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Utenos trikotažas
by sba apparel

UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENT

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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"). 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 2021,
- the separate and the consolidated statements of profit or loss and other 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 accompanying 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 2021, 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.

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Company code: 111616158
VAT code: LT114949716

Other Matter relating to comparative information

The consolidated financial statements of AB "Utenos trikotažas" as at and for the year ended 31 December 2020 and the separate financial statements as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2021.

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 subsidiaries (separate financial statements)

We refer to the financial statements:

The carrying amount of investment to Mrija PAT MTF and UAB Aboutwear, *loans granted including interest receivables, receivables from these subsidiaries and prepayments to these subsidiaries as at 31 December 2021: EUR 1,875 thousand; related impairment losses recognized in the statement of profit (loss) in 2021: EUR 740 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
Investment and loans granted including interest receivables to subsidiaries Mrija PAT MTF and UAB Aboutwear, receivables from these subsidiaries and prepayments to these subsidiaries before impairment allowance amount to EUR 5,590 thousand and after impairment allowance to EUR 1,875 thousand in the statements of financial position of the Company as of 31 December 2021. The Company's management performed an impairment test of these assets as disclosed in Note 4 to the financial statements. This annual impairment test was significant to our audit as: • it involves management judgment in making the assumptions related to the recoverable value of Mrija PAT MT and	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 and UAB Aboutwear recoverable value. • we discussed with the management and gained an understanding of the main

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UAB Aboutwear evaluated by fair value less costs of disposal estimation, which is based on the net assets valuation of these subsidiaries 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 and UAB Aboutwear 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.	assumptions applied in Mrija PAT MTF net assets valuation. As the main part of Mrija PAT MTF assets is real estate – buildings, we have obtained and examined the most recent valuation reports performed by independent valuator. 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 KPMG valuation specialist to assist us in determining whether the estimation of Mrija PAT MTF and UAB Aboutwear 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 subsidiaries as follows: • We have assessed the key inputs used in the ECL model when estimating impairment for loans granted and accounts receivable from subsidiaries 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 UAB About wear, 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.

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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 2021: EUR 6,914 thousand (Group); EUR 6,831 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 2021 for the Company and the Group amount to respectively 6,914 thousand and 6,831 thousand or 32 % and 30 % 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 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; • Analyzing 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; • Evaluting the adequacy of the Group's and the Company's disclosures included in Notes 2.12 and 10.

Other Information

The other information comprises the information included in the 2021 Annual report, including Corporate Governance Report, Remuneration Report and the 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.

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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 consolidated 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.

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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.

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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 2021 was our first 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 2021 annual report, for the year ended 31 December 2021 (the "Single Electronic Reporting Format of the separate and consolidated financial statements") contained in the file abutenostrikotazas-2021-12-31-en.zip (ParsePort generated hashcode: 0mZ5kB6Weu7tL4M=).

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

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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's' use 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.

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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 2021 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor's report Rokas Kasperavičius.

On behalf of KPMG Baltics, UAB

ROKAS KASPERAVIČIUS

Digitally signed by ROKAS KASPERAVIČIUS
Date: 2022.04.08 22:58:28 +03'00'

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania
8 April 2022

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

Statements of Financial Position

	Notes	Group		Company	
		31 December		31 December	
		2021	**2020**	**2021**	**2020**
ASSETS					
Non-current assets					
Intangible assets	6	486	517	84	115
Property, plant and equipment	7	9,443	9,448	6,405	6,463
Right-of-use assets	17	578	629	238	304
Investment property	8	163	125	163	125
Investments in subsidiaries	9	-	-	1,490	1,490
Receivables from subsidiaries	26	-	-	1,104	1,039
Prepayments to subsidiaries	26	-	-	771	883
Deferred tax asset	24	-	77	-	-
		10,670	**10,796**	**10,255**	**10,419**
Current assets					
Inventories	10	6,914	5,428	6,831	5,384
Trade receivables	11	1,182	1,433	1,065	1,255
Contract assets	11	2,748	1,382	2,673	1,356
Other current assets	12	534	397	463	351
Cash and cash equivalents	13	625	3,792	72	3,167
		12,003	**12,432**	**11,104**	**11,513**
Total assets		**22,673**	**23,228**	**21,359**	**21,932**

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

Statements of financial position (continued)

		Group 31 December		Company 31 December	
		2021	2020	2021	2020
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	3,946	4,085	2,129	2,187
Reserve for acquisition of own shares	15	1,090	1,090	1,000	1,000
Foreign exchange translation reserve	15	1,053	922	-	-
Retained earnings		(2,142)	739	480	3,424
		7,277	**10,166**	6,939	**9,941**
Non-controlling interest	26	**109**	**244**	-	**-**
Total equity		**7,386**	**10,410**	6,939	**9,941**
LIABILITIES					
Non-current liabilities					
Borrowings	16	2,999	2,314	2,999	2,314
Borrowings from related entities	16	532	-	532	-
Non-current lease liabilities	17	488	527	177	227
Borrowings from subsidiaries	16, 26	-	-	600	600
Deferred tax liability	24	825	614	425	233
Provisions for employee benefits	18	358	275	251	193
		5,202	**3,730**	**4,984**	**3,567**
Current liabilities					
Current portion of non-current borrowings	16	637	567	637	567
Other current liabilities	16	1,801	-	1,801	-
Borrowings from parent company	26, 16	-	532	-	532
Current lease liabilities	17	116	128	81	96
Trade payables		2,989	2,180	2,886	2,106
Payables to other related parties and subsidiaries	26	106	97	320	157
Contract liabilities	11	861	372	860	366
Income tax payable		-	73	-	73
Accrued expenses and other current liabilities	19	3,575	5,139	2,851	4,527
		10,085	**9,088**	**9,436**	**8,424**
Total liabilities		**15,287**	**12,818**	**14,420**	**11,991**
Total equity and liabilities		**22,673**	**23,228**	**21,359**	**21,932**

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

Statements of Comprehensive Income

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2021	2020	2021	2020
Revenue from contracts with customers	5	30,443	27,902	28,121	24,778
Cost of sales	20	(26,321)	(22,239)	(24,364)	(19,945)
Gross profit		**4,122**	**5,663**	**3,757**	**4,833**
Selling expenses	21	(2,806)	(2,026)	(2,503)	(1,960)
General and administrative expenses	21	(4,264)	(3,646)	(3,313)	(2,916)
Other income	22	137	155	106	53
Other expenses	22	(17)	(15)	(13)	(12)
Operating profit (loss)		**(2,828)**	**131**	**(1,966)**	**(2)**
Interest income	23	-	-	65	60
Finance income	23	227	177	69	102
Finance costs	23	(260)	(644)	(924)	(384)
Profit/(loss) before tax		**(2,861)**	**(336)**	**(2,756)**	**(224)**
Income tax	24	(250)	(86)	(192)	(49)
Net profit (loss) for the year		**(3,111)**	**(422)**	**(2,948)**	**(273)**
Net profit (loss) attributable to:					
Equity holders of the Company		(2,966)	(453)	(2,948)	(273)
Non-controlling interests	26	(145)	31	-	-
		(3,111)	**(422)**	**(2,948)**	**(273)**
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		131	(161)	-	-
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		**131**	**(161)**	-	-

Continued on the next page

(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	
		2021	2020	2021	2020
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) from the pensions reserve	18	(54)	23	(54)	23
Total other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		**(54)**	**23**	**(54)**	**23**
Total other comprehensive income/(loss), net of tax		**77**	**(138)**	**(54)**	**23**
Total comprehensive income/(loss), net of tax		**(3,034)**	**(560)**	**(3,002)**	**(250)**
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		(2,889)	(593)	(3,002)	(250)
Non-controlling interests		(145)	33	-	-
		(3,034)	(560)	(3,002)	(250)
Basic/diluted earnings (loss) per share (EUR)	25	(0.32)	(0.06)		

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

Statements of Changes in Equity

Equity attributable to the Company's shareholders

Group

	Share capital	Legal reserve	Revaluation reserve	Reserve for acquisition of own shares	Foreign currency translation reserve	Retained earnings/ (deficit)	In total	Non-controlling interests	Total equity
Balance at 31 December 2019	**2,756**	**574**	**4,215**	**1,090**	**1,085**	**1,039**	**10,759**	**211**	**10,970**
Net profit for the year	-	-	-	-	-	(453)	(453)	31	(422)
Other comprehensive income	-	-	-	-	(163)	23	(140)	2	(138)
Total comprehensive income	**-**	**-**	**-**	**-**	**(163)**	**(430)**	**(593)**	**33**	**(560)**
Transfer of revaluation reserve to retained earnings		-	(130)	-	-	130	-	-	-
Balance at 31 December 2020	**2,756**	**574**	**4,085**	**1,090**	**922**	**739**	**10,166**	**244**	**10,410**
Net profit (loss) for the year	-	-	-	-	-	(2, 966)	(2,966)	(145)	(3,111)
Other comprehensive income		-	-	-	(131)	(54)	77	-	77
	-	-	-	-	131	(3,020)	(2,889)	(145)	(3,034)
Other movements		-	-	-	-	-	-	10	10
Transfer of revaluation reserve to retained earnings	-	-	(139)	-	-	139	-	-	-
Balance at 31 December 2021	**2,756**	**574**	**3,946**	**1,090**	**1,053**	**(2,142)**	**7,277**	**109**	**7,386**

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

Statements of Changes in Equity (continued)

Company	Share capital	Legal reserve	Reserve for acquisition of own shares	Revaluation reserve	Retained earnings/(deficit)	In total
Balance as at 31 December 2019	**2,756**	**574**	**1,000**	**2,245**	**3,616**	**10,191**
Net profit for the year	-	-	-	-	(273)	(273)
Other comprehensive income	-,	-	-	-	23	23
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**(250)**	**(250)**
Transfer of revaluation reserve to retained earnings	-	-	-	(58)	58	-
Balance at 31 December 2020	**2,756**	**574**	**1,000**	**2,187**	**3,424**	**9,941**
Net profit (loss) for the year	-	-	-	-	(2,948)	(2,948)
Other comprehensive income	-	-	-	-	(54)	(54)
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	(3,002)	(3,002)
Transfer of revaluation reserve to retained earnings	-	-	-	(58)	58	-
Balance at 31 December 2021	**2,756**	**574**	**1,000**	2,129	480	6,939

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

Statements of Cash Flows

		Group		Company	
		Year ended 31 December		Year ended 31 December	
	Notes	2021	2020	2021	2020
Cash flows from (to) operating activities					
Profit (loss) before tax		(2,861)	(336)	(2,756)	(224)
Adjustments for non-cash items:					
Depreciation and amortisation	7	909	1,053	655	780
(Gain) from disposal of property, plant and equipment and investment property	22	(1)	(7)	(3)	-
Impairment (reversal of impairment) and write-off of accounts receivable, loans granted and interests		(25)	95	675	245
Impairment of investments in subsidiaries		-	-	40	60
Impairment and write-off of non-current assets	7	158	27	158	26
Impairment and write-off of inventories	21	507	730	507	712
Lease discounts received	17	-	(10)	-	(10)
Elimination of finance (income)/costs	23	(248)	481	(11)	35
Income tax expense/(benefit)	24	250	86	192	49
Changes in working capital:					
(Increase)/decrease in inventories		(1,993)	507	(1,954)	422
(Increase)/decrease in trade receivables		277	(294)	215	(384)
(Increase)/decrease in contract asset		(1,364)	625	(1,317)	614
(Increase)/decrease in non-current receivables from subsidiaries		-	-	47	(72)
Decrease/(increase) in other receivables and other current assets		58	(173)	74	(174)
Increase/(decrease) in contract liabilities		490	239	500	232
Increase (decrease) in trade payables and other accounts payable		817	(1,367)	937	(1,373)
Increase/(decrease) in taxes payable and other current liabilities	19	(1,566)	1,952	(1,877)	2,238
Income tax (paid)		(198)	(51)	(186)	(11)
Net cash flows from operating activities		**(4,790)**	**3,557**	**(4,104)**	**3,165**
Cash flows used in investing activities					
Purchase of property, plant and equipment	7	(620)	(624)	(604)	(585)
(Purchase) of intangible assets and prepayments	6	(20)	(35)	(20)	(35)
Proceeds from sale of property, plant and equipment		1	7	4	-
(Acquisition) disposal of investments in subsidiaries		-	-	(40)	3
Interest received	23	-	-	66	60
Dividends received		-	-	-	33
Net cash flows used in investing activities		**(639)**	**(652)**	**(594)**	**(524)**

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

Statements of Cash Flows (continued)

		Group Year ended 31 December		Company Year ended 31 December	
	Notes	**2021**	**2020**	**2021**	**2020**
Cash flows from/(used in) financing activities					
Loans received		3,351	532	3,351	532
Loans granted		-	-	(700)	-
Loans repaid		(795)	(283)	(795)	(433)
Interest paid	23	(100)	(88)	(105)	(98)
Dividends paid	1	-	-	-	-
Reduction and pay-out of non-controlling interest	26	-	-	-	-
Lease payments	17	(194)	(169)	(148)	(127)
Net cash flows from (used in) financing activities		**2,262**	**(8)**	**1,603**	**(126)**
Net increase/(decrease) in cash and cash equivalents		**(3,167)**	**2,897**	**(3,095)**	**2,515**
Cash and cash equivalents at the beginning of the year		**3,792**	**895**	**3,167**	**652**
Cash and cash equivalents at the end of the year		**625**	**3,792**	**72**	**3,167**

Supplementary cash flow information:

Non-cash activities:

Non-cash investing and financing activities:

Acquisition of the right-of-use asset under lease, excl. VAT	-	122	-	122

(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 2021 and 2020, the shareholders of the Company were:

	2021		2020	
	Number of shares held	% of share capital	Number of shares held	% of share capital
SBA Grupė UAB	8,771	92,31	8,771	92,31
Other shareholders	732	7,69	732	7,69
	9,503	**100**	**9,503**	**100**

92.31% of the Company's shares are owned by the parent company SBA Grupė UAB with 90% of shares owned by Mr. A. Martinkevičius.

