018
Profit attributable to the equity holders of the Group	734	1,107
Weighted average number of shares in issue (thousand)	9,503	9,503
Earnings per share/notional profit (in EUR)	0.08	0.12

26. Related party transactions

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

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

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

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

As at 31 December 2019 and 31 December 2018, the management of the Group and the Company had 0.002 % of shares of PAT MTF Mrija.

Information on less than 100% owned subsidiaries

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

Equity interest attributable to non-controlling interests:

	Country of incorporation and operation	2019	2018
Gotija UAB	Lithuania	0.00%	0.00%
Šatrija AB	Lithuania	10.22%	10.22%
PAT MTF Mrija	Ukraine	1.05%	1.05%
Utenas trikotaža SIA	Latvia	0.00%	0.00%

(All amounts are in EUR thousand, unless otherwise stated)

26. Related Party Transactions (continued)

Accumulated balances of non-controlling interest:	31 December 2019	31 December 2018
Gotija UAB	-	-
Šatrija AB	237	212
PAT MTF Mrija	(31)	(24)
Utenas trikotaža SIA	-	-

Summarised statement of comprehensive income for 2019:

	Gotija UAB	Šatrija AB	PAT MTF Mrija
Revenue	300	3,687	865
Cost of sales	(184)	(2,878)	(839)
Administrative expenses	(76)	(638)	(226)
Other operating income (expenses)	-	90	1
Finance income/(expenses)	-	9	635
Profit before tax	**40**	**270**	**436**
Income tax	(6)	(37)	50
Profit from continued operations for the year	34	233	486
Total comprehensive income	**34**	**233**	**486**
Attributable to non-controlling interests	-	24	5
Dividends paid to non-controlling interests	-	-	-

Summarised statement of comprehensive income for 2018:

	Gotija UAB	Šatrija AB	PAT MTF Mrija
Revenue	320	3,378	710
Cost of sales	(214)	(2,654)	(684)
Administrative expenses	(76)	(485)	(208)
Other operating income (expenses)	-	65	7
Finance income (expenses)	-	12	130
Profit before tax	**30**	**316**	**(45)**
Income tax	(4)	25	5
Profit from continued operations for the year	26	341	(40)
Total comprehensive income	**26**	**341**	**(40)**
Attributable to non-controlling interests	-	34	-
Dividends paid to non-controlling interests	-	-	-

(All amounts are in EUR thousand, unless otherwise stated)

26. Related Party Transactions (continued)

Summarised statement of financial position as at 31 December 2019:

	Gotija UAB	Šatrija AB	PAT MTF Mrija	Utenas trikotaža SIA
Inventories, cash at hand and cash at bank (current assets)	79	1,048	83	2
Property, plant and equipment and other non-current financial assets (non-current assets)	21	1,813	2,869	-
Trade and other payables (current)	(6)	(844)	(4,008)	-
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	-	(125)	(1,502)	-
Total equity	**94**	**1,892**	**(2,558)**	**2**
Attributable to:				
Parent company	94	1,699	(2,576)	2
Non-controlling interests	-	193	18*	-

Summarised statement of financial position as at 31 December 2018:

	Gotija UAB	Šatrija AB	PAT MTF Mrija
Inventories, cash at hand and cash at bank (current assets)	85	1,108	69
Property, plant and equipment and other non-current financial assets (non-current assets)	32	2,718	2,510
Trade and other payables (current)	(10)	(768)	(3,710)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	-	(114)	(1,385)
Total equity	**107**	**2,944**	**(2,516)**
Attributable to:			
Parent company	107	2,643	(2,534)
Non-controlling interests	-	301	18*

***** Upon application of changes in IAS 27 Consolidated and Separate Financial Statements in 2010 the Group retrospectively started to attribute losses to a non-controlling interest even if this resulted in non-controlling interest having a deficit balance.

(All amounts are in EUR thousand, unless otherwise stated)

26. Related Party Transactions (continued)

Related party transactions are disclosed below:

	Group		Company	
	2019	**2018**	**2019**	**2018**
Sales of goods and services				
Subsidiaries of the Company	-	-	213	227
SBA Group companies:	2	4	2	4
Ultimate parent company	-	-	-	-
	2	**4**	**215**	**231**

	Group		Company	
	2019	**2018**	**2019**	**2018**
Interest income				
Subsidiaries of the Company	-	-	60	60
	-	**-**	**60**	**60**

	Group		Company	
	2019	**2018**	**2019**	**2018**
Interest expense				
Subsidiaries of the Company	-	-	19	28
	-	**-**	**19**	**28**

	Group		Company	
	2019	**2018**	**2019**	**2018**
Purchases of goods and services				
Subsidiaries of the Company	-	-	799	750
Ultimate parent company	160	212	137	212
Other related parties	104	13	121	13
	264	**225**	**1,057**	**975**

	Group		Company	
	2019	**2018**	**2019**	**2018**
Dividend payments and reduction of issued capital				
Dividends declared by the subsidiaries of the Company	-	-	47	10
Reduction of issued share capital of subsidiaries and pay-out to the equity holders	-	-	1,222*	-
	-	**-**	**1,269**	**10**

* The Company's subsidiary Šatrija AB has reduced the share capital and paid out the amount to the equity holders. The total amount of reduction was equal to EUR 1,361 thousand. EUR 1,222 thousand was attributed to the Company and EUR 139 thousand – to the non-controlling interest.

(All amounts are in EUR thousand, unless otherwise stated)

26. Related Party Transactions (continued)

	Group		Company	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Amounts receivable (including prepayments and loans)				
Accounts receivable from subsidiaries of the Company, gross*	-	-	2,267	2,256
Impairment	-	-	(1,958)	(1,958)
Accounts receivable from subsidiaries of the Company, net	**-**	**-**	**309**	**298**
Prepayments to subsidiaries	-	-	874	733
Loans granted including interest receivables from subsidiaries, gross**	-	-	1,745	1,685
Impairment	-	-	(928)	(928)
Loans granted including interest receivables from subsidiaries, net	**-**	**-**	**1,691**	**1,490**
	-	**-**	**2,000**	**1,788**

*As at 31 December 2019 and 2018, accounts receivable consisted only of accounts receivable from PAT MTF Mrija.

**As at 31 December 2019 and 2018, the amount stands for loan granted to (including interest receivables) PAT MTF Mrija with fixed annual interest rate of 6%.

As at 31 December 2019, receivables not past due and loans granted amounted to EUR 1,690 thousand, a portion of accounts receivable from subsidiaries of EUR 5 thousand is more than 30 days past due, another portion of receivable payments from subsidiaries of EUR 15 thousand is 31–120 days past due. The rest of the payments of EUR 290 thousand are more than 121 days past due. As at 31 December 2018, receivables not past due and loans granted amounted to EUR 1,495 thousand, a portion of receivable payments from subsidiaries of EUR 5 thousand was more than 30 days past due, another portion of receivable payments from subsidiaries of EUR 15 thousand was 31–120 days past due. The rest of the payments EUR 273 thousand were more than 121 days past due.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
Current and non-current payables				
Subsidiaries of the Company:				
Borrowings	-	-	750	1,261
Other payables	-	-	3	4
SBA Group companies:				
Other related parties	98	3	98	3
Ultimate parent company	897	33	894	214
	995	**36**	**1,745**	**1,482**

(All amounts are in EUR thousand, unless otherwise stated)

26. Related Party Transactions (continued)

On 1 April 2017, the Company signed a zero-balance service agreement (a shared use account) with Luminor AB and Šatrija AB. As at 31 December 2018, the liability under this agreement amounted to EUR 1 thousand (as at 31 December 2017 – EUR 200 thousand).

Except for loans and borrowings, payables to or receivables from related parties have no interest. Except for dividends and loans which are respectively paid out or settled based on the legal or contractual requirements, other balances are settled within 15-30 days.

