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Independent Auditor's Report

To the Shareholders of AB UTENOS TRIKOTAŽAS

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of AB UTENOS TRIKOTAŽAS ("the Company") and the consolidated financial statements of AB UTENOS TRIKOTAŽAS and its subsidiaries ("the Group") contained in the file abutenostrikotazas-2022-12-31-en.zip (ParsePort generated hashcode: feKhRCsF0T1CJmU=). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statements of financial position as at 31 December 2022,
- the separate and the consolidated statements of comprehensive income for the year then ended,
- the separate and the consolidated statements of changes in equity for the year then ended,
- the separate and the consolidated statements of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2022, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of 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.

Company code: 111616158
VAT code: LT114949716

Key Audit Matters

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

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

We refer to the financial statements:

The carrying amount of investment to Mrija PAT MTF, loans granted including interest receivables, receivables from this subsidiary and prepayments to this subsidiary as at 31 December 2022: EUR 0 thousand; related impairment losses recognized in the statement of profit (loss) in 2022: EUR 1,145 thousand.

Significant accounting policies – Note 2.11 "Financial assets and financial liabilities", Note 4 "Critical accounting estimates and judgments used in the preparation of the financial statements"; financial disclosures - Note 9 "Investment into subsidiaries", Note 26 "Receivables from subsidiaries".

The key audit matter	How the matter was addressed in our audit
The Company's management performed an impairment test of the granted loans and amounts receivable from the subsidiary as disclosed in Note 4 to the financial statements. This annual impairment test was significant to our audit as: • it includes management's judgements in making assumptions relating to the calculation of the recoverable amount of Mrija PAT MT, measured in terms of estimated future cash inflows based on management's five-year financial projections, which is based on the valuation of the net assets of that subsidiary as set out in note 4, • 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. Due to the magnitude of the amounts involved, together with the complexity of judgements and assumptions required in testing financial assets and receivables for impairment, the area required our increased attention in the audit and was determined to be a key audit matter.	Our audit procedures performed included: • evaluating, against the requirements of the relevant financial reporting standards, the Company's accounting policy for identification of impairment indicators, and measurement and recognition of any impairment losses in respect of investments and loans granted to subsidiaries and receivables from subsidiaries; • considering the significant assumptions used by the management in the estimation of Mrija PAT MTF recoverable value. • we discussed with the management and gained an understanding of the main assumptions applied in Mrija PAT MTF assets valuation. • We involved KPMG valuation specialist to assist 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; • We have considered management's assumptions and methodologies used to evaluate the expected credit losses estimation for loans granted and receivables from the subsidiary as follows:

	• We have assessed the key inputs used in the ECL model when estimating impairment for loans granted and accounts receivable from the subsidiary such as: o exposure at default, which we confirmed by the Group intercompany reconciliation; o probability of default, which we assessed by reviewing financial situation of Mrija PAT MTF, and o loss given default, which we assessed based on the above described fair value less costs of disposal estimation. • We have considered consistency of the assumptions used by the management with the assumptions used in determination of the investment's recoverable value. • Considering adequacy of disclosure in the Company's separate financial statements in respect to the assumptions used in the impairment test and the outcome of the test.

Inventory net realisable value and allowance for obsolescence (consolidated and separate financial statements)

We refer to the financial statements:

The carrying amount of inventory as at 31 December 2022: EUR 4,346 thousand (Group); EUR 4,292 thousand (separate).

Significant accounting policies – Note 2.12 "Inventory"; financial disclosures - Note 10 "Inventory"

The key audit matter	How the matter was addressed in our audit
The Carrying amount of inventory as at 31 December 2022 for the Company and the Group amount to respectively EUR 4,346 thousand and EUR 4,292 thousand or 27% and 26% of the Company's and the Group's total assets, and it requires management judgment in assessing if the carrying amount of inventories is not 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 taking into account ageing and actual usage of stock. Based on the circumstances above we have assessed this as a key audit matter in our audit.	Our procedures in the area included, among other things, the following: • Assessing compliance with applicable accounting standards; • Obtaining an understanding of the process (including assumptions and methods) how management perform their assessment of inventory net realizable value and allowance for obsolescence; • Examining 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; • Analysing obsolescence data and rates applied in calculations of allowance and comparing the

	inventory obsolescence allowance to the Company's and the Group's historic figures; • Testing controls over inventory count and observed the procedure for obsolete or damaged inventories identification; • Evaluating the adequacy of the Group's and the Company's disclosures included in Notes 2.12 and 10.