As at 31 December 2021, the number of employees of the Company was 797 (as at 31 December 2020 – 761).

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

		Group's share (%) as at 31 December		
	Registered office	2021	2020	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
Aboutwear UAB	Laisvės per.3, Vilnius	80.00	-	Production of knitted articles

As at 31 December 2021, the number of employees of the Group was 1,094 (31 December 2020 – 1,081).

The Company's management authorised these financial statements on 8 of April 2022. 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 Group/Company as of 1 January 2021:

In 2021, the Group and the Company consistently applied the accounting policy to all the periods presented in these financial statements.

The following are the guidelines effective as of 1 January 2021. The implemented guidelines did not affect preparation of the Company's and the Group's financial statements for 2021:

- *Amendments to IFRS 16 Leases-related to COVID-19;*
- *Interest Rate Benchmark Reform (amendment to IFRS 9, IAS 39 and IFRS 7, IAS 16).*

<u>*New standards and interpretations of IFRS that have not been applied yet*</u>

Certain new standards, amendments to standards and interpretations that will be approved for subsequent periods of the financial statements have been issued or are not yet applicable in the European Union. Such standards were not applied in preparing these financial statements. Early application of these standards is not intended by the Company and the Group.

It is believed that the following revised standards will not have material impact on the Company's and the Group's financial statements:

- *Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)*

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments are effective for annual periods beginning on or after 1 January 2022. The amendments apply for contracts which are effective as at the initial application date of these amendments. As at the date of initial application, the overall impact of the amendments is recognised as an adjustment of retained earnings (losses) or other appropriate equity components at the beginning of the period. Comparative information is not recalculated. The Group has identified that all contracts valid as at 31 December 2021 will be implemented before the effective date of the amendments.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences, e. g. lease and decommissioning liabilities. The amendments are effective for annual periods beginning on or after 1 January 2023. Deferred tax asset and liabilities of lease and decommissioning liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the adjustments apply to transactions that occur after the beginning of the earliest period presented.

2 Summary of Significant Accounting Policies

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

The amendments will not affect the retained earnings.

Annual Improvements to IFRS Standards 2018-2020;

- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);*
- *Amendments to IAS 1 Presentation of Financial Statements related to classification of liabilities as current or non-current;*
- *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (not yet endorsed by EU);*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Reference to the Conceptual Framework (Amendments to IFRS 3);*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

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)

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. The implementation of these Amendments did not have significant impact on the financial statements of Group/Company.

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. The implementation of these Amendments did not have significant impact on the financial statements of Group/Company.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)
In September 2019, 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. 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. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. 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 implementation of this interpretation did not have significant impact on the financial statements of Group/Company.

IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)
The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The management applied this amendment and the practical expedient provided for therein earlier, i.e. from 1 January 2020, since the Company received COVID-19 related rent concessions and accounted these as negative variable lease payments through profit or loss.

Standards issued but not yet effective and not early adopted

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 recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, 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 Group and the Company do not have any associates or joint ventures.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)
The Amendments are effective for annual periods beginning on or after 01 January 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. 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. The management has not yet evaluated the impact of the implementation of these amendments.

Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)
The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The management has not yet evaluated the impact of the implementation of these amendments.

IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)

In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment has not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):
The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. The 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 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):
The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

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 in profit or loss. 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 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (hereinafter "the functional currency"). These financial statements are presented in 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 converted based on their respective functional currency spot rates at the date the transaction.

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 Foreign currencies (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 Derivatives

The Group and the Company engage in swap contracts for interest rate risk management purposes. Derivatives are initially recognised 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 recognised 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 recognised 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 recognised 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 recognised initially in other comprehensive income and the ineffective portion is recognised in the statement of comprehensive income as profit or loss.

The gains or losses on effective cash flow hedges recognised 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 recognised 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 recognised 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 and with this action fixed the payable interest rate (Note 16).

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 and are further carried at acquisition cost, less subsequent accumulated amortisation and impairment losses. Computer software is 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 building 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 on a regular basis 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 capitalised. 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 property

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 assets

<u>Initial recognition and measurement:</u>

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 with recycling of cumulative gains and losses upon derecognition (debt instruments). The Group/Company did not have such items as at 31 December 2021 and 2020.
(c) Fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group/Company did not have such items as at 31 December 2021 and 2020.
(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 (under 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

Under 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.

(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. Summary of Significant Accounting Policies (continued)

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 as measured at amortised cost or fair value through profit or loss. The Group's/Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, lease liabilities and derivatives.

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 derivatives 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. Gains and losses arising from financial liabilities held for trading are recognised in profit or loss.

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 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

Financial assets

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) the Group/Company has transferred substantially all the risks and rewards of the asset, or (b) the Group/Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an replacement 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. Impairment of obsolete inventories is assessed in accordance with the rates approved by management for individual inventory groups, calculated on the basis of historical information.

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 per cent 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 revalued 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 revalued amount which not exceed recognised 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 recognised 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 derivatives (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 based on 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.

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 2021 of the Group companies that operate in Lithuania is taxable at a rate of 15% (2020: 15%), corporate income tax rate in Ukraine is 18% (2020: 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 IS A LESSEE

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 recognises 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 recognises 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 recognised, 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 or the price of the right-of-use assets 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 recognised 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 recognised as expense on a straight-line basis over the lease term.

2. Summary of Significant Accounting Policies (continued)

2.19 Lease (continued)

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. The Company and the Group have not entered into any finance leases as a lessor. Operating 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 recognised 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 recognised 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 over the period in which the services are rendered. The company provides its products to customers only fully finished. 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 payment for work in progress.

Management calculates its share of revenue 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 recognised 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".

2. Summary of Significant Accounting Policies (continued)

2.20 Revenue recognition (continued)

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, 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.

Revenue from sales of goods to a group of customers for which supply contracts contain clauses allowing alternative uses are recognised when the control over goods is transferred to the customer and the revenue is recognised in the same way as from the sale of their branded goods.

Contract assets: Accrued income

Contract assets are conditional rights to consideration. The right is conditional, for example, when the Company / Group must first satisfy another performance obligation in the contract before it is entitled to payment from the customer. If the Company / Group has an unconditional right to receive consideration from the customer, the contract asset is accounted for as a receivable and presented separately from other contract assets.

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 as the order is not completed. 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 trade 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 reporting 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 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income (as a reduction of related costs) on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The balance of grant not yet received is shown in the statements of financial position caption "Other current assets".

2.28 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.

Financial assets reported in the statement of financial position	Group 31 December		Company 31 December	
	2021	**2020**	**2021**	**2020**
Financial assets at amortised cost				
Non-current amounts receivable from subsidiaries except for prepayments	-	-	1,085	1,039
Trade receivables and contract assets (Note 11)	3,930	2,815	3,738	2,611
Cash and cash equivalents	625	3,792	72	3,167
Other current assets (excluding prepayments made and deferred expenses)	145	214	99	175
	4,700	**6,821**	**4,994**	**6,992**

Financial liabilities reported in the statement of financial position	Group 31 December		Company 31 December	
	2021	**2020**	**2021**	**2020**
Financial liabilities measured at amortised cost				
Borrowings and other current liabilities	5,437	2,881	5,437	2,881
Borrowings from subsidiaries	-	-	600	600
Borrowings from parent company	532	532	532	532
Trade payables	2,989	2,180	2,886	2,106
Payables to subsidiaries	-	-	225	62
Payables to other related parties	106	97	95	95
Accrued expenses and other current liabilities, other payables (Note 19)	792	554	593	364
	9,856	**6,244**	**10,368**	**6,640**

(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 201 thousand in 2021 (in 2020, the subsidiary had a foreign exchange loss amounting to EUR 1,167 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 2021 and 2020. Amount of monetary items attributed to net investment amounts to EUR 1,385 million and foreign currency exchange difference related to this amount for the year 2021 comprises EUR 208 thousand (EUR 951 thousand in 2020), 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:

	2021	2020
Foreign currency exchange difference on monetary items attributed to net investments	(208)	951
Foreign currency translation effect on other items	339	(1,114)
Total comprehensive income (loss)	**131**	**(163)**

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
2021	5%	4	134
	(5)%	(4)	(130)
2020	5%	66	69
	(5)%	(66)	(69)

(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 2021 and 2020, the Company's and the Group's borrowings with variable interest rates were denominated in EUR.

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 13 thousand and EUR 19 thousand respectively (in 2020: EUR 12 thousand and EUR 14 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, trade receivables and contract assets.

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**	
	31 December		**31 December**	
	2021	**2020**	**2021**	**2020**
Cash and cash equivalents at banks (Note 13)	625	3,792	72	3,167
Trade receivables and contract assets (Note 11)	3,930	2,815	3,738	2,611
Non-current loans granted and amounts receivable except for prepayments (Note 26)	-	-	1,085	1,039
In total	**4,555**	**6,607**	**4,895**	**6,817**

(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	
	31 December		31 December	
	2021	2020	2021	2020
New trade customers (up to 12 months)	800	154	753	154
Current trade customers (more than 12 months) that fully fulfilled their obligations in the past	3,130	2,661	2,985	2,457
In total	**3,930**	**2,815**	**3,738**	**2,611**

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, which can be obtained at the reporting date. Based on the performed analysis, the Company/Group assessed that historical loss rates are very low even including any reasonable adjustments based on forward looking indicators.

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

	Group		Company	
	31 December		31 December	
	2021	2020	2021	2020
Rating "A"	506	2,764	28	2,207
Rating "BBB+"	43	959	31	959
No rating	76	69	13	1
In total	**625**	**3,792**	**72**	**3,167**

*Independent ratings established by Fitch agency.

As at 31 December 2021, the Company's non-current receivables and loans granted comprises of receivables only from PAT MTF Mrija (Note 26). Please refer to Note 4 for the evaluation of expected credit losses for these receivables.

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

	Group		Company	
	31 December		31 December	
	2021	2020	2021	2020
Not past due receivables	**3,833**	**2,725**	**3,672**	**2,570**
Past due not impaired				
Less than 30 days	82	88	51	40
Past due from 31 to 60 days	-	-	-	-
Past due from 61 to 180 days	15	-	15	-
More than 181 days	-	2	-	1
Total past due not impaired	97	90	66	41
Overdue and impaired				
Up to 180 days	-	-	-	-
More than 181 days	85	107	59	81
Impairment allowance for trade receivables	(85)	(107)	(59)	(81)
Total accounts receivable and contract assets after impairment	**3,930**	**2,815**	**3,738**	**2,611**

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

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

Impairment of loans granted and trade receivables evaluated based on the accounting policy as disclosed in Note 2.11, is recognised 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 2021, the Group's current assets exceeded its current liabilities by EUR 1,917 thousand (as at 31 December 2020, current assets exceeded current liabilities by EUR 3,344 thousand). As at 31 December 2021, the Group's liquidity (current assets/current liabilities) and quick ratios ((current assets - inventory)/current liabilities) were 1.19 and 0.50, respectively (as at 31 December 2020, 1.37 and 0.77, respectively). As at 31 December 2021, the Company's (Utenos Trikotažas AB) current assets exceeded its current liabilities by EUR 1,670 thousand (as at 31 December 2020: by EUR 3,089 thousand). As at 31 December 2021, the Company's liquidity (current assets/current liabilities) and quick ratios ((current assets - inventory)/current liabilities) were 1.18 and 0.45, respectively (as at 31 December 2020: 1.37 and 0.73, 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 2021 and 2020, based on contractual undiscounted payments:

Group

31 December 2021	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	174	513	2,122	-	2,809
State Aid Fund for Business	29	147	3,739	-	3,915
Lease liabilities	35	111	564	-	710
Borrowings from parent company	-	-	602	-	602
Trade payables and other financial liabilities	3,095	-	-	-	3,095
	3,333	**771**	**7,027**	**-**	**11,131**

31 December 2020	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	157	467	2,460	-	3,084
Lease liabilities	39	123	363	271	796
Borrowings from parent company		544			544
Trade payables and other financial liabilities	2,277	-	-	-	2,277
	2,473	**1,134**	**2,823**	**271**	**6,701**

Company

31 December 2021	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	174	513	2,122	-	2,809
State Aid Fund for Business	29	147	3,739	-	3,915
Borrowings from subsidiaries	-	-	679	-	679
Borrowings from parent company	-	-	602	-	602
Lease liabilities	23	71	175	-	269
Trade payables and other financial liabilities	3,200	-	-	-	3,200
	3,426	**731**	**7,317**	**-**	**11,474**

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

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

31 December 2020	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	157	467	2,460	-	3,084
Borrowings from subsidiaries	-	-	613	-	613
Borrowings from parent company	-	544	-	-	544
Lease liabilities	29	89	215	-	333
Trade payables and other financial liabilities	2,263	-	-,	-	2,263
	2,449	**1,100**	**3,288**	**-**	**6,837**

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

Group	01/01/2021	Cash flows	New leases	Write-offs and disposals	Reclassifi cation	Discounts received	Interest charges	Effect of exchange rate	31/12/2021
Current portion of non-current borrowings	1,099	1,871	,-	-	(532)	-	-,	-,	2,438
Non-current portion of borrowings	2,314	685	-,	-	532	-	-,	-,	3,531
Lease liabilities	655	(194)	594	(496)	-	-	17	28	604
	4,068	2,362	594	(496)	-	-	17	28	6,573

Company	01/01/2021	Cash flows	New leases	Write-offs and disposals	Reclassifi cation	Discounts received	Interest charges	Effect of exchange rate	31/12/2021
Current portion of non-current borrowings	1,099	1,871	-	-	(532)	-	-	-	2,438
Non-current portion of borrowings	2,914	686	-	-	532	-	-	-	4,132
Lease liabilities	323	(147)	570	(496)	-	-	8	-	258
	4,336	**2,410**	**570**	**(496)**	**-**	**-**	**8**	**-**	**6,828**

Group	01/01/2020	Cash flows	New leases	Write-offs and disposals	Reclassifi cation	Discount s received	Interest charges	Effect of exchange rate	31/12/2020
Current portion of non-current borrowings	567	532	-	-	-	-	-	-	1,099
Non-current portion of borrowings	2,597	(283)	-	-	-	-	-	-	2,314
Lease liabilities	833	(169)	122	(50)	-	(10)	15	(86)	655
	3,997	**80**	**122**	**(50)**	**-**	**(10)**	**15**	**(86)**	**4,068**

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

3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

Company

	01/01/2020	Cash flows	New leases	Write-offs and disposals	Reclass ification	Discounts received	Interests for the year and net-offs*	Effect of exchange rate	31/12/2020
Current portion of non-current borrowings	1,317	532	-	-	(750)	-	-	-	1,099
Non-current portion of borrowings	2,597	(433)	-	-	750	-	-	-	2,914
Lease liabilities	392	(127)	122	(61)	-	(10)	7	-	323
	4,306	**(28)**	**122**	**(61)**	**-**	**(10)**	**7**	**-**	**4,336**

* 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 borrowings, including lease, less cash and cash equivalents. As at 31 December, the Group's and the Company's capital structure was as follows:

	Group 31 December		Company 31 December	
	2021	**2020**	**2021**	**2020**
Total borrowings	5,437	2,881	5,437	2,881
Lease liabilities	604	655	258	323
Less: cash and cash equivalents	(625)	(3,792)	(72)	(3,167)
Net debt	5,416	(256)	5,623	37
Total equity	7,276	10,166	6,939	9,941
Total capital	**12,692**	**9,910**	**12,562**	**9,978**

Utenos Trikotažas AB

Under 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 2021 and 2020, the Company and its subsidiaries registered in Lithuania complied with these requirements.