Balances at the year-end have no collaterals and all transactions are carried out in cash unless otherwise agreed. There are no guarantees granted for receivables from or payables to related parties.

As at 31 December 2019, the amount of loan from subsidiary Šatrija AB amounted to EUR 750 thousand and accounted for in current liabilities. In 2018, the amount of loan from subsidiary Šatrija AB increased to EUR 1,200 thousand.

	Group		Company	
	2019	**2018**	**2019**	**2018**
Key management compensation including social security costs				
Remuneration of the management	588	657	354	434
Defined benefit and jubilee payments to management	6	6	2	3
	594	**663**	**356**	**437**

Management includes general director, functional directors and chief accountant.
In 2019 and 2018, the management of the Group and the Company did not receive any loans, guarantees, any other payments or property transfers were not made or accrued. Remuneration to management comprise base salary and related social security costs.

No guarantees were issued on behalf of related parties as at 31 December 2019 and 2018.

27. Contingent Liabilities and Commitments

As at 31 December 2019 and 2018, the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

From 2003 to 2019, the State Tax Inspectorate did not perform a full tax assessment of the Company and the Group (a partial Company's tax assessment was performed in 2017). In accordance with applicable laws, State Tax Inspectorate can at any time assess the Company's accounting archive and registers within 5 years before the reporting taxable period and can calculate additional taxes and sanctions. Analogically similar risk exists due to the existence of entity PAT MTF Mrija registered in Ukraine as the local state tax authority has not yet performed a full tax inspection.

The Company's management is not aware of any circumstances that would cause the company any additional material tax liabilities.

28. Events After the Reporting Period

In pursuance with the Resolution of the Government of the Republic of Lithuania "On Declaring Quarantine On the Territory of the Republic of Lithuania" (Identification Code 2020-05466), the Company made announcement through the Stock Exchange on 16 March 2020 regarding the closure of all the knitwear stores of Utenos Trikotažas AB throughout the territory of the Republic of Lithuania as from 16 March 2020.
The coronavirus (COVID 19) pandemic and the announcement of quarantine in Lithuania and other markets are likely to affect the performance of the Company and the Group. As the impact of the coronavirus on the economy of the country and major sales markets, and the end date of quarantine in the Republic of Lithuania is unknown, the management is unable to assess the impact on the Group's operations and results in 2020.
Potential risks caused by the COVID 19 on the Company's performance and going concern:

- Decline in retail and wholesale trade, channel redistribution
- Settlement risk
- Liquidity risk
- Supply risks, disruptions in movement of goods
- Business suspension in the framework of an epidemic
- Funding risk

28. Events After the Reporting Period (continued)

In managing the situation, the management of the Company takes measures to optimize the Company's costs, working capital and to manage cash flows as appropriate. Investments planned by the Company that are considered as not essential are suspended and credit risk of receivables is managed by hedging them.
Management has drafted action plans for a different time and circumstance scenarios. When faced with decline in orders received, the down-scaling of production and reduction of administrative time, as well as avoidable costs may be implemented as appropriate.

There were no other events after the reporting period until the date of approval of the financial statements that could have a material impact on the Group's and the Company's financial statements.

UTENOS TRIKOTAŽAS AB

CONSOLIDATED ANNUAL REPORT

For the year ended 31 December 2019

1. Reporting Period Covered by the Annual Report

The Annual Report covers the period from 1 January 2019 to 31 December 2019. All amounts in the Annual Report presented as at 31 December 2019, unless otherwise stated. Further, in this report Utenos Trikotažas AB can be referred to as the Company or the Issuer.

2. Issuer and its contact data

Company name	Utenos Trikotažas AB
Legal and organisation form	Legal entity, public company
Date and place of incorporation	Registered with the Register of Legal Entities of Utena District on 6 December 1994;
Registration code	reregistered with the Ministry of Economy of the Republic of Lithuania on 18 September 1998.
Code of the Register of Legal	BĮ 98-257
Entities	183709468
Authorised share capital	EUR 2,755,870
Address	J.Basanavičiaus g.122, LT-28214, Utena, Lithuania
Name of Register of Legal	
Entities	Registrų centras VĮ
Telephone	+370 389 51445
Fax	+370 389 69358
E-mail	utenos.trikotazas@ut.lt
Website	www.ut.lt
Main activities	Production of knit-wear and textile articles
Auditor	ERNST&YOUNG BALTIC UAB

3. Nature of the Issuer's Operations

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

Utenos Trikotažas AB types of activities:

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

Šatrija AB type of activity:

- sewing of clothes;

MTF Mrija PAT type of activity:

- production of knitwear;
- sewing of knitwear;

Gotija UAB type of activity:

- retail trade;

Utenas Trikotaža SIA types of activities:

- retail trade;

4. Company and Group Companies

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

5. Agreements with Intermediaries of Securities' Public Turnover

On 25 September 2005, the Issuer concluded a service agreement with the Department of Safe Custody Services of SEB Vilniaus Bankas AB, address Gedimino pr.12, LT-01103 Vilnius. Under this agreement, the accounting and servicing of the Issuer's securities is handled in Šiaulių bankas AB in 2018.

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

6. Overview of the Company's Activities

During the twelve months of 2019, production and service sales of Utenos Trikotažas AB group of companies (hereinafter "the Group") amounted to EUR 30.77 million, i.e. 1.0 per cent more than a year ago, when the Group sales amounted to EUR 30.46 million. The Group exported 79.8 per cent of production.

During the twelve months of 2019, Utenos Trikotažas AB earned revenue of EUR 26.98 million.
Compared to the corresponding period of the previous year, sales of knitwear products manufactured on demand, the largest sales segment, decreased by 0.7 per cent to EUR 23.1 million, sale revenue of the Company brands UTENOS and ABOUT grew by 4.7 per cent up to EUR 4 million Sales, whilst sale of services of specialized clothing manufacture provided by the subsidiary Šatrija AB increased by 9.1 per cent.

During the twelve months of 2019, the Group earned EUR 759 thousand of profit before taxes, where in 2018 The Group's result amounted to EUR 1,151 thousand. During the same period, Utenos Trikotažas AB earned EUR 1,801 thousand of profit before taxes, whereas a year ago the Company earned EUR 606 thousand of profit before taxes.

The Group's EBITDA amounted to EUR1,710 thousand, i.e. 15.8 per cent less compared to the same period in 2018. The Company's EBITDA amounted to EUR 1,337 thousand, i.e. 25.1 per cent less compared to the same period in 2018, when the Company's EBITDA was EUR 1,785 thousand (the principles for calculating EBITDA are disclosed in Note 5 of the financial statements).

7. Key performance indicators of the Group

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

	2019	2018	2017	2016	2015
Revenue (EUR'000)	30,771	30,457	25,843	22,790	18,922
Profit for the year (loss) (EUR'000)	763	1,141	301	1,053	(261)
Price per share	0.940	0.820	0.950	0.800	0.400

Trade

	Group			**Company**		
Revenue (EUR'000)	2019 12 months	2018 12 months	*Change, per cent*	2019 12 months	2018 12 months	*Change, per cent*
Products manufactured on demand of other clients	23,111	23,267	*(0,7)*	23,100	23,159	*(0,3)*
Company brands (ABOUT, UTENOS)	3,973	3,812	*4.2*	3,879	3,812	*1.7*
Services of specialized clothing manufacture	3,687	3,378	*9.1*	-	-	-
	30,771	**30,457**	*1.0*	**26,979**	**26,971**	*0.0*

Revenue (EUR'000)

	2019	2018	Change, per cent	2017
Utenos Trikotažas AB	26,979	26,971	0.0	22,556
Šatrija AB	3,687	3,378	9.1	3,172
PAT MTF Mrija	865	710	21.8	787
Gotija UAB	300	320	(6.3)	278
Utenas Trikotaža SIA	-	-	-	-
Elimination of intercompany transactions	(1,060)	(922)	15.0	(950)
	30,771	**30,457**	1.0	**25,843**

Sales by regions

In 2019, the Company has sold goods and services of total amount of EUR 27,0 million. Trade volume increased by EUR 8 thousand as compared to 2018. The Company exported to Western Europe and other countries 81.8 per cent, whereas sold in Lithuania 18.2 per cent of total production.