Property, plant and equipment – Impairment (consolidated financial statements)

31 December 2022, the carrying amount of the Company's and the Group's property, plant and equipment: EUR 6,182 thousand and EUR 6,898 thousand, and depreciation expense for the year then ended: EUR 396 thousand and EUR 505 thousand; the related impairment losses recognised in the income statement in 2022: EUR 0 thousand and EUR 1,671 thousand.

Significant accounting policies – Note 2.8 "Property, plant and equipment", Note 4 "Use of estimates and judgments in the preparation of financial statements", Note 7 "Property, plant and equipment".

The key audit matter	How the matter was addressed in our audit
On 24 February 2022, Russian state military troops attacked the Ukrainian state. The military actions have an impact not only on Ukraine, Russia, but also on the other economies in Europe and the rest of the world. The above represented an indication that certain assets or cash generating units of the Company and the Group may be impaired. Any such impairment would be recognized in the amount by which the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. The determination of recoverable amounts of the asset or cash generating unit is a process that requires management to make a number of significant judgements, including those in respect of future operating cash flows, growth rates and discount rates. The projected operating cash flows from the Company's and Group's activities are influenced primarily by assumptions concerning sales volumes. These projections are exposed to significant variability due to inherent uncertain market conditions. Accordingly, this area required our increased attention in the audit and as such was identified by us to be our key audit matter.	Our audit procedures performed, where applicable, with the assistance from our own valuation specialists, included, among others: • considering the appropriateness of the value-in-use model ("impairment model") applied for estimation of recoverable amount, against the relevant requirements of the financial reporting standards; • evaluating the appropriateness of allocation of assets to cash generating units based on our understanding of the Company's and the Group's operations and business units; • we engaged KPMG's valuation specialist to assist us in determining whether the impairment of the Company's and the Group's assets was measured in accordance with the requirements of International Accounting Standard 36 "Impairment of Assets"; • evaluating the quality of the Company's and the Group's forecasting by comparing historical projections with actual outcomes, and also tracing the forecast cash flows in the impairment model to Management Board approved forecasts; • using our knowledge of the Company and the Group, its past performance, business and customers, and our industry experience, challenging significant forecast cash flow and growth assumptions. As part of the procedure

	we: ○ challenged the discount rate used by reference to publicly available market data, adjusted by risk factors specific to the Company and the Group and its industry, ○ assessed reasonableness of the assumptions relating to sales volumes and profit margins to historical results and to industry forecasts, • assessing the integrity of the impairment model, including the accuracy of the underlying calculation formulas; • considering sensitivity of the impairment model to changes in key assumptions, such as forecast growth rates and discount rates to identify the assumptions at higher risk of bias or inconsistency in application; • considering the adequacy of the Company's and Group's disclosures in respect of impairment testing.

Other Information

The other information comprises the information included in the 2022 Annual report, including Corporate Governance Report, Remuneration Report and the Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated 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.

In addition, our responsibility is to consider whether information included in the annual management report, including Corporate Governance Report and Remuneration Report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the annual management report, including Corporate Governance Report and Remuneration Report, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The annual management report, including Corporate Governance Report and Remuneration Report, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of 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 Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view 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 separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated 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 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 separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ 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

Under decision of the general shareholders‘ meeting we were appointed on 21st April 2021 for the first time to audit the Company‘s and the Group’s separate and consolidated financial statements. Our appointment to audit the Company‘s and the Group’s separate and consolidated financial statements in accordance with the shareholder’s decision has been made for a four-year period. The audit of the financial statements for the year ended 31 December 2022 was our second annual audit of the Company and the Group.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Company and the Group and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Company and the Group any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company and the Group in the course of audit and disclosed in the separate and consolidated financial statements, we have provided translation of the financial statements services to the Company and the Group.

Report on the compliance of format of the separate and consolidated financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the separate and consolidated financial statements, including 2022 annual report, for the year ended 31 December 2022 (the “Single Electronic Reporting Format of the separate and consolidated financial statements”).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”). The applicable requirements regarding the Single Electronic Reporting Format of the separate and consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (the ,,ISAE 3000 (R)”). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group'suse of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2022 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report is Edvinas Žukauskas.

On behalf of KPMG Baltics, UAB

EDVINAS ŽUKAUSKAS Digitally signed by EDVINAS ŽUKAUSKAS Date: 2023.04.04 23:47:27 +03'00'

Edvinas Žukauskas
Partner pp
Certified Auditor

Klaipėda, the Republic of Lithuania
4 April 2023