Mrija PAT MTF

As at 31 December 2021 and 31 December 2020, 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 categorised 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 categorisation (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:

31 December 2021		**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	-	-	-	-	-	1,085
Trade receivables	-	-	1,182	-	-	1,065
Cash and cash equivalents (Note 13)	-	-	625	-	-	72
Other current assets (excluding prepayments made and deferred expenses)	-	-	145	-	-	99
Liabilities for which fair values are disclosed						
Borrowings and other current liabilities	-	-	5,437			5,437
Borrowings to subsidiaries	-	-	-	-	-	600
Borrowings to parent company	-	-	532	-	-	532
Trade payables	-	-	2,989	-	-	2,886
Payables to subsidiaries	-	-	-	-	-	225
Payables to other related parties	-	-	106	-	-	95
Accrued expenses and other current liabilities (Note 19)	-	-	494	-	-	496

31 December 2020		**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	-	-	-	-	-	1,039
Trade receivables	-	-	1,433	-	-	1,255
Cash and cash equivalents (Note 13)	-	-	3,792	-	-	3,167
Other current assets (excluding prepayments made and deferred expenses)	-	-	214	-	-	175
Liabilities for which fair values are disclosed						
Borrowings and other current liabilities	-	-	2,881	-	-	2,881
Borrowings to subsidiaries	-	-	,-	-	-	600
Current financial liabilities	-	-	532	-	-	532
Trade payables	-	-	2,180	-	-	2,106
Payables to subsidiaries	-	-	-	-	-	62
Payables to other related parties	-	-	97	-	-	95
Accrued expenses and other current liabilities (Note 19)	-	-	328	-	-	353

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 2021 and 2020 (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. The estimates and judgements are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Estimates and judgements 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 2021, the Company's investment in PAT MTF Mrija, including loan granted and amounts receivable, amounted to EUR 4,850 thousand before impairment allowance and to EUR 1,875 thousand after impairment allowance, and, respectively, EUR 4,897 thousand and EUR 1,922 thousand as at 31 December 2020. In 2021, additional impairment of EUR 150 thousand was recognised. The impairment is accounted for in the Company's statement of comprehensive income under financial expenses (Note 22).

As at 31 December 2021 and 2020, goodwill which is related to PAT MTF Mrija and accounted in consolidated financial statements amounted to EUR 0 thousand.

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 2021, the recoverable amount of the cash generating unit was determined based on the fair value, less costs of disposal, which is considered by the management to be the higher of the value in use and fair value less the costs of disposal. The following significant assumptions were used for the assessment of the value:

Value in use

In 2021, the management did not carry out an estimate of the value in use of the cash generating unit in accordance with IAS 36, Impairment of Assets, whereas based on the experience of previous years and taking into account the current year's results of PAT MTF Mrija management reasonably believes that this value is less than fair value less cost of disposal.

4. Critical Accounting Estimates and Judgements (continued)

Fair value less cost of disposal

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 (95%) of the assets of PAT MTF Mrija (other than right-of-use assets and unrecognised deferred tax assets arising from tax loss) 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 as part of revaluation of buildings of the Company and the Group in October and November 2018 and is based on valuations performed by certified appraiser Aleksandr Tidir. In order to assess possible changes in the fair value of buildings until 31 December 2020, the management of the Group commissioned the reassessment of the fair value of these assets carried out by an independent property appraiser, who identified the fair values of these assets on 6 November 2020. Considering that by the end of 2020 no significant changes have occurred in the real estate market in the Transcarpathian region of Ukraine, the fair value of the property approximates its carrying amount, 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 2020 (no revaluation surplus was recorded). 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 (excluding lease liabilities and deferred tax liability).

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 change within reasonably possible limits.

The bookkeeping company Grossbuh of asset valuators carried out the market price analysis of property in the area of Transcarpathia on 20 December 2021. There were no significant changes in the property market in 2021.

The expected credit loss (ECL) model was applied to assess impairment of loans granted 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, additional impairment of loans granted and interest receivable from PAT MTF Mrija (EUR 150 thousand) was recognised in 2020.

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 reporting date. In 2018, the Group's and the Company's management identified indications of impairment of buildings and due to that, based on the data of October 2018, professional appraisers performed an independent valuation in 2018. In 2021, the Company and the Group employed independent appraisers to carry out property valuations or an overview of the real estate market, and did not identify any indications that the carrying values of the property may differ significantly from their fair values.

Revenue recognition

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

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

4. Critical Accounting Estimates and Judgements (continued)

Determining the lease term of contracts with renewal and termination options – the 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 customisation to the leased asset). For more details please see Note 17.

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 subsidiaries PAT MTF Mrija and Aboutwear UAB) 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. Inter-segment transactions are eliminated on consolidation.

2021	**Production of knitted articles**	**Production of working clothes**	**Eliminations**	**In total**
External sales	28,194	2,249	-	30,443
Internal sales	870	-	(870)	-
Total sales	**29,064**	**2,249**	**(870)**	**30,443**
Gross profit	**4,022**	**100**	**-**	**4,122**
EBITDA	**(1,693)**	**(226)**	**-**	**(1,919)**
Profit (loss)	(2,704)	(407)	-	(3,111)
Depreciation and amortisation	793	116	-	909
Interest expense	113	-	(13)	100
Income tax	176	74	-	250
Total segment assets	21,241	1,43,2	-	22,673
Total segment liabilities	14,355	932	-	15,287

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

5. Segment information (continued)

2020	Production of knitted articles	Production of working clothes	Eliminations	In total
External sales	24,858	3,044	-	27,902
Internal sales	638	-	(638)	-
Total sales	**25,496**	**3,044**	**(638)**	**27,902**
Gross profit	**4,942**	**721**	**-**	**5,663**
EBITDA	**846**	**338**	**-**	**1,184**
Profit	(605)	183	-	(422)
Depreciation and amortisation	933	120	-	1,053
Interest expense	101	-	(13)	88
Income tax	50	36	-	86
Total segment assets	21,479	1,749	-	23,228
Total segment liabilities	12,019	799	-	12,818

	2021	2020
EBITDA	**(1,919)**	**1,184**
Depreciation and amortisation	(909)	(1,053)
Operating profit	**(2,828)**	**131**
Interest expense	(100)	(88)
Other finance costs, net	67	(379)
Profit for the year before income tax	**(2,861)**	**(336)**

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:

	2021	2020
Sales of goods ordered (recognised over time)	19,902	16,910
Sales of goods ordered (recognised at the point in time)*	2,424	1,585
Company brands (About, Utenos) (recognised at the point in time)	4,482	5,142
Sales of services (recognised over time)	427	365
Other sales (recognised at the point in time)	886	776
	28,121	**24,778**

* As described in Note 2.20, revenue from sales of goods to a group of customers for which supply contracts contain clauses allowing alternative uses are recognised at the point in time.

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

5. Segment information (continued)

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

2021	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other markets	In total
Group's sales	16,661	4,690	5,500	3,592	30,443
Company's sales	15,651	4,475	4,946	3,049	28,121

2020	DACH (Germany, Austria, Switzerland)	Scandinavia (Sweden, Norway, Denmark, Finland)	Lithuania	Other markets	In total
Group's sales	15,797	2,894	6,155	3,056	27,902
Company's sales	14,018	2,894	5,458	2,408	24,778

The majority of the Group's sales (54.7%) in 2021 were made to DACH customers (in 2020: 56.6%). In 2021, 15.4% of total production was sold to Scandinavian customers (in 2020: 10.4%). 18% of the production was sold in the Lithuanian market (in 2020: 22%).

Assets are divided by separate geographical segments and described in Notes 6, 7 and 24.

Impact of COVID-19

The coronavirus (COVID-19) pandemic and the announcement of quarantine in Lithuania and other markets affected the performance of the Company and the Group in 2021 and 2020. Due to quarantine restrictions on economic activities in the territory of the Republic of Lithuania, shops were temporarily closed from 16 March to 20 April and from 16 to 31 December 2020 and from 1 January 2021 to 14 February (until 19 April if there is no separate entrance). There was a decrease in sales of Company's brand in physical outlets and sales to wholesale partners; according to the management, the loss of sales amounts to about EUR 560 thousand due to the shutdown of the stores in 2020 and EUR 506 thousand in 2021. The effect was compensated by sales growth in the e-store and sales of specific products (protective face masks).

Sales of goods ordered decreased by 15% in 2020; however, in 2021 they increased by 20.8%. The management cannot fully distinguish the impact of COVID-19 for the ordered knitwear segment due to lack of data on different quarantine restrictions in end-user markets, customers' financial condition before and change in the COVID-19 pandemic, possible influence of other factors on customer decisions.

The development of sales of ordered products was also hindered by exhibitions which were cancelled or held through e-channels, restricted possibility to travel for both the Company's sales specialists and the Company's customers in 2020-2021.

Potential risks caused by the COVID 19 on the Company's performance and going concern identified by the management, which are still relevant for 2022:

- Disruptions and delays due to morbidity in group companies
- Supply risks, disruptions in movement of goods
- Settlement risk
- Liquidity risk
- Funding risk
- Temporary business suspension in the framework of an epidemic

Operational risk is managed through preventive testing of employees, the principles of organisational organisation have been changed to minimise the number of employee contacts also. The premises are regularly disinfected and ventilated according to the recommendations of specialists. The work of administrative staff, with the necessary tools, is organised from home.

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

6. Intangible assets

The Group's intangible 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 2020, intangible assets located in Ukraine are fully depreciated (EUR 90 as at 31 December 2020).

	Group			Company
	Goodwill related to Šatrija AB	**Other intangible assets**	**In total**	**Other intangible assets**
Cost:				
Balance at 31 December 2019	**441**	**1,191**	**1,632**	**1,040**
Additions	-	35	35	35
Disposals and write-offs	-	(341)	(341)	(341)
Balance at 31 December 2020	**441**	**885**	**1,326**	**734**
Additions	-	20	20	20
Disposals and write-offs	-	(29)	(29)	(29)
Balance at 31 December 2021	**441**	**876**	**1,317**	**725**
Amortisation and impairment:				
Balance at 31 December 2019	**37**	**1,047**	**1,084**	**895**
Amortisation for the reporting period	-	65	65	65
Disposals and write-offs	-	(340)	(340)	(340)
Balance at 31 December 2020	**37**	**772**	**809**	**619**
Amortisation for the reporting period	-	36	36	36
Disposals and write-offs	-	(14)	(14)	(14)
Balance at 31 December 2021	**37**	**794**	**831**	**641**
Net book value at 31 December 2019	**404**	**144**	**548**	**145**
Net book value at 31 December 2020	**404**	**113**	**517**	**115**
Net book value at 31 December 2021	**404**	**82**	**486**	**84**

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 2021, acquisition cost of fully amortised but still in use intangible assets of the Group and the Company amounted to EUR 719 thousand and EUR 587 thousand, respectively (as at 31 December 2020, EUR 703 thousand and EUR 571 thousand, respectively).