In 2019, the total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to EUR 30,8 million. The Group exported 79.8 per cent, whereas sold in Lithuania 20.2 per cent of total production.

Lithuania

In 2019, the Company sold in Lithuania total amount of EUR 4.9 million of knitwear production. The sales in Lithuania increased by EUR 0.4 million or 8,9 per cent.

In 2019, the Group sales in Lithuania amounted to EUR 6.2 million of production, the export sales increased by EUR 0.5 million compared to 2018.

Export

In 2019, the Company exported knitwear in the amount of EUR 22.1 million. Export volumes decreased by EUR 0.4 million or 1.8 per cent compared to 2018. Western European retail chains remained the Company's major buyers.

In 2019, the Group exports to Western Europe and other regions amounted to EUR 24.6 million, which is less by EUR 0.2 million compared to 2018.

Trade by regions is disclosed in Note 5 of the financial statements.

Operating figures

	Group			Company*		
	2019	2018	2017	2019	2018	2017
Manufactured items, units'000	2,853	3,132	3,231	2,725	3,008	3,099
Average number of employees (FTE)	1,080	997	1,061	720	659	714

*- The production of Utenos Trikotažas UAB is shown in conjunction with the subsidiary's production according to the Company's orders.

Production

In 2019, the Company produced 1.3 million knit-wear items. The Company‘s subcontractors (including subcontractors in Ukraine) produced 1.4 million knit-wear items or 49.4 per cent of total production volumes. In 2019, Šatrija AB produced 118 thousand sewn items. In 2019, MTF Mrija PAT produced 0.7 million items.

Production (units'000)

	2019	2018	Change, per cent
Utenos Trikotažas AB	2,000	2,197	(9,0)
Šatrija AB	118	118	0.0
PAT MTF Mrija	735	817	(10.0)
Gotija UAB	-	-	-
Utenas Trikotaža SIA	-	-	-
	2,853	**3,132**	(8,9)

Financial ratios

	Group			Company		
	2019	2018	2017	2019	2018	2017
Revenue (EUR'000)	30,771	30,457	25,843	26,979	26,971	22,556
Operating profit (loss) (EUR'000)	659	1,200	645	596	1,166	226
Operating profit (loss) margin (per cent)	2.1	3.9	2.5	2.2	4.3	1.0
EBITDA	1,710	2,032	1,470	1,337	1,785	1,509
EBITDA margin (per cent)	5.6	6.7	5.7	5.0	6.6	6.7
Profit (loss) before tax (EUR'000)	759	1,151	372	1,801	606	2,249
Profit (loss) before tax, margin (per cent)	2.5	3.8	1.4	6.7	2.2	10.0
Net profit (loss) for the year (loss) (EUR'000)	763	1,141	301	1,798	571	2,235
Net profit (loss) for the year margin (per cent)	2.5	3.7	1.2	6.7	2.1	9.9
Number of shares (thousand)	9,503	9,503	9,503	9,503	9,503	9,503

Relative ratios

	Group			Company		
	2019 12.31	2018 12.31	2017 12.31	2019 12.31	2018 12.31	2017 12.31
Return on capital employed (per cent)	27.7	41.4	10.9	18.9	20.7	81.1
Return on assets (per cent)	3.3	5.1	1.7	8.6	2.8	12.4
Return on shareholders' equity (per cent)	7.0	10.2	4.0	17.6	6.1	29.1
Debt ratio (per cent)	52.2	49.8	57.6	51.4	53.9	57.2
Debt-to-equity ratio (per cent)	109.2	99.0	136.1	105.7	116.8	133.5
Liquidity ratio (per cent)	145.5	121.8	148.3	139.9	119.3	150.1
Liquidity ratio (per cent)	47.8	50.2	42.4	48.6	46.1	42.8

Ratios related with the share price

	2019	2018	2017
P/E (price-to-earnings ratio)	12.17	7.04	32.95
EPS (earnings per share)	0.08	0.12	0.03
EV/EBITDA (enterprise value to EBITDA ratio)	6.55	5.70	8.22
EV/EBIT (enterprise value to EBIT ratio)	12.67	9.16	25.70

Investments

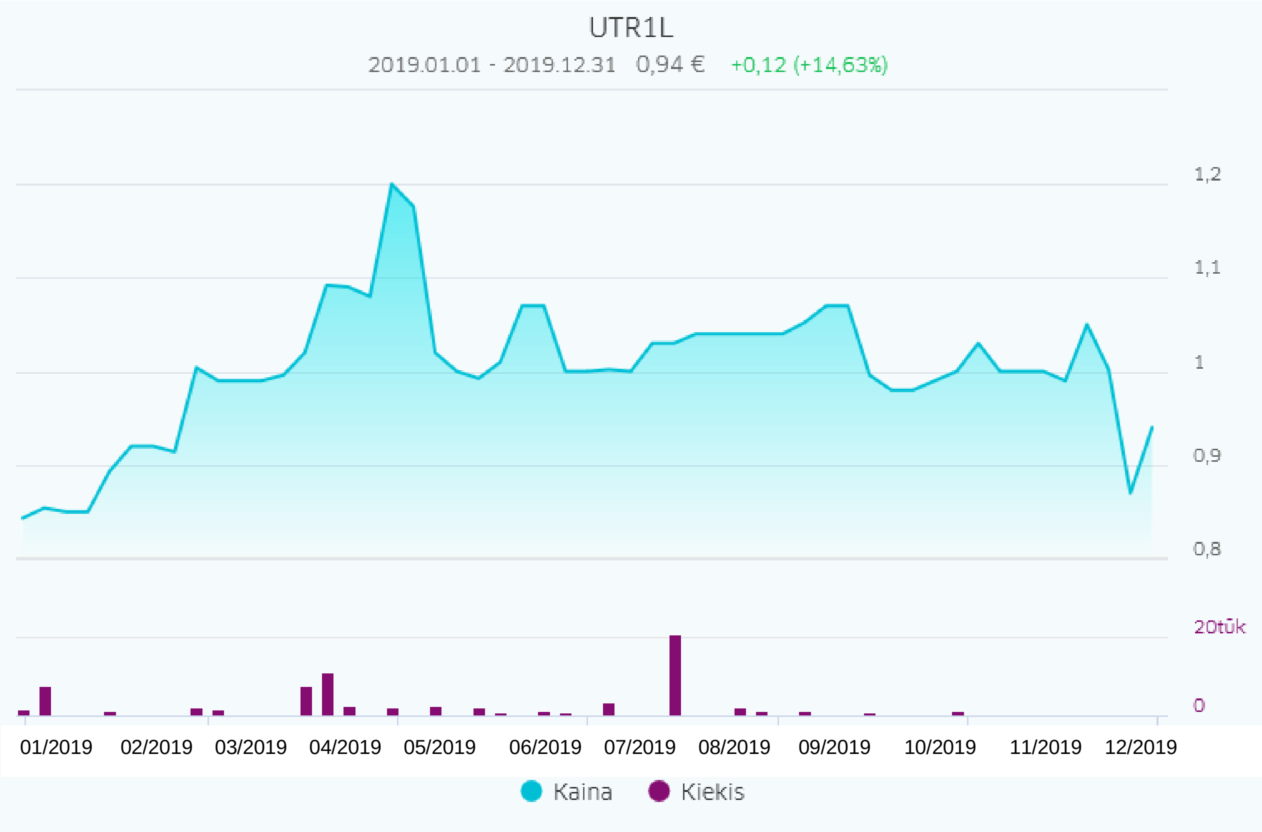
In 2019, the Group's investments in new equipment and new technologies amounted to EUR 1,037 thousand.
In 2019, the Company's investments in new equipment and technologies amounted to EUR 939 thousand, including transactions between Group companies.
In 2019, Šatrija AB invested EUR 90.4 thousand.
In 2019, MTF Mrija PAT invested EUR 7.6 thousand.
In 2019, Utenas Trikotaža SIA and Gotija UAB made no investments.