(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 2019	**4**	**7,333**	**401**	**21,168**	**519**	**29,425**
Additions	-	5	-	287	332	624
Reclassification between asset groups	-	431	-	-	(431)	-
Reclassified to investment property	-	-	-	-	(13)	(13)
Disposals and write-offs	-	-	-	(235)	(25)	(260)
Foreign currency translation differences	-	(890)	(12)	(117)	-	(1,019)
Balance at 31 December 2020	**4**	**6,879**	**389**	**21,103**	**382**	**28,757**
Additions	-	43	-	565	9	617
Reclassification between asset groups	-	95	-	268	(380)	(17)
Disposals and write-offs	-	-	-	(39)	-	(39)
Foreign currency translation differences	-	460	5	109	-	574
Balance as at 1 January 2021	**4**	**7,477**	**394**	**22,006**	**11**	**29,892**
Accumulated depreciation:						
Balance at 31 December 2019	**-**	**265**	**180**	**18,617**	**-**	**19,062**
Depreciation charge for the year	-	77	18	567	-	662
Depreciation of revalued asset	-	166	-	-	-	166
Disposals and write-offs	-	-	-	(233)	-	(233)
Foreign currency translation differences	-	(239)	(10)	(112)	-	(361)
Balance at 31 December 2020	**-**	**269**	**188**	**18,839**	**-**	**19,296**
Depreciation charge for the year	-	96	17	421	-	535
Depreciation of revalued asset	-	156	-	-	-	156
Reclassification between groups		23	-	-	-	23
Disposals and write-offs	-	-	-	(38)	-	(38)
Foreign currency translation differences	-	215	4	103	-	322
Balance as at 1 January 2021	**-**	**759**	**209**	**19,325**	**-**	**20,293**
Impairment:						
Balance at 31 December 2019	**-**	**13**	**-**	**-**	**-**	**13**
Balance at 31 December 2020	**-**	**13**	**-**	**-**	**-**	**13**
Balance at 31 December 2021	**-**	**13**	**-**	**143**	**-**	**156**
Net book value at 31 December 2019	**4**	**7,055**	**221**	**2,551**	**519**	**10,350**
Net book value at 31 December 2020	**4**	**6,597**	**201**	**2,264**	**382**	**9,448**
Net book value at 31 December 2021	**4**	**6,705**	**185**	**2,538**	**11**	**9,443**

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 2021, the carrying amount of property, plant and equipment located in Ukraine was EUR 2,219 thousand (as at 31 December 2020 – EUR 2,064 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
Cost or revalued amount:						
Balance at 31 December 2019	**4**	**3,793**	**356**	**18,593**	**519**	**23,265**
Additions	-	5	-	248	332	585
Disposals and write-offs	-	-	-	(127)	(25)	(152)
Reclassification between asset groups	-	431	-	-	(431)	-
Reclassified to investment property	-	-	-	-	(13)	(13)
Balance at 31 December 2020	**4**	**4,229**	**356**	**18,714**	**382**	**23,685**
Additions	-	43	-	549	9	601
Disposals and write-offs	-	-	-	(33)	-	(33)
Reclassified to investment property	-	-	-	-	(17)	(17)
Reclassification between groups	-	95	-	268	(363)	-
Balance at 31 December 2021	**4**	**4,367**	**356**	**19,498**	**11**	**24,236**
Accumulated depreciation:						
Balance at 31 December 2019	**-**	**109**	**145**	**16,495**	**-**	**16,749**
Depreciation for the reporting period	-	46	16	461	-	523
Depreciation of revalued asset	-	67	-	-	-	67
Disposals and write-offs	-	-	-	(126)	-	(126)
Balance at 31 December 2020	**,**	**222**	**161**	**16,830**	**-**	**17,213**
Depreciation for the reporting period	-	66	16	326	-	408
Depreciation of revalued asset	-	67	-	-	-	67
Reclassified to investment property	-	23	-	-	-	23
Disposals and write-offs	-	-	-	(32)	-	(32)
Balance at 31 December 2021	**-**	**378**	**177**	**17,124**	**-**	**17,679**
Impairment:						
Balance at 31 December 2019	**-**	**9**	**-**	**-**	**-**	**9**
Balance at 31 December 2020	**-**	**9**	**-**	**-**	**-**	**9**
Balance at 31 December 2021	**-**	**9**	**-**	**143**	**-**	**152**
Net book value at 31 December 2019	**4**	**3,675**	**211**	**2,098**	**519**	**6,507**
Net book value at 31 December 2020	**4**	**3,998**	**195**	**1,884**	**382**	**6,463**
Net book value at 31 December 2021	**4**	**3,980**	**179**	**2,231**	**11**	**6,405**

(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	
	2021	**2020**	**2021**	**2020**
Cost of sales (Note 20)	586	704	381	483
General and administrative expenses (Note 21)	315	342	266	289
Other operating expenses	8	7	8	7
Total	**909**	**1,053**	**655**	**779**

As at 31 December 2021, property, plant and equipment of the Group and the Company with the cost of EUR 17,861 thousand and EUR 14,873 thousand, respectively, were fully depreciated (as at 31 December 2020 – EUR 16,103 thousand and EUR 13,353 thousand, respectively).

As at 31 December 2021, the Company had its non-current assets pledged to OP Bank and manages the Business Assistance Fund. The carrying amount of the pledged assets was EUR 2,100 thousand (Note 16). Non-current asset of Šatrija AB the amount of which is EUR 203 thousand was pledged to the Fund as a collateral. As at 31 December 2020, the Company's carrying amount of property, plant and equipment pledged to the bank was EUR 3,903 thousand.

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

	Group As at 31 December 2021	Company As at 31 December 2020
Acquisition cost	4,567	2,677
Accumulated depreciation and impairment losses	(2,634)	(1,185)
Net book value	**1,933**	**1,492**

	Group As at 31 December 2021	Company As at 31 December 2020
Acquisition cost	4,380	2,539
Accumulated depreciation and impairment losses	(2,494)	(1,096)
Net book value	**1,886**	**1,443**

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 appraiser 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 appraisers Centro Kubas UAB (Lithuania) and certified appraiser 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 2019	**7,055**	**3,675**
Net book value of buildings at revalued amount as at 31 December 2019:	**5,455**	**2,622**
Net book value of buildings at acquisition cost as at 31 December 2019:	**1,600**	**1,053**
Acquisition, reclassification, write-off of buildings	436	436
Effect of exchange rate to revalued amount	(579)	-
Effect of exchange rate to buildings acquisition cost	(73)	-
Depreciation of acquisition cost of buildings	(77)	(46)
Depreciation of the revalued part of buildings	(165)	(67)
Net book value of buildings at revalued amount as at 31 December 2020:	**4,711**	**2,555**
Net book value of buildings at acquisition cost as at 31 December 2020:	**1,886**	**1,443**
Net book value of the buildings as at 31 December 2020:	**6,597**	**3,998**
Acquisition, reclassification, write-off of buildings	138	138
Effect of exchange rate to revalued amount	217	-
Effect of exchange rate to buildings acquisition cost	28	-
Depreciation of acquisition cost of buildings	(119)	(89)
Depreciation of the revalued part of buildings	(156)	(67)
Net book value of buildings revalued amount as at 31 December 2021:	**4,772**	**2,488**
Net book value of buildings acquisition cost as at 31 December 2021:	**1,933**	**1,492**
Net book value of the building as at 31 December 2021:	**6,705**	**3,980**

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

8. Investment property

	Group	Company
Cost:		
Balance at 31 December 2019	194	194
Reclassified from property, plant and equipment	13	13
Balance at 31 December 2020	207	207
Acquisition	3	3
Reclassified from property, plant and equipment	17	17
Balance at 31 December 2021	227	227
Accumulated depreciation:		
Balance at 31 December 2019	80	80
Depreciation for the reporting period	2	2
Balance at 31 December 2020	82	82
Depreciation for the reporting period	5	5
Reclassified from property, plant and equipment	(23)	(23)
Balance at 31 December 2021	64	64
Net book value at 31 December 2019	114	114
Net book value at 31 December 2020	125	125
Net book value at 31 December 2021	163	163

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 appraiser 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 appraisers 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	
	2021 31 December	**2020 31 December**	**2021 31 December**	**2020 31 December**
Net book value of investment property	163	125	163	125
Fair value of investment property	227	207	227	207

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

8. Investment property (continued)

Future rental income of investment property

	Group		Company	
	2021	2020	2021	2020
Within 1 year	14	12	14	12
After 1 year but not later than 5 years	10	4	10	4
	24	64	24	16

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:

	2021	2020
Cost of investments:		
Balance as at 1 January	3,745	3,748
Additions	40	-
Disposals	-	(3)
Balance as at 31 December	3,785	3,745
Impairment:		
Balance as at 1 January	2,255	2,195
Impairment	40	60
Balance as at 31 December	2,295	2,255
Carrying amount of investments in subsidiaries as at 31 December	**1,490**	**1,490**

On 29 April 2021, Utenos trikotažas AB and G. Vilkė established a subsidiary company Aboutwear UAB. The capital of the subsidiary amounts to EUR 50,000. Utenos trikotažas AB holds 80% shares of this subsidiary. On 28 November 2019, Utenos Trikotažas AB established a subsidiary SIA Utenas Trikotaža in Latvia with the capital in the amount EUR 2,800. In July 2020, SIA Utenas Trikotaža was sold for EUR 100.

As at 31 December 2021, there was impairment of EUR 40 thousand identified for investments in the subsidiary Aboutwear UAB, which was accounted for in the Company's statement of comprehensive income under finance expenses. In 2020, EUR 60 thousand impairment of investment in subsidiary Gotija UAB was recognised and accounted for in the Company's statement of comprehensive income under finance expenses.

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

10. Inventories

	Group		Company	
	2021 31 December	2020 31 December	2021 31 December	2020 31 December
Raw materials	3,310	3,017	2,971	2,684
Production-in-progress	2,418	1,485	2,411	1,481
Finished goods	2,985	2,340	2,930	2,314
Goods for re-sale	94	4	89	-
	8,807	**6,846**	**8,401**	**6,479**
Write-down to net realisable value:				
Opening balance	(1,418)	(890)	(1 095)	(567)
Change	(475)	(528)	(475)	(528)
Closing balance	(1,893)	(1,418)	(1,570)	(1,095)
	6,914	**5,428**	**6,831**	**5,384**

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

10. Inventories (continued)

Taking into account the changed circumstances of the realisation of inventories in 2021, the principles of write-down of inventories to net realisable value were revised and an additional allowance was formed - the total amount of allowance formed during 2021 amounted to EUR 475 thousand in the Company and the Group.

The cost of the Group's and the Company's inventories accounted for at net realisable value as at 31 December 2021 amounted to EUR 2,184 thousand and EUR 1,849 thousand, respectively (as at 31 December 2020 – EUR 2,018 thousand and EUR 1,694 thousand, respectively). Changes in impairment allowance for inventories during 2021 and 2020 were recorded within the Group's and the Company's general and administrative expenses (Note 21).

The Group and the Company do not account for third-party inventories received for processing and which are stored in the Group's and the Company's warehouse premises in the statement of financial position. As at 31 December 2021, the unaudited value of such inventories owned by third parties was EUR 1,798 thousand and EUR 501 thousand, respectively (as at 31 December 2020 – EUR 2,342 thousand and EUR 524 thousand, respectively).

As at 31 December 2021, the Company's and the Group's carrying amount of inventories pledged to the bank was EUR 2,100 thousand and EUR 2,132 thousand (Note 16). As at 31 December 2020, the Company's carrying amount of inventories pledged to the bank was EUR 5,384 thousand.

11. Trade receivables, contract assets

	Group		Company	
	2021 31 December	2020 31 December	2021 31 December	2020 31 December
Trade receivables, gross	1,267	1,540	1,124	1,336
Impairment:				
Opening balance	(107)	(274)	(81)	(248)
Accrued over the year	-	(81)	-	(81)
Written-off	22	248	22	248
Closing balance	(85)	(107)	(59)	(81)
	1,182	**1,433**	**1,065**	**1,255**

Changes in allowance for doubtful trade receivables during 2021 and 2020 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 2021, contract assets of the Company and the Group comprised of accrued revenue of, respectively, EUR 2,673 thousand and EUR 2,748 thousand, it mainly reflects the earned income from ordered article sewing service that had no invoices issued at the year-end and certain performance obligations (such as completion of the order/bunch according to the order) still to be completed. The amount was assessed for impairment but no impairment was identified.

As at 31 December 2020, contract assets of the Company and the Group comprised of accrued revenue of, respectively, EUR 1,356 thousand and EUR 1,382 thousand, it mainly reflects the earned income from ordered article sewing service that had no invoices issued at the year-end and certain performance obligations (such as completion of the order/bunch according to the order) still to be completed. The amount was assessed for impairment but no impairment was identified.

As at 31 December 2021 and 2020, the Group and the Company did not have amounts past due.

As at 31 December 2021, the Group and the Company had received advances from customers in the amount of EUR 861 thousand and EUR 866 thousand, respectively (as at 31 December 2020 – EUR 372 thousand and EUR 366 thousand, respectively). The advances received are reflected as contractual liabilities in the statement of financial position.

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

12. Other current assets

	Group		Company	
	2021 31 December	2020 31 December	2021 31 December	2020 31 December
Other current assets				
Taxes receivable and other receivables, except for prepaid income tax	145	39	99	-
Subsidies receivable*	-	175	-	175
Prepayments	212	133	200	128
Deferred expenses	51	50	50	48
Total other current assets	**408**	**397**	**349**	**351**

*The amount represents subsidies receivable. In 2020, the company (Utenos Trikotažas AB) was included in the list of taxpayers who may be subject to fiscal aid measures due to the COVID-19, established by the State Tax Inspectorate. Additionally, under the Law on Employment, the Company received subsidies to employers during and after the downtime, and subsidies to employers affected by the COVID-19, which are accounted for by reducing wage costs (the total amount of subsidies received in 2020 amounted to EUR 1,687 thousand). The impact of the subsidies is reflected in the cost of production sold in the period from January to December, as well as in selling, general and administrative expenses.

13. Cash and cash equivalents

	Group		Company	
	2021 31 December	2020 31 December	2021 31 December	2020 31 December
Cash on hand	5	1	5	1
Cash at bank	620	3,791	67	3,166
Cash equivalents	-	-	-	-
	625	**3,792**	**72**	**3,167**

14. Share capital

As at 31 December 2021 and 2020, the share capital comprised of 9,503,000 ordinary registered shares with nominal value of EUR 0.29 each.

As at 31 December 2021 and 2020, all shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2021 and 2020. The Company did not hold its own shares as at 31 December 2021 and 2020.

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 under the Lithuanian Republic Law on Companies, are compulsory until the reserve reaches 10% of the share capital. As at 31 December 2021 and 2020, 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.

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

15. Other Reserves (continued)

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 2019:	**4,215**	**2,245**
Building revaluation depreciation charges	(130)	(58)
Net book value of buildings revaluation reserve as at 31 December 2020:	**4,085**	**2,187**
Building revaluation depreciation charges	(139)	(58)
Net book value of buildings revaluation reserve as at 31 December 2021:	**3,946**	**2,129**

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).

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.

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 2021, foreign currency translation impact on consolidated financial statements amounted to EUR 130 thousand (including non-controlling interest), respectively as at 31 December 2020 – EUR (158) thousand.

16. Borrowings

	Group		Company	
	2021	2020	2021	2020
	31 December	31 December	31 December	31 December
Current				
Current portion of non-current bank borrowings	637	567	637	567
Other current borrowings	1,801		1,801	-
Borrowings from related parties	-	532	-	532
Non-current				
Borrowings from subsidiaries	-	-	600	600
Borrowings from related entities	532		532	-
Non-current borrowings	2,999	2,314	2,999	2,314
Total borrowings	**5,969**	**3,413**	**6,569**	**4,013**

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Šatrija AB, amounting to EUR 600 thousand with maturity as at 31 December 2027 and variable interest rate 12-month EURIBOR+2.2%.

On 18 December 2020, the Company entered into the loan agreement with SBA Grupė UAB for EUR 532 thousand.

The annual interest rate on the loan will be 6-month EURIBOR+2.2%. The loan matures on 31 December 2027.

On 28 June 2021, a loan agreement was concluded between Utenos trikotažas UAB and the subsidiary Aboutwear UAB, the maximum amount of which does not exceed EUR 700 thousand. The loan has to be repaid before 27 June 2024. The loan bears interest, and a variable interest rate is applied calculated according to 6-month EURIBOR + 2.2%. as at 31 December 2021, the amount of the repaid loan was EUR 700 thousand.

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

16. Borrowings (continued)

On 27 December 2021, bond subscription agreement and a loan agreement were concluded with manages the Business Assistance Fund, which provide that the Fund signs and acquires whereas the Company issues ordinary registered bonds of nominal value of up to EUR 2,300 thousand, and the Fund grants the Company a loan of up to EUR 500 thousand. The redemption date of the bonds and the repayment deadline of the loan – 15 December 2027. The liabilities are subject to an annual interest rate which is calculated at intervals of 12 (twelve) months - 7%. For each other 12 (twelve) months the interest rate is increased by 0.1 (one tenth) percentage point annually. Under the agreements, liabilities are guaranteed by pledges of current and non-current assets and by sureties of the subsidiaries Šatrija AB and Aboutwear UAB. As at 31 December 2021, the balance of issued and paid bonds amounted to EUR 1,000 thousand.

As of 31 December 2021 and 2020, 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	
	2021 31 December	2020 31 December	2021 31 December	2020 31 December
EUR	5,969	3,413	6,569	4,013

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

	Group		Company	
	2021 31 December	2020 31 December	2021 31 December	2020 31 December
Non-current borrowings from subsidiaries	-	-	2.2	2.2
Business support Fund (Viva)	7	-	7	-
Non-current loan from related entities	2.2	-	2.2	-
Current loan from related entities	-	2.2	-	2.2
Current bank borrowings	2.45	-	2.45	-
Non-current bank borrowings	2.2	2.2	2.2	2.2

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. Borrowings fair value is approximate to carrying value, as disclosed in Note 3.

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	
	2021 31 December	2020 31 December	2021 31 December	2020 31 December
Every 3 months	4,437	2,881	4,437	2,881
Every 6 months	532	532	532	532
Every 12 months	1,000	-	1,600	600
	5,969	**3,413**	**6,569**	**4,013**

On 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 2021, the amount of the long-term credit was EUR 2,314 thousand with maturity term effective until 31 August 2024.

As at 31 December 2021, under the overdraft agreement Utenos trikotažas UAB has an outstanding amount of EUR 1,801 thousand. The renewal of the overdraft agreement was signed on 28 December 2021 extending it to 30 April 2024 with a limit of EUR 2,000 thousand.

As at 31 December 2020, the Company had no obligations under the overdraft agreement and as at 31 December 2020 the amount of unused overdraft amounted to EUR 1,900 thousand.

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

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

17. Leases

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

Company

	Premises	Land	Vehicles	Other property, plant and equipment	In total
31 December 2019	**148**	**30**	**176**	**12**	**366**
Additions	93	-	28	1	122
Disposals and write offs	-	-	(60)	(1)	(61)
Depreciation expense	(73)	(3)	(43)	(4)	(123)
31 December 2020	**168**	**27**	**101**	**8**	**304**
Additions	**521**	**-**	**48**	**1**	**570**
Disposals and write offs	**(496)**	**-**	**-**	**-**	**(496)**
Depreciation expense	**(96)**	**(3)**	**(38)**	**(3)**	**(140)**
31 December 2021	**97**	**24**	**111**	**6**	**238**

Group

	Premises	Land	Vehicles	Other property, plant and equipment	In total
31 December 2019	**148**	**456**	**188**	**12**	**804**
Additions	93	**-**	28	1	122
Disposals and write offs	-	-	(52)	(1)	(53)
Depreciation expense	(73)	(31)	(50)	(4)	(158)
Effect of exchange rate	-	(86)	-	-	(86)
31 December 2020	**168**	**339**	**114**	**8**	**629**
Additions	521	-	72	1	594
Disposals and write offs	(496)	-	-	-	(496)
Depreciation expense	(96)	(34)	(44)	(3)	(177)
Effect of exchange rate	-	28	-	-	28
31 December 2021	**97**	**333**	**142**	**6**	**578**

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

	Company	Group
1 January 2021	**323**	**655**
Additions	570	594
Accretion of interest	8	17
Payments	(147)	(194)
Write-offs and disposals	(496)	(496)
Effect of exchange rate	**-**	28
31 December 2021	**258**	**604**
Current	81	116
Non-current	177	488

The Company and the Group had received discounts on lease payments related to COVID-19 for several premise lease agreements. The maturity analysis of lease liabilities is disclosed in Note 3.1.
The following are the amounts recognised in profit or loss:

	Company	Group
Depreciation expense of right-of-use assets	125	162
Interest expense on lease liabilities	8	17
Commitments relating to short-term leases	-	-
Commitments relating to leases of low-value assets	-	-
Discounts received	-	-
Variable lease payments (included in cost of sales)	6	6
Total amount recognised in profit or loss	**139**	**185**

In 2021, the Company and the Group had total cash outflows for leases of EUR 147 thousand and EUR 194 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 2020, including the magnitude in relation to fixed payments:

17. Lease (continued)

2021	**Fixed payments**	**Variable payments**	**In total**
	EUR thousand	**EUR thousand**	**EUR thousand**
Variable rent with minimum payment	96	6	102
	96	**6**	**102**

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 have 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 5 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 recognised by the Group during the year is EUR 24 thousand (in 2020 – EUR 16 thousand).

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

	2021	**2020**
	EUR thousand	**EUR thousand**
Within one year	14	12
After one year but not more than five years	10	4
After five years	-	-
	24	**16**

18. Provisions for employee benefits

	Group	**Company**
Balance at 31 December 2019	**363**	**290**
Benefits earned	59	39
Interest expense	1	1
Actuarial (gain) loss	(23)	(23)
Reduction of costs due to cancelled job contracts	(46)	(45)
Balance at 31 December 2020	**354**	**262**
Benefits earned	71	39
Interest expense	-	-
Actuarial (gain) loss	54	54
Reduction of costs due to cancelled job contracts	(28)	(28)
Balance at 31 December 2021	451	327

	Group	**Company**
Non-current provisions for employee benefits as at 31 December 2021	358	251
Current provisions for employee benefits as at 31 December 2021	93	76
Non-current provisions for employee benefits as at 31 December 2020	275	193
Current provisions for employee benefits as at 31 December 2020	79	69

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 2021, provisions were calculated with the discount rate of 0.16% and employee turnover rate of 13.06% (in 2020, 0.22% and 14.62%, 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 2021				
		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 by 3.36%	Increased by 3.43%	Decreased by 3.15%	Increased by 3.21%
Salary growth rate	0.50%	Increased by 3.56 %	Decreased by 3.27 %	Increased by 3.35%	Decreased by 3.05%

	31 December 2020				
		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 by 2.97%	Increased by 3.11%	Decreased by 2.61%	Increased by 2.76%
Salary growth rate	0.50%	Increased by 3.60%	Decreased by 2.92 %	Increased by 2.70%	Decreased by 2.58%

19. Accrued expenses and other current liabilities

	Group		Company	
	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
Accrual for vacation reserve	1,360	1,059	1,061	840
Salaries and social security*	792	1,557	635	1,462
Accounts payables for services and non-current assets	494	328	496	353
Taxes payable, other than income tax*	466	1,466	414	1,442
Provisions for accrued bonuses	72	423	72	351
Provisions for employee benefits	93	79	76	69
Other liabilities	298	226	97	11
	3,575	5,138	2,851	4,528

*In 2020, Utenos Trikotažas AB entered into an interest-free tax loan agreement with the State Tax Inspectorate and the State Social Insurance Fund Board for the amount of EUR 1,347 thousand and EUR 888.7 thousand, respectively. Under these agreements, debts are to be settled by December 2021.

In December 2021, it has been requested to defer the last instalment of the loan – EUR 103 thousand – to 2022. The deferral of payment to 25 March 2022 has been received from the Tax Authorities.

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

20. Cost of sales

	Group		Company	
	2021	**2020**	**2021**	**2020**
Materials used in production	10,467	8,131	10,353	7,921
Salaries and social security	9,954	9,112	7,647	6,805
Other additional expenses	4,454	3,569	5,181	4,054
Depreciation and amortisation (Notes 6, 7, 8 and 17)	586	704	381	483
Cost of materials sold	860	723	802	682
	26,321	**22,239**	**24,364**	**19,945**

21. Selling, General and Administrative Expenses

	Group		Company	
	2021	**2020**	**2021**	**2020**
Selling expenses				
Salaries and social security	1,053	718	927	666
Advertising and marketing costs	737	445	576	444
Agency costs	287	209	286	209
Transportation expenses	395	389	389	387
Maintenance costs of retail outlets	39	20	39	14
Depreciation and amortisation (Notes 6, 7, 8 and 17)	158	157	158	156
Other selling expenses	137	88	128	84
Total selling expenses	2,806	2,026	2,503	1,960
General and administrative expenses				
Salaries and social security	1,477	1,173	1067	837
Communication and consulting services*	719	443	476	379
Taxes (other than income tax)	138	114	124	108
Depreciation and amortisation	157	185	108	133
Security services	139	136	71	67
Car operating expenses	54	34	46	28
Fees to financial institutions	95	97	89	94
Premises operating expenses	45	42	43	39
Travel expenses	3	5	2	4
Representation expenses	29	31	27	29
Allowance (reversal) and write-off of trade receivables	(25)	95	(25)	95
Allowance (reversal) and write-off of inventories	507	730	507	712
Other	926	561	778	391
	4,264	3,646	3,313	2,916
	7,070	5,672	5,816	4,876

* For year 2021, fee for other non-audit related services provided by independent auditors amounted to EUR 8.6 thousand (SA8000 surveillance audit). For year 2020, fee for other non-audit related services provided by independent auditors amounted to EUR 5.7 thousand (EUR 1.2 thousand translation services and EUR 4.5 thousand tax services).

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

22. Other income and expenses

	Group		Company	
	2021	2020	2021	2020
Gain on disposal of non-current assets	1	7	3	-
Rental income	26	23	24	18
Other income	110	125	79	35
Other income	137	155	106	53
Loss from disposal of non-current assets	(1)	-	(1)	-
Expenses related to leasehold assets	(8)	(8)	(4)	(5)
Depreciation of rentals	(8)	(7)	(8)	(7)
Other expenses	**(17)**	**(15)**	**(13)**	**(12)**

23. Finance expenses, net

	Group		Company	
	2021	2020	2021	2020
Dividend income	-	-	-	33
Gain on foreign exchange	224	163	66	55
Interest income	-	-	65	60
Other finance income	3	14	3	14
Income from financing activities	227	177	134	162
Interest expense*	(100)	(88)	(105)	(98)
Loss on foreign exchange	(145)	(538)	(64)	(57)
Impairment of loans and interest of loans	-	-	(700)	(150)
Impairment of investments in subsidiary	-	-	(40)	(60)
Other finance costs	(15)	(18)	(15)	(19)
Finance costs	(260)	(644)	(924)	(384)

*Interest is calculated on those loans which are measured at amortised cost.