8 Information About Trade in the Issuer's Securities in Regulated Markets

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

9 Information Regarding the Price of Shares and Their Dynamics

Utenos Trikotažas AB share price dynamics in 2019 (EUR):



Price ratios	2019	2018	2017
Open price, EUR	0.820	0.950	0.800
High price, EUR	1.200	1.250	1.500
Low price, EUR	0.810	0.820	0.680
Last price, EUR	0.940	0.820	0.950
Turnover, units	79,171	602,135	134,721
Turnover, million EUR	0.08	0.50	0.14
Capitalisation, million EUR	8.93	7.79	9.03

Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index 12-month dynamics until 2019

Index/Equity	31/12/2019	31/12/2018	31/12/2017	2019/2018 change, per cent
OMX Baltic Benchmark GI	992.83	873.81	944.09	13.62
OMX Vilnius	712.14	616.9	653.29	15.44
UTR1L	EUR 0.94	EUR 0.82	EUR 0.95	14.63↑

10 Dividend Policy

The decision on dividends payment for 2019 will be made by the General Meeting of Shareholders, based on the proposal of the Board.

11 Description of Key Risks and Contingencies of the Company

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 depend on government policy and other political and economical changes in Lithuania and the World (which affect Lithuania). The Company and the Group use instruments ensuring that production is sold to reliable customers. The Company and the Group's policy focuses on maintaining adequate amount of cash and cash equivalents or maintaining funding by keeping adequate credit lines available with the purpose of implementing commitments provided in the strategic plans.

Utenos Trikotažas AB 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 on improvement of working conditions, employees training, 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 Company has implemented environment management system, which complies with requirements of ISO 14001. Key environmental strategic objectives include:

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

12 References to and Additional Explanations of Data Presented in The Financial Statements

All financial data of 2019 and 2018 presented in this Annual Report is calculated based on the financial information presented in the Group and the Company's financial statements for the year 2019, prepared in accordance with the International Financial Reporting Standards as adopted by the EU. These financial statements were audited by the auditor assigned under established procedure.

13 Main Features of the Group Company's Internal Control and Risk Management Systems Related to the Preparation of the Consolidated Financial Statements

The consolidated financial statements of Utenos Trikotažas Group are prepared in accordance of International Financial Reporting Standards (IFRS) as adopted by the EU. To all Utenos Trikotažas AB group companies the same principles of internal control organisation and accounting are applied. Per consolidated financial statements, all intercompany transactions and balances are eliminated.

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

14 Corporate Social Responsibility

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

Utenos Trikotažas AB in 2017 officially joined the Greenpeace project "Detox". The Company by 2020 year is committed to eliminate raw materials that could have a negative impact to people or the environment in all stages of the product life, from the start of production and packaging to wearing, washing, sorting and recycling of the product, thus producing products that are safe for the consumer without harming the environment and workers. This is guaranteed by the available certificates and independents auditor audits, after which independent certification bodies issue certificates proving that the production meets the requirements of international ecological standards.

The Company does not tolerate any forms of corruption and is in favour of honest business and transparent cooperation.

The risk is reduced by internal controls aimed at identifying potential risk factors for corruption. Information about risk is disclosed in Note 3.1 to the financial statements.

In accordance with the requirements of SA8000: 2014, the Company has instituted the Social Performance Team that periodically evaluates all aspects of social responsibility (including corruption) pursuant to the written Corporate Social Accountability Risk Assessment Procedure and submits suggestions for improvement to the management.

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

The Company complies with the requirements of the legislation in force in the field of environmental protection, labour safety and other fields. Inspections by the controlling authorities are carried out to ensure compliance with the legislation in force.

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

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

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

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

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

In order to implement the development of corporate social responsibility in partnership with business, social and international partners, Utenos Trikotažas AB certified for international social responsibility standard SA 8000 in 23 May 2006 (the surveillance audits were carried out on 30–31 October 2019 and 28–29 March 2019).

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

SA 8000 standard objectives:

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

Utenos Trikotažas AB management ensure wages which would satisfied the basic needs of personnel and provide some discretionary income.

Social responsibility (SA 8000) standard demands:

- The work for children under 16 years must not be practised;
- Forced labour, 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, sex, 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 negotiated with the worker representatives – the Council of Trade Unions.
- Payment and additions for work done must be clear to employees and all this must be negotiated in the collective agreement or with the worker representatives – the Council of Trade Unions.

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

15 Information About the Company's Own Share Acquisitions

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

16 Significant Events Subsequent to the End of the Previous Financial Year

On 28 February 2020, announcement of unaudited interim consolidated financial statements of Utenos Trikotažas AB of 2019.
On 24 February 2020, announcement of "Greenpeace": Utenos Trikotažas AB became the first company in the world to fully comply with the organisation's environmental standards.
On 22 January 2020, announcement of preliminary dates of activity results for 2020.
On 8 January 2020, announcement of disposal of voting rights.
On 8 January 2020, announcement of the communication regarding the transactions of the persons under the management of Utenos Trikotažas AB and the transactions of persons closely related to them, and their public disclosure.
On 7 January 2020, announcement of the acquisition of shares Utenos Trikotažas AB.
On 6 January 2020, announcement of changes in management of Utenos Trikotažas AB.
On 11 December 2019, announcement of establishment of a subsidiary of Utenos Trikotažas AB in Latvia.
On 31 October 2019, announcement of the financial statements of Utenos Trikotažas AB for the 9-month period.
On 31 July 2019, announcement of the performance results. Announcement of the performance results of Utenos Trikotažas AB for the first quarter of 2019
On 8 May 2019, announcement of the ex-dividend date of Utenos Trikotažas AB.
On 30 April /2019, announcement of the performance results of Utenos Trikotažas AB for the first quarter of 2019.
On 29 April 2019, announcement of annual information 2018.
On 29 April 2019, announcement of the decisions of the general shareholder meeting.
On 4 April 2019, the general meeting of shareholders of Utenos Trikotažas AB was convened. Announcement of the draft resolutions of the General Meeting of the Shareholders of Utenos Trikotažas AB.
On 28 February 2019, announcement of unaudited interim consolidated financial statements of Utenos Trikotažas AB of 2018.

17 The Company's Operating Plans and Objectives

The Group completed 2019 with rapid growth.

The Group's growth potential is based on two Organically Innovative pillars of the business strategy being implemented: firstly, the focus is on meeting customer needs for the highest quality production and product innovation, and, secondly, the environmental and consumer friendliness of the production processes is of utmost importance. This is widely appreciated by the customers in Lithuania and abroad.

The growing volume of operations allows to continuously increase the capacity and enhance production efficiency, thus addressing the challenges of rising labour costs. Operational efficiency is one of the key priorities for 2020. It is expected that this will allow not only to control costs, but also to successfully fulfil the growing customer orders.

Priority axes for 2020:

- Increase sales to customers by focusing on high quality, eco-friendly products made from innovative materials.
- Further development of the Company brands – UTENOS and ABOUT.
- Sale promotion of materials created and manufactured based on the customer demand.
- Improvement of operational efficiency.
- Development of e-commerce.

18 Research and Development Activities

The Company and the Group did not carry out research.

19 Structure of the Issuer's Authorised Share Capital

As at 31 December 2019, 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:

Class of shares	Number of shares, units	Nominal value (EUR)	Total nominal value (EUR)	Percentage in the authorised share capital (per cent)
Ordinary registered shares	9,503,000	0.29	2,755,870	100.00

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

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

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

20 Restrictions on Disposal of Securities

There are no restrictions.