24. Income tax

Income tax expenses comprised as follows:

	Group		Company	
	2021	2020	2021	2020
Current income tax	-	(166)	-	(149)
Change of deferred income tax	(250)	80	(192)	100
Income tax (expenses) recognised in the statement of comprehensive income	(250)	(86)	(192)	(49)

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

24. Income tax (continued)

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	
	2021	**2020**	**2021**	**2020**
Profit (loss) before tax	(,2,861)	(336)	(2,754)	(224)
Income tax (expense) at a rate of 15%	429	50	413	34
Change in investment incentive	-	12	-	12
Effect of different tax rates applicable to subsidiary in Ukraine	(3)	(27)	-	-
Change in valuation allowances for deferred tax asset	-	-	-	-
Used tax losses carried forward for which deferred tax assets was not recognised	194	234	-	-
Impact of permanent differences	(870)	(355)	(605)	(95)
Income tax (expenses) recognised in the statement of comprehensive income	**(250)**	**(86)**	(192)	**(49)**

In 2021, deferred income tax asset and liability related to the entities operating in Lithuania were estimated using a tax rate of 15% (in 2020: 15%). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using a tax rate of 18% (in 2020: 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:

Group	**31 December 2020**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**31 December 2021**
Deferred tax asset				
Tax loss carry forward	-		-	-
Inventories	172	(172)	-	-
Amounts receivable	17	(17)	-	-
Impairment of property, plant and equipment	1	(1)	-	-
Provisions for employee benefits	51	(51)	-	-
Accrued expenses	29	(29)	-	-
Deferred tax asset before valuation allowance	270	(270)	-	-
Less: valuation allowance	(8)	8	-	-
Less: deferred tax asset netted with deferred tax liability	(185)	185	-	-
Deferred tax asset, net	77	(77)	-	-
Deferred tax liabilities				
Depreciation of property, plant and equipment	(68)	2	(38)	(104)
Revaluation of property, plant and equipment	(731)	10	-	(721)
Deferred tax liabilities	(799)	12	(38)	(825)
Less: deferred tax liability netted with deferred tax asset	185	(185)	-	-
Deferred tax liabilities, net	(614)	(173)	(38)	(825)
Deferred income tax, net	**(537)**	**(250)**	**(38)**	**(826)**

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

24. Income tax (continued)

Group	31 December 2019	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Deferred tax asset				
Tax loss carry forward	-	-	-	-
Inventories	93	79	-	172
Amounts receivable	16	1	-	17
Impairment of property, plant and equipment	1	-	-	1
Provisions for employee benefits	53	(2)	-	51
Accrued expenses	53	(24)	-	29
Deferred tax asset before valuation allowance	216	54	-	270
Less: valuation allowance	(8)	-	-	(8)
Less: deferred tax asset netted with deferred tax liability	(112)	(73)	-	(185)
Deferred tax asset, net	96	(19)	-	77
Deferred tax liabilities				
Depreciation of property, plant and equipment	(84)	16	-	(68)
Revaluation of property, plant and equipment	(858)	11	116	(731)
Deferred tax liabilities	(942)	27	116	(799)
Less: deferred tax liability netted with deferred tax asset	112	73	-	185
Deferred tax liabilities, net	(830)	100	116	(614)
Deferred income tax, net	**(734)**	**81**	**116**	**(537)**

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

24. Income Tax (continued)

Company	31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2021
Deferred tax asset				
Tax loss carry forward	-	-	-	-
Inventories	164	(164)	-	-
Allowance for amounts receivable	13	(13)	-	-
Impairment of property, plant and equipment and investment property	1	(1)	-	-
Provisions for employee benefits	39	(39)	-	-
Accrued expenses	2	(2)	-	-
Deferred tax assets before valuation allowance	219	(219)	-	-
Less: valuation allowance	-	-	-	-
Less: deferred tax assets netted with deferred tax liability*	(219)	219	-	-
Deferred tax asset, net	**-**	**-**	**-**	**-**
Deferred tax liabilities				
Depreciation of property, plant and equipment	(69)	17	-	(52)
Revaluation of property, plant and equipment	(383)	10	-	(373)
Deferred tax liability	(452)	27	-	(425)
Less: deferred tax liability netted with deferred tax asset*	219	(219)	-	-
Deferred tax liabilities, net	(233)	(192)	-	(425)
Deferred income tax, net	**(233)**	(192)	**-**	**(425)**

Company	31 December 2019	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Deferred tax asset				
Tax loss carry forward	-	-	-	-
Inventories	85	79	-	164
Allowance for amounts receivable	12	1	-	13
Impairment of property, plant and equipment and investment property	1	-	-	1
Provisions for employee benefits	43	(4)	-	39
Accrued expenses	2	-	-	2
Deferred tax assets before valuation allowance	143	76	-	219
Less: valuation allowance	-	-	-	-
Less: deferred tax assets netted with deferred tax liability*	(143)	(76)	-	(219)
Deferred tax asset, net	**-**	**-**	**-**	**-**
Deferred tax liabilities				
Depreciation of property, plant and equipment	(83)	14	-	(69)
Revaluation of property, plant and equipment	(393)	10	-	(383)
Deferred tax liability	(476)	24	-	(452)
Less: deferred tax liability netted with deferred tax asset*	143	76	-	219
Deferred tax liabilities, net	(333)	100	-	(233)
Deferred income tax, net	**(333)**	**100**	**-**	**(233)**

24. Income tax (continued)

*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.

As at 31 December 2021, the subsidiary PAT MTF Mrija had tax losses carried forward amounting to EUR 1,295 thousand (as at 31 December 2020 – EUR 1,556 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	2021	2020
Profit (loss) attributable to the equity holders of the Group	(2,966)	(453)
Weighted average number of shares in issue (thousand)	9,503	9,503
Earnings per share/notional profit (in EUR)	(0.31)	(0.05)

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
SBA Grupė 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 Company or the Group.

As at 31 December 2021 and 2020, the management of the Group and the Company had 0.002 per cent 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	2021	2020
Gotija UAB	Lithuania	0.00%,	0.00%
Šatrija AB	Lithuania	10.22%	10.22%
PAT MTF Mrija	Ukraine	1.05%	1.05%
Aboutwear UAB	Lithuania	20.00%	-

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

26. Related party transactions (continued)

Accumulated balances of non-controlling interest:	**31/12/2021**	**31/12/2020**
Gotija UAB	-	-
Šatrija AB	166	204
PAT MTF Mrija	37	40
Aboutwear UAB	(94)	-

Summarised statement of comprehensive income for 2021:

	Gotija UAB	**Aboutwear UAB**	**Šatrija AB**	**PAT MTF Mrija**
Revenue	-	102	2,249	842
Cost of sales	-	(39)	(2,149)	(712)
Administrative expenses	-	(576)	(536)	(184)
Other operating income (expenses)	-	-	91	1
Finance income (expenses)	-	(6)	10	135
Profit before tax	**-**	(519)	(335)	82
Income tax	-	-,	2	16
Profit from continued operations for the year	-	(519)	(333)	98
Total comprehensive income	**-**	(519)	(333)	98
Attributable to non-controlling interests	-	(104)	(42)	1
Dividends paid to non-controlling interests	-	-	-	-

Summarised statement of comprehensive income for 2020:

	Gotija UAB	**Utenos trikotaza SIA**	**Šatrija AB**	**PAT MTF Mrija**
Revenue	26	-	3,044	692
Cost of sales	(16)	-	(2,323)	(616)
Administrative expenses	(9)	(8)	(584)	(177)
Other operating income (expenses)	-,	-	91	2,322
Finance income (expenses)	-,	-	10	(1,235)
Profit before tax	1	(8)	238	986
Income tax	-	-	(36)	(1)
Profit from continued operations for the year	1	-	202	985
Total comprehensive income	1	(8)	202	985
Attributable to non-controlling interests	-	-	21	10
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 2021:

	Gotija UAB	Aboutwear UAB	Šatrija AB	PAT MTF Mrija
Inventories, cash at hand and cash at bank (current assets)	61	425	640	127
Property, plant and equipment and other non-current financial assets (non-current assets)	-	49	1,830	2,491
Trade and other payables (current)	-	(243)	(676)	(1,757)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	-	(700)	(166)	(1,338)
Total equity	**61**	**(469)**	**1,628**	**(477)**
Attributable to:				
Parent company	61	(375)	1,462	(514)
Non-controlling interests	-	(94)	166	37

Summarised statement of financial position as at 31 December 2020:

	Gotija UAB	Šatrija AB	PAT MTF Mrija
Inventories, cash at hand and cash at bank (current assets)	61	794	121
Property, plant and equipment and other non-current financial assets (non-current assets)	-	1,973	2,338
Trade and other payables (current)	-	(627)	(1,632)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	-	(144)	(1,334)
Total equity	**61**	**1,996**	**(507)**
Attributable to:			
Parent company	61	1,792	(547)
Non-controlling interests	-	204	40*

* Upon application of changes in IAS 27 Consolidated and Separate Financial Statements on 1 January 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	
	2021	**2020**	**2021**	**2020**
Sales of goods and services and other sales				
Subsidiaries of the Company	-	-	98	26
SBA Group companies	2	23	2	23
Ultimate parent company	-	10	-	10
	2	**33**	**100**	**59**

	Group		Company	
	2021	**2020**	**2021**	**2020**
Interest income				
Subsidiaries of the Company	-	-	66	60
	-	**-**	**66**	**60**

	Group		Company	
	2021	**2020**	**2021**	**2020**
Interest expense				
Subsidiaries of the Company	-	-	13	13
	-	**-**	**13**	**13**

	Group		Company	
	2021	**2020**	**2021**	**2020**
Purchases of goods and services				
Subsidiaries of the Company	-	-	900	656
Ultimate parent company	158	189	158	160
Other related parties	177	203	170	162
	336	**392**	**1,228**	**978**

	Group		Company	
	2021	**2020**	**2021**	**2020**
Dividend payments and reduction of issued capital Dividends declared by the subsidiaries of the Company to shareholders	-	-	-	33
	-	**-**	**-**	**33**

	Group		Company	
	2021	**2020**	**2021**	**2020**
Dividends paid				
Subsidiaries of the Company	-	-	-	-
Ultimate parent company	-	782	-	782
	-	**782**	**-**	**782**

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

26. Related party transactions (continued)

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Amounts receivable, prepayments and loans				
Accounts receivable from subsidiaries of the Company, gross*	-	-	19	14
Impairment:	-	-	-	-
Accounts receivable from subsidiaries of the Company, net	**-**	**-**	19	14
Prepayments to subsidiaries	**-**	**-**	771	883
Loans granted including interest receivables from subsidiaries, gross**	-	-	2,565	1,805
Impairment	-	-	(1,480)	(780)
Prepayments, loans granted and interest receivables from the Company's subsidiaries, net	**-**	**-**	**1,856**	**1,908**
	-	**-**	**1,875**	**1,922**

* As at 31 December 2021 and 2020, accounts receivable consisted only of accounts receivable from PAT MTF Mrija.

**As at 31 December 2021 and 2020, the amount stands for loan granted to (including interest receivables) PAT MTF Mrija with fixed annual interest rate of 6%.

As at 31 December 2021, receivables not past due and loans granted amounted to EUR 1,146 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 709 thousand were more than 121 days past due. As at 31 December 2020, receivables not past due and loans granted amounted to EUR 1,258 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 645 thousand are more than 121 days past due.

2021 June 28 a loan agreement was signed between AB Utenos Trikotažas and its subsidiary UAB Aboutwear, the maximum amount of which is not more than EUR 700 thousand. The loan maturity date is June 27, 2024. The loan bears interest at a variable interest rate calculated on the basis of 6 month EURIBOR plus 2.2%. On December 31, 2021 the loan amounted to 700 thousand EUR. The loan was fully impaired at 31 December 2021.

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	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Current and non-current payables				
Subsidiaries of the Company:				
Borrowings	-	-	600	600
Other payables	-	-	225	62
SBA Group companies:				
Other related parties	57	27	52	21
Ultimate parent company	582	622	574	607
	639	**649**	**1,451**	**1,290**

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

26. Related party transactions (continued)

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.

As at 31 December 2021, the amount of loan from subsidiary Šatrija AB amounted to EUR 600 thousand and accounted for in non-current liabilities. As at 31 December 2020, the amount of loan from subsidiary Šatrija AB amounted to EUR 600 thousand.

	Group		Company	
	2021	2020	2021	2020
Key management remuneration including social security costs				
Remuneration of the management	1,053	742	745	507
Defined benefit and jubilee payments to management	13	10	4	2
	1,066	**752**	**749**	**509**

Management includes general director, functional directors and chief accountant.

In 2021 and 2020, 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.

In December 2021, guarantee agreements were signed with OP Corporate Bank and the subsidiaries Šatrija AB and Aboutwear UAB. Under these agreements, guarantors guarantee to the OP Corporate Bank that Utenos trikotažas AB will fulfil all of its obligations pursuant to financing contracts.

No guarantees were issued on behalf of related parties as at 31 December 2020.

27. Contingent Liabilities and Commitments

As at 31 December 2021 and 2020, the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

From 2003 to 2021, 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, the State Tax Inspectorate can at any time assess the Company's accounting archive and registers within 3-5 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. Subsequent events

An amendment to the loan agreement between Utenos trikotažas AB and the subsidiary Aboutwear UAB was signed on 1 February 2022, according to which the maximum amount of the loan was increased from EUR 700 thousand to up to EUR 1,000 thousand.

In 2022, a decision has been adopted to suspend investments into the subsidiary Aboutwear UAB and to search for an alternative investor therein and, in case an investor is not found, to terminate commercial activity of the company.

In February 2022, there has been a notification received about resignation of the Company's Board member Vytautas Vaškys from the position of a Board member of the Company; also, it has been decided to appoint Vytautas Vaškys to hold the position of the Company's General Manager instead of Petras Jašinskas since March.

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

28.Subsequent events (continued)

The Group's conducts operations in the Ukrainian market through its subsidiary, Mrija PAT MTF, which is providing services to the Company Utenos trikotažas AB as its main activity and has little external sales. Consequently, the Group is exposed to the economic and financial markets of Ukraine. In February 2022, following the recognition of self-proclaimed republics of Donetsk and Lugansk by the Russian Federation and its subsequent invasion of Ukraine, the military conflict escalated and spread to other regions of that country. The current escalation of the military conflict is likely to have a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In view of the above, as at the date these consolidated financial statements were authorised for issue, the situation in Ukraine is extremely volatile and inherently uncertain. In the wake of the ongoing and dynamic nature of the military operations management concluded that a reliable estimate of the financial impact cannot be presently made.

However, presented below is the Group's summarized exposure as at 31 December 2021:

Mrija PAT MTF (exposure in Ukraine to 3rd parties only)	**Thousand EUR**
PPE	2 219
Inventory	49
Trade and other receivables	1
Other Assets	14
Trade and other liabilities	80

Sales revenues of Mrija PAT MTF for the year ended 31 December 2021 amounted to EUR 842 thousand, of which direct sales to Ukrainian customers amounted to EUR 10 thousand for the year ended 31 December 2021. Mrija PAT MTF produced 25.4% of units produced by the Group in 2021.

Going concern

Taking into account significance of operations in the Ukrainian market before it has been affected by the events as described in the previous paragraphs, the management of the Company is assessing possibilities to either expand its sub-contraction operations in local market / to other markets or temporarily decrease the volume of the Company operations.

In management's view, the Company will have sufficient resources to continue its operations for a period of at least 12 months from the reporting date. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Management cannot however preclude the possibility of an escalation of the general market uncertainty to other markets, or a consequential adverse impact on the economic environment the Company operates, that might have an adverse effect on the Company, and its financial position and operating results, in the medium and longer term.

UTENOS TRIKOTAŽAS AB

CONSOLIDATED ANNUAL REPORT
For the year ended 31 December 2021

1 Reporting Period Covered by the Annual Report

The Annual Report covers the period from 1 January 2021 to 31 December 2021. All amounts in the Annual Report presented as at 31 December 2021 or for the year than ended, 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; Reregistered with the Ministry of Economy of the Republic of Lithuania on 18 September 1998.
Registration code	BĮ 98-257
Code of the Register of Legal Entities	183709468
Authorised share capital	EUR 2,755,870
Address	J. Basanavičiaus St.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	KPMG Baltics 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;

UAB Aboutwear types of activities:

- retail and wholesale 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 12 months of 2021, the group of companies Utenos Trikotažas AB (hereinafter – the Group) realised orders of its productions and provided services for the amount of EUR 30.4 million, i. e. an increase by 9.1 per cent compared to the previous year when the Company's sales amounted to EUR 27.9 million. The Group exported 81.9% of its production.

During 12 months of 2021, the Company Utenos Trikotažas earned EUR 28.1 million of income. Sales income increased by EUR 3.3 million, or 13.5 per cent, compared to the same period in 2020. The Company's sales income related to export accounted for 82.4 per cent.

Compared to the corresponding period of the previous year, sales of on-demand production – the largest segment of the Group's sales – increased by 20.8 per cent to EUR 23.7 million. Sales of the Company's brands decreased by 14.2 per cent to EUR 4.5 million, and sales of specialised clothing manufacture by the subsidiary Šatrija decreased by 26.1 per cent.

Quarantine-related restrictions have highly affected the sales of the Company's brands due to closure of stores in Lithuania because of the COVID-19 pandemic.

During 12 months of 2021, the Group incurred EUR 2,861 thousand of loss before tax; whereas, there was EUR 336 thousand of loss before tax during the same period in 2020. During 12 months of 2021, the Company Utenos Trikotažas incurred EUR 2,756 thousand of loss before tax; whereas, there was EUR 224 thousand of loss before tax during the same period of the previous year.

The Group's EBITDA is negative (– EUR 1,919 thousand), i. e. a decrease of EUR 3,103 thousand compared to the same period in 2020. The Company's EBITDA is negative (– EUR 1,310 thousand); i. e. a decrease of EUR 2,088 compared to the same period in 2020 when the Company's EBITDA was positive (EUR 778 thousand).

In 2021, the results of the Group were adversely affected by the decrease in production capacities and additional expenses for their compensation caused by the COVID-19 pandemic.

7 Key performance indicators of the Group

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

	2021	2020	2019	2018	2017
Revenue (EUR'000)	30,443	27,902	30,771	30,457	25,843
Profit for the year (loss) (EUR'000)	(3,111)	(422)	763	1,141	301
Price per share	0,760	0,900	0,940	0,820	0,950

Trade

Revenue (EUR'000) EUR	Group			Company		
	2021	2020	*Change, per cent*	2021	2020	*Change, per cent*
Products manufactured on demand of other clients	23,714	19,637	*20.8*	23,639	19,636	*20.4*
Company brands (ABOUT, UTENOS)	4,480	5,222	*(14.2)*	4,482	,5,142	*(12.8)*
Services of specialized clothing manufacture	2,249	3,043	*(26.1)*	-	-	-
	30,443	**27,902**	*9.1*	**28,121**	**24,778**	*13.5*

Revenue (EUR'000) EUR

	2021	2020	Change, per cent	2019
Utenos Trikotažas AB	28,120	24,778	*13.5*	26,979
Šatrija AB	2,249	3,044	*(26.1)*	3,687
PAT MTF Mrija	842	692	*21.7*	865
Gotija UAB	-	26	*(100)*	300
Aboutwear UAB	102	-	-	-
Elimination of intercompany transactions	(870)	(638)	*36.4*	(1,060)
	30,443	**27,902**	*9.11*	**30,771**

Sales by regions

In 2021, the Company has sold goods and services of total amount of EUR 28.1 million. Trade volume increased by EUR 3.3 million as compared to 2020. The Company exported to Western Europe and other countries 82.4 per cent, whereas sold in Lithuania 17,6 per cent of total production.
In 2021, the total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to EUR 30.4 million. The Group exported 81.9 per cent, whereas sold in Lithuania 18.1 per cent of total production.

Lithuania
In 2021, the Company sold in Lithuania total amount of EUR 4.9 million of knitwear production. The sales in Lithuania decreased by EUR 0.5 million or 9.4 per cent.
In 2021, the Group sales in Lithuania amounted to EUR 5.5 million of production, the export sales decreased by EUR 655 thousand compared to 2020.

Export
In 2021, the Company exported knitwear in the amount of EUR 23.2 million. Export volumes increased by EUR 3.8 million or 20 per cent compared to 2020. Western European retail chains remained the Company's major buyers.
In 2021, the Group's exports to Western Europe and other regions amounted to EUR 24.9 million, which is more by EUR 3.2 million compared to 2020.
Trade by regions is disclosed in Note 5 of the financial statements.

Operating figures

	Group			Company*		
	2021	2020	2019	2021	2020	2019
Manufactured items, units'000	2,578	3,149	2,853	2,492	3,062	2,735
Average number of employees (FTE)	1,022	936	1,080	715	662	720

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

Production

In 2021, the Company produced 1.2 million knit-wear items. The Company's subcontractors (including subcontractors in Ukraine) produced 1.3 million knit-wear items or 52 per cent of total production volumes. In 2021, Šatrija AB produced 80 thousand sewn items. In 2021, MTF Mrija PAT produced 656 million items.

Production (units'000)

	2021	2020	Change, per cent
Utenos Trikotažas,AB	1,842	2,472	*(25.5)*
Šatrija,AB	80	87	*(8.0)*
PAT,MTF,Mrija	656	590	*11.2*
Gotija, UAB	-	-	-
Aboutwear, UAB	-	-	-
	2,578	**3,149**	***(18.1)***

Financial ratios

	Group			Company		
	2021	2020	2019	2021	2020	2019
Revenue (EUR'000)	30,443	27,902	30,771	28,121	24,778	26,979
Operating profit (loss) (EUR'000)	(2,828)	131	659	(1,966)	(2)	597
Operating profit (loss) margin (per cent)	*(9.3)*	*0.5*	*2.1*	*(7.0)*	*(0.01)*	*2.2*
EBITDA *	(1,919)	1,184	1,710	(1,310)	778	1,337
EBITDA margin (per cent)	*(6.3)*	*4.2*	*5.6*	*(4.7)*	*3.1*	*5.0*
Profit (loss) before tax (EUR'000)	(2,861)	(336)	759	(2,756)	(224)	1,801
Profit (loss) before tax, margin (per cent)	*(9.4)*	*(1.2)*	*2.5*	*(9.8)*	*(0.9)*	*6.7*
Net profit (loss) for the year (loss) (EUR'000)	(3,111)	(422)	763	(2,948)	(273)	1,798
Net profit (loss) for the year margin (per cent)	*(10.2)*	*(1.5)*	*2.5*	*(10.5)*	*(1.1)*	*6.7*
Number of shares (thousand)	9,503	9,503	9,503	9,503	9,503	9,503

* EBITDA is calculated taking profit (loss) before tax from the statement of comprehensive income, plus financial costs and minus financial income and plus depreciation and amortization.

Relative ratios

	Group			Company		
	2021	2020	2019	2021	2020	2019
Return on capital employed (per cent) (net profit divided by share capital)	*(95.0)*	*(15.3)*	*27.7*	*(91.8)*	*(9.9)*	*65.2*
Return on assets (per cent) (net profit divided by total assets)	*(11.5)*	*(1.8)*	*3.3*	*(11.8)*	*(1.2)*	*8.6*
Return on shareholders' equity (per cent) (net profit divided by shareholder's equity)	*(33.2)*	*(4.1)*	*7.0*	*(34.4)*	*(2.7)*	*17.6*
Debt ratio (per cent) (total liabilities divided by total assets)	*65.3*	*55.2*	*52.2*	*65.6*	*54.7*	*51.4*
Debt-to-equity ratio (per cent) (total liabilities divided by shareholder's equity)	*188.5*	*123.1*	*109.2*	*190.4*	*120.6*	*105.7*
Liquidity ratio (per cent) (current assets divided by current liabilities)	*119.0*	*136.8*	*145.5*	*117.7*	*136.7*	*139.9*
Equity-to-asset ratio (per cent)	*34.7*	*44.8*	*47.8*	*34.4*	*45.3*	*48.6*

Ratios related with the share price

	2021	2020	2019
P/E (price-to-earnings ratio)	*(2.89)*	*(18.88)*	*12.17*
EPS (earnings per share)	*(0.26)*	*(0.05)*	*0.08*
EV/EBITDA (enterprise value to EBITDA ratio)	*(6.50)*	*6.90*	*6.55*
EV/EBIT (enterprise value to EBIT ratio)	*(4.43)*	*(32.68)*	*12.66*

Investments

In 2021, the Group's investments in new equipment and new technologies amounted to EUR 640 thousand.
In 2021, the Company's investments in new equipment and technologies amounted to EUR 624 thousand, including transactions between Group companies.
In 2021, Šatrija AB did not make any investments.
In 2021, MTF Mrija PAT invested EUR 14 thousand.
In 2021, Utenos Trikotažas AB has sold its trademark rights of ABOUT for the amount of EUR 43 thousand to its subsidiary Aboutwear UAB for further development.

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. ISIN code ISIN LT0000109324. Vilnius is place of registration of shares. 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, 2019–2021 (EUR):

Price ratios	2021	2020	2019
Open price, EUR	0.92	0.94	0.82
High price, EUR	0.98	1.04	1.20
Low price, EUR	0.75	0.80	0.81
Last price, EUR	0.76	0.90	0.94
Turnover, units	140,306	56,369	79,171
Turnover, million EUR	0.12	0.05	0.08
Capitalisation, million EUR	7.17	8.55	8.93

Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index dynamics from 2019 to 2021

Index/Equity	31/12/2021	31/12/2020	31/12/2019	2021/2020 change, per cent
OMX Baltic Benchmark GI	1,568.82	1,104.74	992.83	42.01
OMX Vilnius	966.13	816.64	712.14	18.31
UTR1L	0.76,EUR	0.90,EUR	0.94,EUR	(15.56)

10 Dividend Policy

The decision on dividends payment for 2021 will be made by the General Meeting of Shareholders, based on the proposal of the Board.

	2021	2020	2019
Dividends (EUR'000)	-	-	-
Dividends per share	-	-	-

11 Description of Key Risks and Contingencies of the Company

In 2021, the results of sales of Utenos Trikotažas AB (hereinafter referred to as "the Group"), the largest group of textile companies in Central and Eastern Europe, were influenced by the COVID-19 pandemic and its outcomes on economic situation in the main export markets and Lithuania. In 2021, the Group's largest export regions remain the German-speaking countries of Germany, Austria and Switzerland, and Scandinavia.

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

- Overall economic situation in principal export markets;
- 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;
- Geopolitical situation in Europe and world-wide.

Economic factors.
The coronavirus (COVID-19) pandemic and the announcement of quarantine in Lithuania and other markets affected the performance of the Company and the Group in 2021 and 2020. Due to quarantine restrictions on economic activity, the stores were temporarily closed in the territory of the Republic of Lithuania from 16 March 2020 to 20 April 2020, from 16 December 2020 to 31 December 2020, and from 1 January 2021 to 14 February (to 19 April if there is no separate entrance). Sales of the own brand segment in physical outlets and to wholesale partners declined. According to the management, the loss of sales due to closure of stores amounts to approx. EUR 560 thousand in 2020 and EUR 506 thousand in 2021. This effect was offset by the growth of e-shop sales and sales of specific products (face masks).

Sales of on-demand production dropped by 15 per cent in 2020; yet, they increased by 18% in 2021. The management cannot fully distinguish the impact of the COVID-19 on the segment of knitwear products manufactured on demand due to lack of data on different quarantine restrictions in end-user markets, customers' financial position prior to the COVID-19 pandemic and subsequent changes, possible impact of other factors on customer decisions.

In 2020-2021, the development of sales of on-demand production was also hampered by the exhibitions which were cancelled or held through electronic channels, restricted travel for both the Company's sales professionals and the Company's customers.

The management identifies potential risks caused by COVID-19 to the company's results and the going concern which remain relevant in 2022 as well. It is probable that structural market changes resulting from the COVID-19 when importance of e-channels in retail trade, compared to physical channels, increased due to restrictions and changed purchasing behaviours, will remain.

- Operating disruptions and delays due to illness throughout the Group companies;
- Supply-related risk, disruptions of movement of goods;
- Settlement risk;
- Liquidity risk;
- Financing risk;
- The risk of temporary suspension of operations due to epidemic.

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.

The impact of the COVID-19 pandemic has not influenced any specific sustainability-related targets.

Climate-related policy.
There are sustainable measures applied to mitigate climate change:

- Waste sorting and recycling – waste is sorted and recycled. The Company's priority is to continue and promote waste sorting for recycling.
- Efficient energy consumption and saving – proposals / investments related to energy efficiency are analysed. The ai mis to save >10% of energy for the year 2022. Only green electricity is used – electricity generated only from renewable resources is purchased and consumed. Audit of energy consumption was carried out in the Company in 2021.

There is no information that the Company should disclose in accordance with the Regulation (EU) 2020/852 or the Taxonomy Regulation.