21 Shareholders

As at 31 December 2019, the total number of shareholders of Utenos Trikotažas AB was 1,151.

The shareholders that owned or controlled more than 5 per cent of the Issuer's authorized share capital as at 31 December 2019 were as follows:

Shareholder's name	Company code	Address, country	Number of ordinary registered shares held (thousand)	Ownership interest in the authorized share capital (per cent)	Voting rights (per cent)
Koncernas SBA UAB	132206739	K.Donelaičio st. 62, Kaunas, Lithuania	7,821	82.3	82.3
Algirdas Šabūnas	-	Liepų st.3-2, Raistiniškių settlement, Vilnius district, Lithuania	950	10.0	10.0
Other shareholders	-	-	732	7.7	7.7

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

	Registered office	Group's share (%) as at 31 December 2019	2018	Activity
Šatrija AB	Šatrijos st. 3, Raseiniai	89.78	89.78	Manufacture of wearing apparel
Gotija UAB	Laisvės st. 33, Kaunas	100.00	100.00	Retail
PAT MTF Mrija	Tomas Masarik 13, Mukachevo, Ukraine	98.95	98.95	Production of knitted articles
Utenas Trikotaža SIA	Cietokšna st. 60, Daugavpils, Latvia	100.00	-	Retail

Utenos Trikotažas AB established a subsidiary Utenas Trikotaža SIA with the authorized share capital in the amount EUR 2,800.

22 Shareholders Holding Special Control Rights and Descriptions of These Rights

There are no restrictions.

23 All restrictions regarding voting rights

There are no restrictions.

24 All Mutual Agreements Between Shareholders of Which the Issuer is Aware and Due to Which Restrictions on Transfer of Securities and/or Voting Rights May Be Imposed

None

25 Employees

Average number of employees of Utenos Trikotažas AB group companies, by companies:

Company name	31/12/2019	31/12/2018	Change, per cent
Utenos Trikotažas AB	795	793	0.3
Šatrija AB	214	201	6.5
PAT MTF Mrija	152	162	(6,2)
Gotija UAB	3	3	-
Utenas Trikotaža SIA	-	-	-
	1,164	**1,159**	0.4

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

Company name	2019	2018	Change, per cent
Utenos Trikotažas AB	8,866	8,414	5.4
Šatrija AB	2,505	2,403	4.2
PAT MTF Mrija	706	624	13.1
Gotija UAB	35	34	2.9
Utenas Trikotaža SIA	-	-	-
	12,112	**11,475**	5.6

The average monthly wages of the Company's employees before taxes (EUR):
Average monthly salary of the Company's employees is calculated as payroll expense (before taxes)/FTE.

Group of employees	Group			Company		
	2019	2018*	Change, per cent	2019	2018*	Change, per cent
Managers	2,006	2,086	(3.8)	2,176	1,976	10.1
Specialists	990	1,034	(4.2)	1,289	1,058	21.8
Workers	640	665	(3.7)	842	674	24.9
	789	**786**	**0.3**	**1,048**	**824**	**27.2**

* The average monthly wages of the Company's employees before taxes in 2018 were indexed based on the Amendments to the Law on State Social Insurance of the Republic of Lithuania, effective from 1 January 2019.

The Company's employee distribution by education (according to data as at 31 December 2019):

Group of employees	Number of employees	Higher	Non-higher professional	Vocational	Secondary	Basic	Higher non-university
Managers	48	24	11	1	5	-	7
Specialists	149	64	23	5	11	3	43
Workers	598	22	157	155	191	28	45
	795	**110**	**191**	**161**	**207**	**31**	**95**

26 Management of the Group Companies

Company name	Managers
Utenos Trikotažas AB	Petras Jašinskas
Šatrija AB	Giedrius Grondskis
PAT MTF Mrija	Tatjana Roshchina
Gotija UAB	Kristina Šašilaitė
Utenas Trikotaža SIA	Toma Šedytė

27 Management Incentives

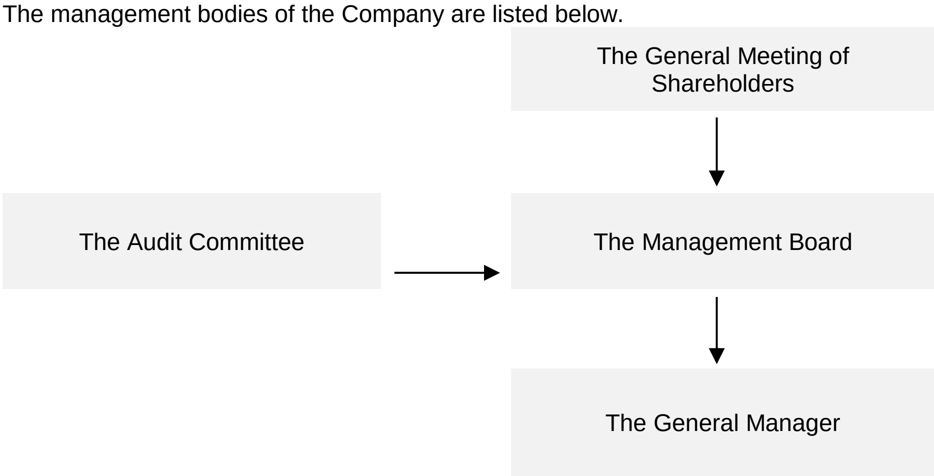
Management incentives are assigned by the decision of the Board taking into account the objectives met.

28 Amendment Procedure of the Issuer's Articles of Association

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

29 Issuer's Management Bodies

The management bodies of the Company are listed below.



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

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

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

The Audit committee consists of 2 (two) independent members. The Audit committee members by the submission of the Board are being appointed and withdrawn by the General Meeting of Shareholders. The members of the Committee are elected for the term of 4 (four) years.

In 2019, the Audit committee held 2 (two) meetings (on 3 April 2019, 5 July 2019 and 5 December 2019). During the meetings The Audit Committee considered the questions which fall under it' s competency.

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

Genadijus Makuševas (b. 1959)

Utenos Trikotažas AB in dependent auditor from 26 April 2017, for four years term.

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

Workplace:
- Grant Thornton Baltic UAB, General Manager, auditor.
- Renovacija UAB, General Manager

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.

Arvydas Dalikas (b. 1954)

Utenos Trikotažas AB in dependent auditor from 26 April 2017, for four years term.

Education:
- Vilnius University, 1982, Financial Accounting.
- Kaunas Polytechnic, technologist, 1972;
- Vilnius University Vocational Improvement Center, basics of audit profession 1994–1995;
- Ministry of Finance of the Republic of Lithuania, certified auditor, certificate No 000052. 1996;
- Institute of Certified Public Accountants of Ireland, improvement courses, 2010;

Workplace:
- MGI In salvo UAB audit company, the partner.

Participation in the management of other companies:
- Member of the Lithuanian Chamber of Auditor's Quality Control Committee since 2009;
- Kauno Vandenys AB, Chairman of the Audit Committee since 2017;
- Member of the Court of Auditors of the Republic of Lithuania, Chairman 2009–2015;
- JSC "ADKF", General Manager, owner since 1991;
- Kaunas Construction Repair Trust, Restoration Board, Senior Accountant, Centralized Accounting, 1984–1992.

The Duties of the Audit Committee:

- To observe the process of preparation of the Company's financial reports;
- To review the systems of internal control, risk management and internal audit, if it exists in the Company;
- To observe the process of external audit;
- To observe how the external auditor or audit company follows the principles of independence and objectivity;
- To provide the Board of the Company with written recommendations regarding the selection, appointment and recall of an external audit company.
- 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.

The Rights of the Audit committee:

- 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 the 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.

The 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 Meeting of Shareholders.

30 Members of the Collegial Bodies, the Company Manager, the Finance Manager

As at 31 December 2019:

Position	Full name	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
Board				
Chairman of the Board	Gintautas Rudis	28	05/09/2016	30/04/2021
Member of the Board	Algirdas Šabūnas	950,300	05/09/2016	20/01/2020
Member of the Board	Vytautas Vaškys	3	30/04/2013	30/04/2021
Member of the Board	Giedrius Grondskis	-	26/04/2017	30/04/2021
Head of Administration and the Chief Financial Officer				
General Manager	Petras Jašinskas	-	07/01/2020	-
Finance Director	Živilė Jonaitytė	-	02/03/2020	-
General Manager	Algirdas Šabūnas	950,300	06/09/2016	06/01/2020
Finance Director	Andrej Grobov	-	03/02/2015	01/03/2020
The Audit Committee				
The independent auditor	Genadijus Makuševas	-	30/04/2013	30/04/2021
The independent auditor	Arvydas Dalikas	-	26/04/2017	30/04/2021

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

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

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

Information about board members:

Gintautas Rudis (b. 1963)

Utenos trikotažas AB, the Board member from 29 January 2008, re-elected for four years term on 26 April 2017. Elected as the Chairman of the Board of Utenos Trikotažas AB on 5 September 2016. As the chairman of the Board was re-elected on 2 Mach 2017.

Education:

- Kaunas University of Technology, Master degree in Management.

Workplace:

- Enteco Baltic UAB, the General Manager
- Euromodus UAB, the General Manager
- Association "Pramonės ir Rinkodaros Verslo Centras", the General Manager
- Evenmor UAB, the General Manager
- Kaldera UAB, the General Manager

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 Member of the Supervisory Board
- Euromodus UAB, the Chairman of the Board
- Kempingas Slėnyje UAB, the Chairman of the Board

Algirdas Šabūnas (b. 1974)

Member of the Board of Utenos trikotažas AB since 26 April 2017, for a four-year term, re-elected on 26 April 2007.

Education:

- Vytautas Magnus University, Master degree in Finance and Banking, Doctoral degree in Social Sciences.

Workplace:

- Utenos Trikotažas AB, the General Manager (until 06/01/2020).

Participation in the management of other companies:

- Šatrija AB, the Chairman of the Board
- Koncernas SBA UAB, the Board Member
- Utenos Trikotažas AB, the Board Member

Vytautas Vaškys (b. 1967)

Utenos Trikotažas AB, the Board Member since 29 April 2009, re-elected for four years term on 26 April 2017.

Education:

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

Workplace:

Koncernas SBA UAB, the Business Risks Director.

Participation in the management of other companies:

- Enteco Baltic 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
- MTF Mrija PAT, the Supervisory Board Member
- Modular UAB, the Chairman of the Board
- SBA Competence and Service Center UAB, the Board Member.

Giedrius Gromskis (b. 1973)

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

Education:

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

Workplace:

- Šatrija AB, the General Manager

Participation in the management of other companies:

- Kauno Baldai UAB, the Member of the Board

In 2019, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2019, the aggregate remuneration of the Company's General Manager and the Finance Director amounted to EUR 202 thousand.

31 Information About Significant Agreements

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

32 Information About the Compliance with the Governance Code

Utenos Trikotažas AB complies with the Corporate Governance Code for the Companies Listed on Vilnius Stock Exchange.

33 Information About Transactions with Related Parties

Results of transactions with related parties performed in 2019 are disclosed in the notes to the financial statements of Utenos Trikotažas AB for the period ended as at 31 December 2019.

34 Data on Publicly Announced Information

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

35 Company's Auditor

Utenos Trikotažas AB signed the agreement for the audit of the Financial Statements for 2019 with ERNST & YOUNG BALTIC UAB (identification code 110878442, the registered address: Subačiaus st. 7, Vilnius). The annual remuneration for the audit services is EUR 29,000 (twenty nine thousand EUR) plus VAT.

36 General Information on the Group of Companies

36.1 Companies that Constitute the Group, Their Contact Data and Principle Activities

Company name	**Šatrija AB**
Legal form	Joint stock company
Registration date and place	1955, Šatrijos st.3, 4400 Raseiniai
Company code	172285032
Address	Šatrijos st.3, 4400 Raseiniai
Telephone	8 (428) 70611
Fax	8 (428) 70611
E-mail	raseiniai@satrija.lt
Website	www.satrija.lt
Main business activity	Manufacture of wearing apparel

Company name	**Mukačevska Trikotažnaja Fabrika Mrija PAT**
Legal form	Open public company
Registration date and place	1971, Tomas Masarik st.13, 89600 Mukachevo, Ukraine
Company code	00307253
Address	Tomas Masarik st.13, 89600 Mukachevo, Ukraine
Telephone	+ 380 (3131) 52780
Fax	+ 380 (3131) 52780
E-mail	mriya@mriya.ut.lt
Website	www.mriyamukachevo.com
Main business activity	Production of knit-wear articles

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

Company name	**Utenas Trikotaža SIA**
Legal form	Private company
Registration date and place	2019, Cietokšna st. 60, Daugavpils, Latvia
Company code	40203234380
Address	Cietokšna st. 60, Daugavpils, Latvia
Telephone	+ 370 (656) 37547
Fax	-
E-mail	OutletDaugavpilis@ut.lt
Website	None
Main business activity	Retail trade in knitwear products

36.2 Trade in Securities of the Group Companies In Regulated Markets

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

37 Information on harmful transactions in which the issuer is a party (transactions that are not consistent with the Company's objectives or usual market terms and conditions, infringe interests of the shareholders or other stakeholders).

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) made in the name of the issuer that had or potentially could have negative effects in the future on the issuer‘s activities or business results. There were also no transactions where a conflict of interest was present between issuer‘s management‘s, controlling shareholders ‘or other related parties‘ obligations to the issuer and their private interests.

38 Diversity Policy

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

39 Corporate Governance

Information is prepared in accordance with the Law of the Republic of Lithuania on Companies Financial Reporting Law (IX575), effective from 29 November 2017, applicable to annual reports of companies reporting periods beginning on or after 1 of January 2017).

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

The Company provides information on compliance with the applicable Corporate Governance Code in 2019 in the Annex to the Consolidated Annual Report. The Company publishes its annual reports on the web page in Investors section.

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

The Company publishes this information in 2019 in the Annex to the Consolidated Annual Report on Compliance with the Corporate Governance Code, "Yes/No/Not applicable" and "Comment".

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

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

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

39.4 Information on significant direct or indirect holding of shares

Information on significant direct or indirect holding of shares is disclosed in Note 1 to the Group and the Company's financial statements for 2019.

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

The Company does not have shareholders with special control rights.

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

The Company does not impose any restrictions on rights.

39.7 Information on the rules governing the election and amendment of the Board members, as well as changes to the Articles of Association of the Company

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

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

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

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

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

The Company provides information about the competence of the General Meeting, the shareholders' rights and their implementation, as well as the organization of meetings of shareholders present in 2019 in the Annex to the Annual Report on Compliance with the Corporate Governance Code in 2019.

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

The Company provides information on the members of the Board of Company, the general manager in the Notes 26, 29, 30 of the Consolidate Annual Report for 2019, which outline the scope of the management's activities, mention is made of other important information related to the positions held.

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

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

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

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

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

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

The shareholders of the Company have no mutual agreements.

40 Events After the Reporting Period

The Board of Utenos Trikotažas AB took a decision to appoint Petras Jašinskas as a new general manager of the Company as from 7 January 2020 by replacing Algirdas Šabūnas, the former general manager of the Company.

Mr Šabūnas also submitted to the Company a notice of resignation from the position of a member of the Board of the Company as from 20 January 2020 (this day is the last day of his activities on the Board of the Company). The Company will make announcement regarding the election of a new member of the Board in accordance with the procedure established by legal acts.

On 6 January 2020, SBA Koncernas UAB acquired 950,300 units of Utenos Trikotažas AB shares from Mr Šabūnas. During the transaction, EUR 0.92 were paid for share with a nominal value of EUR 0.29.

After the transaction, SBA Koncernas UAB holds the main qualifying holding – 92,31 per cent, other shareholders – 7,69 per cent of Utenos Trikotažas AB shares.

In pursuance with the Resolution of the Government of the Republic of Lithuania "On Declaring Quarantine On the Territory of the Republic of Lithuania" (Identification Code 2020-05466), the Company made announcement through the Stock Exchange on 16 March 2020 regarding the closure of all the knitwear stores of Utenos Trikotažas AB throughout the territory of the Republic of Lithuania as from 16 March 2020.
The coronavirus (COVID 19) pandemic and the announcement of quarantine in Lithuania and other markets are likely to affect the performance of the Company and the Group. As the impact of the coronavirus on the economy of the country and major sales markets, and the end date of quarantine in the Republic of Lithuania is unknown, the management is unable to assess the impact on the Group's operations and results in 2020.
Potential risks caused by the COVID 19 on the Company's performance and going concern:

- Decline in retail and wholesale trade, channel redistribution
- Settlement risk
- Liquidity risk
- Supply risks, disruptions in movement of goods
- Business suspension in the framework of an epidemic
- Funding risk

In managing the situation, the management of the Company takes measures to optimize the Company's costs, working capital and to manage cash flows as appropriate. Investments planned by the Company that are considered as not essential are suspended and credit risk of receivables is managed by hedging them.
Management has drafted action plans for a different time and circumstance scenarios. When faced with decline in orders received, the down-scaling of production and reduction of administrative time, as well as avoidable costs may be implemented as appropriate.

There were no other events after the reporting period until the date of approval of the financial statements that could have a material impact on the Group's and the Company's financial statements.

The World Environmental Organization "Greenpeace" has recognised the SBA group company Utenos Trikotažas as the first and so far the only company in the world to comply with the Textile Procurement Standard of "Greenpeace". The Lithuanian company also became the only production partner of the organization on a global scale – production of the new "Greenpeace" collection was started in Utena.

The new "Greenpeace" standard embodies all existing best practices in terms of zero use of toxic chemicals, fairness and transparency.

"It is the standard for any fashion brand really looking to achieve credibility in terms of sustainability. Utenos trikotažas has become the first manufacturer to prove it is compliant with these requirements. Under the standard, organically farmed natural fibres, production tested free of harmful substances, fair pay and transparency are uniquely combined. And all this with the most stringent testing" says Viola Wohlgemuth, Consumer and Harm Coordinator at Greenpeace.

"Greenpeace" collection after a long break

When in 2011 the "Greenpeace" has launched Detox My Fashion campaign by announcing that it will suspend all textile sales "until suppliers and manufacturers can ensure that no hazardous chemicals are used and released at all stages of production."

A few years later, in 2018, Utenos Trikotažas successfully implemented a pilot phase of production of “Greenpeace” collection. It became the foundation of the organization’s new standard for textile production, and a year later, the first large-scale collection was launched.

“This is a historic achievement. Becoming the first producer worldwide to meet “Greenpeace” requirements is phenomenal. At the same time, it is an appreciation of the long-term efforts of Utenos Trikotažas. We hope that our example will encourage other textile companies to achieve ambitious environmental goals as well,” says Petras Jašinskas, General Manager of Utenos Trikotažas AB.

Environmentally friendly production: across the cycle

Utenos trikotažas has already finished production of the first batch of “Greenpeace” new t-shirt collection and will continue the production later this year.

According to Viola Wohlgemuth, Utenos Trikotažas and its partners[1] have shown that for the first time ever, steps to avoid hazardous chemical use and contamination have been taken across the entire production chain, from fibres in the processing of raw materials, to dyeing and printing according to Detox principles, and finally to the sewing and packaging of high quality, ready-to-wear garments, made to last.

“The new “Greenpeace” textiles procurement standard requires Utenos Trikotažas to control the chemicals used via complete testing of the wastewaters released when it bleaches, dyes, washes and prints the cotton. This collection proves that truly clean, fair and completely transparent production is in fact possible. And not in some boutique sewing shop, but at an industrial level,” Mrs Wohlgemuth says.

EU Commissioner: sustainability is a competitive advantage

Last December, the European Union introduced its strategy of tackling pollution – the Green Deal. It will include the Circular Economy Action Plan, which will focus in particular on resource-intensive sectors such as textiles, construction, electronics and plastics.

European Union Commissioner for Environment, Oceans and Fisheries Virginijus Sinkevicius congratulated non-governmental and private sector initiatives and achievements to make the textile industry greener and emphasized the importance of sustainability in global competition.

“Textile is one of the main industries, where solutions for the circular economy, reusable materials, and recycling will aim to improve sustainability. The Circular Economy Action Plan, an important part of the EU’s industrial strategy, is already guiding the planned transformation, therefore, changes in this area are inevitable. It is true that the first ones to follow this path will naturally have a competitive advantage in the market,” said Virginijus Sinkevicius, EU Commissioner for Environment, Oceans and Fisheries.

Years of preparation: Detox My Fashion

“Greenpeace” Detox My Fashion campaign, launched almost a decade ago, put a lot of pressure on the global textile industry, one of the largest polluter, to eliminate the use and discharge of hazardous chemicals. Environmentalists identified 11 groups of hazardous chemicals widely used in the textile industry that are of particular concern due to their effects on people and the environment and insisted that the major manufacturers and their suppliers commit themselves to stopping their use in production by 2020.

Utenos trikotažas, part of the SBA Group, is the only Lithuanian company participating in this campaign and one of the few Detox-committed companies with a vertically integrated production cycle, i.e. when all production processes, from raw material production through to the final ready-to-wear product, are being made under one roof.

Since the beginning of the Detox my Fashion campaign, over 80 different textile companies (H&M, Nike, Adidas, Puma and many more) have joined the initiative, representing about 10–15 per cent of the global apparel market.

Events after the reporting period are more widely disclosed in the financial statements.

There were no significant events after the reporting period that could have a significant effect on the Group and Company’s financial statements.

Petras Jašinskas, General Manager 30 March 2020.

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 2019

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 (VSE), discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/RECOMMENDATIONS	**YES/NO/NOT APPLICABLE**	**COMMENTARY**
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 websites 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 to 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, the Audit Committee and the general manager (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 – the General Meeting of Shareholders and the general manager, 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 general manager 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 general manager.	No	Only one collegial body has been set up – the Board.
2.4 The collegial supervisory body to be elected by the General Meeting Of Shareholders 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 A company's management and supervisory bodies should comprise such number of Board (executive directors) and Supervisory Board's members (non-executive directors) that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The Company's Board consists of 4 members. The head of the company is not the chairman of the Board
2.6 Non-executive directors or members of the Supervisory Board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated, however, this procedure should not be easier than the removal procedure for an executive director or a member of the Management Board.	Not applicable	There are no non-executive directors and the Supervisory Board.
2.7 Chairman of the collegial body elected by the General Meeting of Shareholders 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 general manager of the company should be a different person. Former company's general manager should not be immediately nominated as the chairman of the collegial body elected by the General Meeting of Shareholders. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Company does observe the recommendations. 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 general manager.
Principle III: The order of the formation of a collegial body to be elected by the General Meeting of Shareholders **The order of the formation a collegial body to be elected by the General Meeting of Shareholders 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 the General Meeting of Shareholders (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 Meeting of Shareholders 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. The required information about the Board members is disclosed in Note 29 of the Company's annual report.
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	Yes	Information published about the Board members in the annual report: education, occupation, participation in the management of the other companies.

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.		
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, judgement and experience to complete their tasks properly. The members of the Audit Committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.
3.5 All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organisation and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Newly appointed members by collegial body are acquainted with their duties, the Company's organization and operations.
3.6 In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.
3.7 A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with a company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement. 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: (1) He/she is not an executive director or member of the Board (if a collegial body elected by the General Meeting of Shareholders 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 1 Part 1);	No	All members of the Management Board work in the companies related with the controlling shareholder.

(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, counselling and consulting services), major client or organization receiving significant payments from the company or its group; (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; (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 Meeting of Shareholders 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; (8) He/she has not been in the position of a member of the collegial body for over than 12 years; (9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the Meeting of Shareholders 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.	No	
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/she cannot be considered independent due to special personal or company-related circumstances.	No	During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.
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.	No	During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.
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, a company should require independent members to have their independence periodically re-confirmed.	No	During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.
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 a company's funds. The General Meeting of Shareholders should approve the amount of such remuneration.	No	During the whole practice of the Company no remunerations to the members of a collegial body for their work and participation in the meetings of the collegial body were paid. Information is disclosed in Note 25 to the financial statements.

Principle IV: The duties and liabilities of a collegial body elected by the General Meeting of Shareholders The Corporate Governance Framework should ensure proper and effective functioning of the collegial body elected by the General Meeting of Shareholders, 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 Meeting of Shareholders (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 a 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 a 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 the 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. A company 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 also the members of the Board.

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 the Audit Committees. Companies should ensure that the functions attributable to the nomination, remuneration, and the 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.	No	During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far. The rights and duties of the Audit Committee are provided in the Audit Committee's regulations, confirmed during shareholder's meeting on 30 April 2013.
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.	Yes	The Audit Committee acts in accordance with the approved regulations of the Audit Committee.
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 a company chooses not to set up a Supervisory Board, the 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.	Yes	The Audit committee is composed of 2 independent members.
4.10 Authority of each of the committees should be determined by the collegial body. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a 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. The 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.	No	Yes – the Audit Committee acts in accordance with the approved regulations of the Audit Committee. The annual report does not include committees' reports.

4.11 With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally 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. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	The Audit Committee has the right to invite the Company's general manager, members of the Board, the chief financier, other employees responsible for finances, as well as external auditors to attend its meetings.
4.12 Nomination committee 4.12.1 The key functions of the Nomination Committee should be the following: (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. The Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of a 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. 4.12.2 The 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 Meeting of Shareholders 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.	No	There is no Nomination Committee.
4.13 The Remuneration Committee. 4.13.1 Key functions of the Remuneration Committee should be the following: (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	No	There is no Remuneration Committee.

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. 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: (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; (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. 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 general manager of the company for their opinion on the remuneration of other executive directors or members of the management bodies.		
4.14 The Audit Committee. 4.14.1 Key functions of the Audit Committee should be the following: (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 Meeting of Shareholders) 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;	Yes	The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.

(6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2 All members of the Committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The 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 the company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3 The Audit Committee should decide whether participation of the chairman of the collegial body, general manager of the company, chief financier (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. 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. 4.14.5 The Audit Committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The Audit Committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the Company and its Group. The Committee should be timely furnished information on all issues arising from the audit. 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. 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.		
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.	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.

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. including order and working atmosphere during the meeting.	Yes	No comments.
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.	Yes	The Board meetings are held at least once in a quarter or more often, if necessary.
5.3 Members of the collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	No comments.
5.4 In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's Board should be free to attend meetings of the company's Supervisory Board, especially where issues concerning removal of the Board members, their liability or remuneration are discussed.	Not applicable	Not applicable, since only the Board has been set up.

Principle VI: The equitable treatment of shareholders and shareholder rights **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.**		
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 of their holders.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.2 It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's authorised share capital consists of ordinary registered shares that grant the same rights to all their holders.
6.3 Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the General Meeting of Shareholders. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company is in compliance with the Law on Companies and its Articles of Association.

6.4 Procedures of convening and conducting the General Meeting of Shareholders 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 General Meeting of Shareholders should not hinder wide attendance of the shareholders. Prior to the General Meeting of Shareholders, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Meeting of Shareholders and receive answers to them.	Yes	No comments.
6.5 It is recommended that documents on the course of the General Meeting of Shareholders, 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 Meeting of Shareholders after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company is in compliance with the Law on Companies and its Articles of Association.
6.6 Shareholders should be furnished with the opportunity to vote in the General Meeting of Shareholders in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	No comments.
6.7 With a view to increasing the shareholders' opportunities to participate effectively at the General Meeting of Shareholders, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in General Meeting of Shareholders 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 the General Meeting of Shareholders by means of modern technologies.	No	The Company has no technical possibilities to use modern technologies in voting process during the General Meeting of Shareholders, and the shareholders have never requested so far to use modern technologies in voting process during the General Meeting of Shareholders.

Principle VII: Prevention and disclosure of conflicts of interest **The Corporate Governance Framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1 Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the Company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	No comments.
7.2 Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the General Meeting of Shareholders.	Yes	

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

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1 A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual report. Remuneration statement should also be posted on the company's website.	No	The remuneration statement is not prepared. Part of the information on remuneration paid to the Company's managers during the year is disclosed in the financial statements.
8.2 Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
8.3 Remuneration statement should leastwise include the following information: (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; the remuneration statement should not entail the disclosure of information of a commercially sensitive nature.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
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.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
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 Annual General Meeting of Shareholders.	No	Information is not disclosed.

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 Annual General Meeting of Shareholders. Remuneration statement should be put for voting in the Annual General Meeting of Shareholders. The vote may be either mandatory or advisory.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
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. 8.7.1 The following remuneration and/or emoluments-related information should be disclosed: (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 Meeting of Shareholders; (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 1–5. 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: (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 exercise price or the value of the interest in the share incentive scheme at the end of the financial year; (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; (4) All changes in the terms and conditions of existing share options occurring during the financial year. 8.7.3 The following supplementary pension schemes-related information should be disclosed: (1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; (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. 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.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

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 the Annual General Meeting of Shareholders 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 the Annual General Meeting of Shareholders. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
8.9 The following issues should be subject to approval by the Annual General Meeting of Shareholders: (1) Grant of share-based schemes, including share options, to directors; (2) Determination of maximum number of shares and main conditions of share granting; (3) The term within which options can be exercised; (4) The conditions for any subsequent change in the exercise of the options, if permissible by law; (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. The Annual General Meeting of Shareholders should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	
8.10 Should national law or the 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.	Not applicable	
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 Annual General Meeting of Shareholders.	Not applicable	
8.12 Prior to the Annual General Meeting of Shareholders 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.	Not applicable	

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. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

9.1 The Corporate Governance Framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company has a collective employment contract in place. The chairman of the Trade union is invited to join monthly

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.		production meetings and other major management discussions of the Company.
9.3 Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Disclosure **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.**		
10.1 The company should disclose information on: (1) The financial and operating results of the company; (2) The 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. This list should be considered as a minimum list and companies are encouraged not to limit themselves to disclosing the information contained in this list. 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. 10.3 It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, general manager 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. 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.	Yes	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. Note: The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, general manager of the Company. Information mentioned in recommendation item 10.3 and 10.4 are not disclosed. The information mentioned in Recommendation 10.3 is not published.
10.5 Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	Information is posted on the websites of the Vilnius Stock Exchange and the Company.

10.6 Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	Information is posted on the websites of the Vilnius Stock Exchange and the Company.
10.7 It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	This information is available on the websites of the Stock Exchange and the Company.

Principle XI: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
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 audit firm would be proposed to the General Meeting Of Shareholders by the Supervisory Board or, if the Supervisory Board is not formed at the company, by the Management Board of the company.	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. The audit firm is being selected according to the procedure, laid out in the Public Procurement Law of the Republic of Lithuania, the selected audit firm is proposed to the General Shareholder Meeting by the Company's Board.	Yes	Throughout audit engagement period, there were no any other services provided except for the audit of the financial statements and translation services.