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

All financial data of 2021 and 2020 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 2021, 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 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 per 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 re-certification audit was carried out on 22-24 November 2021). A new certificate has been obtained which will be valid till 27 February 2025.

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.

To manage the COVID-19 situation, Utenos Trikotažas AB took steps to ensure the health and safety of employees prior announcement of the first quarantine in the country. In accordance with the decision of the Crisis Management Group, all employee business trips, events have been cancelled, excursions to the Company's premises have no longer been organised and the reception of the guest delegations has been cancelled, and working from home has been introduced since 2020. Due to the specifics of the work, employees who could not work from home were provided with protective equipment and a maximum safe working environment. The Crisis Management Group worked continuously by selecting solutions for the organization of the work at the Company and the achievement of strategic goals, and taking into account the dynamics of the pandemic, as the safety and health of employees is of paramount importance to the Company.

The Company seeks to enable training and development of employees, expand knowledge and broaden horizons, as well as to engage in the implementation of the strategic goals of Utenos Trikotažas AB as effectively as possible. All employees are given the opportunity to gain or refresh the knowledge and skills required to perform their direct functions. Both individual employee and the organization takes the responsibility for the development of competencies necessary for the functions of the employee and activities of the organization. Moreover, the education system includes not only formal education activity, but also other forms of development and learning. Due to the pandemic, 85% of training programs were transferred to the distance learning model. Employees were able to participate in conferences, workshops, lectures, and obtain further training in compulsory, qualification and key competence trainings. Given that the pandemic caused many workers to work remotely, it was an unusual and emotionally difficult time for everyone.

Utenos Trikotažas AB attaches great importance to the professional recruitment processes and a smooth induction. Both the experienced professionals in their field and starting professionals with ambition to develop and grow are constantly invited to join the Company. The most important thing is that the candidates have the right value base, not only what but also how things are done plays a key role, i.e. with a professional, collaborative and progressive focus. Despite the challenges posed by the pandemic, the remote recruitment process was successfully carried out in the second half of the year. In 2021, 224 employees joined Utenos Trikotažas AB (in 2020: 115).

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 Sinkevičius 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 Sinkevičius, 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.

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.

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

28/02/2022 – the Group of Utenos Trikotažas AB earned EUR 30.4 million last year;
23/02/2022 – announcement about the change of the head of Utenos Trikotažas AB was made;
2022-02-23 – it was reported about resignation of a Board member;
28/01/2022 - Utenos Trikotažas AB will focus its investments on the most profitable activities;
03/01/2022 - preliminary publishing dates of performance results of Utenos Trikotažas AB in 2022 were announced;
28/12/2021 – announcement about funding of Utenos Trikotažas AB received from the state management agency was made.
30/11/2021 – resolutions of the General Meeting of Shareholders of Utenos Trikotažas AB.
04/11/2021 – notification of the convening of the Extraordinary General Meeting of Shareholders of Utenos Trikotažas AB;
29/10/2021 – changes in the market of export of Utenos Trikotažas AB were published: sales of products manufactured on demand of clients are starting to increase;
22/10/2021 – it was reported about resignation of a Board member;
28/09/2021 – it was published that Utenos Trikotažas AB will manufacture knitwear items to the Lithuanian military for the amount of EUR 3 million;
30/07/2021 - changes in the market of export of Utenos Trikotažas AB were published: sales of products manufactured on demand of clients are increasing;
03/05/2021 - D. Tamoševičienė will be head of the Board of Utenos Trikotažas AB, independent members are joining;
30/04/2021 - unaudited financial information for the Q1 of 2021 of Utenos Trikotažas AB;
29/04/2021 - Utenos Trikotažas AB will found a subsidiary for development of the brand ABOUT;
28/04/2021 - annual information of Utenos Trikotažas AB for the year 2020;
28/04/2021 – resolutions of the General Meeting of Shareholders;
16/04/2021 – draft resolutions of the General Meeting of Shareholders to be convened on 28 April 2021;
05/04/2021 - notification of the convening of the General Meeting of Shareholders of Utenos Trikotažas AB;
26/02/2021 - unaudited financial information for 12 months of 2020 of Utenos Trikotažas AB;
08/01/2021 – resolution of the Extraordinary General Meeting of Shareholders of Utenos Trikotažas AB;
05/01/2021 - preliminary publishing dates of performance results of Utenos Trikotažas AB in 2021 were announced;

17 The Company's Operating Plans and Objectives

Sales in 2022 are planned to be maintained at the same level as in 2021. As the demand for exclusive and sustainable knitwear is increasing, high value-added production to worldwide brands remains the Group's strategic direction. As a result of this tendency, the Group's investments and resources will be directed towards further development of eco-friendly innovations, strengthening of positions on global markets and long-term profitable growth of the company.

Tendencies and effects of COVID-19 in 2022 are expected to be similar to those in 2021. It is probable that structural market changes caused by COVID-19 when importance of e-channels in retail trade, compared to physical channels, increased due to restrictions and changed purchasing behaviours, will remain. Potential

The management identifies potential risks caused by COVID-19 to the company's results and the going concern which remain relevant in 2022 as well. It is probable that structural market changes resulting from the COVID-19 when importance of e-channels in retail trade, compared to physical channels, increased due to restrictions and changed purchasing behaviours, will remain. Potential impact of military actions in Ukraine on the Group's results is unknown.

The Group's growth potential is based on two Organically Innovative pillars of the business strategy: 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. Due to these reasons, the Company will focus its investments on the main activity – sale of products manufactured on demand of clients and development of innovative textiles. The Company's Board approved this strategic direction that is generating the largest income and profitability. Investments in the Company's brands which are generating lower portion of income will be reduced when clarifying the activities.

As products manufactured on demand of clients are increasing, contribution of the brand UTENOS to the general sales structure will change. A separate division of the Company which is currently dedicated to development of the brand UTENOS will become an integral part of the organisation, and, implementing the 'Zero Waste' ideology, the brand will be intended for production of collections made of quality and sustainable materials that have not been used in manufacture. According to the statistics, up to 30% of textile inevitably remain unused in various stages of manufacturing. These amounts are not enough for mass production; however, they are suitable for smaller individualised batches which will be an axis of the restructured brand UTENOS. When production volumes of the brand UTENOS decrease as a result of the restructuring, their selling channels will be revised. Activities of the e-shop will be continued; yet, the number of physical stores will be reduced during 2022.

In implementing restructuring of the Company's brands, the subsidiary Aboutwear that is developing the innovative and sustainable brand ABOUT has suspended its commercial activities. The decision regarding commercial activities has been adopted after the active search for investors, the circumstances therefor are currently particularly unfavourable, was completed.

Priority directions for 2022:
- Increase sales to customers by focusing on high quality and added-value, eco-friendly products made of innovative materials.
- Restructuring of the Company brand – UTENOS and further development according to the purified Zero Waste strategy.
- Sale promotion of materials created and manufactured based on the customer demand.
- Improvement of operational efficiency.

18 Research and Development Activities

The Company and the Group did not carry out research.

19 Structure of the Issuer's Authorised Share Capital

As at 31 December 20221, 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 2021, the total number of shareholders of Utenos Trikotažas AB was 914.

The shareholders that owned or controlled more than 5 per cent of the Issuer's authorized share capital as at 31 December 2021 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)
SBA Grupė UAB	132206739	Upės St. 21, Vilnius, Lithuania	8,771	92.31	92.31
Other shareholders	-	-	732	7.69	7.69

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

	Registered office	**Group's share (%) as at 31 December**		**Activity**
		2021	**2020**	
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 trade
MTF Mrija, PAT	Tomas Masarik St.13, Mukačiov, Cietokšna iela 60	98.95	98.95	Production of knitted articles
Aboutwear, UAB	Laisvės pr. 3, Vilnius	80.00	-	Retail and wholesale trade

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 at the end of the period, by companies:

Company name	31/12/2021	31/12/2020	Change, per cent
Utenos Trikotažas, AB	797	761	4.7
Šatrija, AB	154	183	(15.8)
MTF Mrija, PAT	136	136	-
Gotija, UAB	-	1	(100)
Aboutwear, UAB	7	-	
	1,094	**1,081**	1.2

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

Company name	2021	2020	Change, per cent
Utenos Trikotažas, AB	10,599	8,306	27.6
Šatrija, AB	2,073	2,206	(6.0)
MTF Mrija, PAT	580	482	20.3
Gotija, UAB	0	5	(100)
Utenas trikotaža, SIA	-	3	(100)
Aboutwear, UAB	188	-	100
	13,440	**11,002**	22.2

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			Company		
Group of employees	2021	2020	Change, per cent	2021	2020	Change, per cent
Managers	7,158	5,166	38.6	10,457	9,951	5.1
Managers	2,847	1,863	52.8	2,757	2,527	9.1
Specialists	1,239	1,129	9.7	1,298	1,434	(9.4)
Workers	880	862	2.1	989	1,008	(1.9)
	1,080	**953**	**13.3**	**1,186**	**1,208**	(1.8)

The Company's employee distribution by education (according to data as at 31 December 2021):

Group of employees Group	Number of employees	Higher	Non-higher professional	Vocational	Secondary	Basic	Higher non-university
Managers	50	28	7	5	2	-	8
Specialists	156	70	19	37	5	2	23
Workers	591	16	138	210	179	33	15
	797	114	164	252	186	35	46

26 Management of the Group Companies

Company name	Managers
Utenos Trikotažas, AB	Petras Jašinskas Vytautas Vaškys (since 08/03/2022)
Šatrija, AB	Giedrius Grondskis
MTF Mrija, PAT	Tatjana Roshchina
Gotija, UAB	Gytis Kundrotas (since 22//01/2022)
Aboutwear, UAB	Giedrė Vilkė

27 Management Incentives

According to the Remuneration Policy, management incentives are assigned by the decision of the Board taking into account the objectives met.

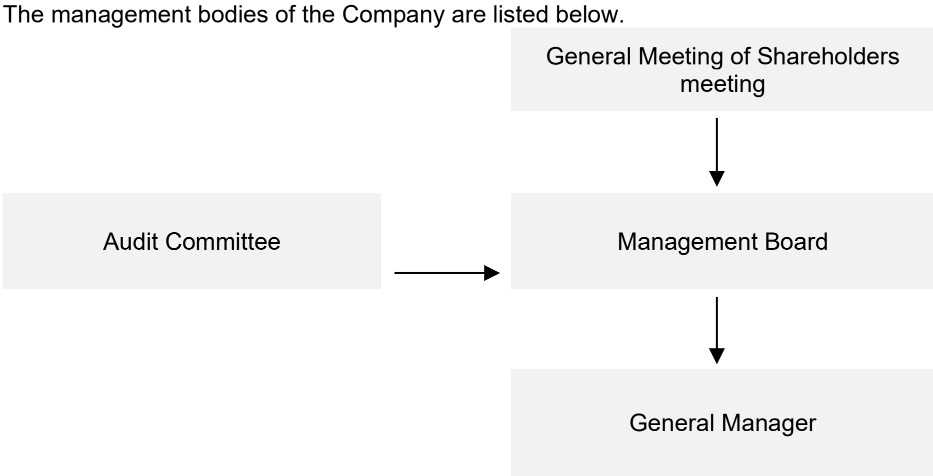
28 Amendment Procedure of the Issuer's Articles of Association

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.

The Company's issued capital amounted to EUR 2,755.9 thousand and was divided into 9,503,000 ordinary registered shares with par value of EUR 0.29 each.

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 2021, the Audit committee held 2 (two) meetings (on 21 January 2021 and on 30 March 2021). During the meetings, the Audit Committee considered the questions which fall under its competency.

The shareholders meeting held on 26 April 2017 confirmed Utenos Trikotažas AB operating policies. The meeting of shareholders held on 26 April 2017 elected the Audit committee members: Šarūnas Radavičius and Inga Kuktienė.

Šarūnas Radavičius (born in 1968)

Independent member of the audit committee of Utenos Trikotažas AB since 30 November 2021 elected for the period of 4 years.

Education:
- Vilnius University, Accounting and control (1993), certified auditor of Lithuania;

Workplace:
- Director of Saluma, MB;

Participation in the management of other companies:
- Founder of Saluma, MB;
- Independent member of the audit committee of AKROPOLIS GROUP, UAB;

Inga Kuktienė (born in 1980)

Independent member of the audit committee of Utenos Trikotažas AB since 30 November 2021 elected for the period of 4 years.

Education:
- Vilnius University (Master's degree), Service Management, and Stockholm University, Bachelor's degree in Economics and Management, certified auditor of Lithuania and risk management specialist;

Workplace:
- Head of risk management department of SME Bank, UAB;

Participation in the management of other companies:
- Member of the Board of SME Bank, UAB;
- Independent member of the audit committee of Lietuvos oro uostai, VĮ.

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 2021:

Position	Full name	Number of the Issuer's shares held	End of the term of office Start of term of office	End of the term of office End of term of office
Board				
Chairman of the Board	Dovilė Tamoševičienė	-	28/04/2021	28/04/2025
Member of the Board	Vytautas Vaškys	3	28/04/2021	28/04/2025
Independent member of the Board	Artūras Užgalis	-	28/04/2021	28/04/2025
Independent member of the Board	Nortautas Luopas	-	28/04/2021	28/04/2025
Head of Administration and the Chief Financial Officer				
General Manager	Petras Jašinskas	-	07/01/2020	28/02/2022
Finance Director	Živilė Jonaitytė	-	02/03/2020	-
Audit Committee				
Independent auditor	Šarūnas Radavičius	-	30/11/2021	30/11/2025
Independent auditor	Inga Kuktienė	-	30/11/2021	30/11/2025

Remunerations were paid to the members of a collegial body of the Company (Members of the Board, Members of the Audit committee) for their work.

Information about Board members:

Dovilė Tamoševičienė (b. 1978)

Chairwoman of the Board of Utenos Trikotažas AB from 28 April 2021.

Education:
- Vilnius University, Master's degree in Economics.

Workplace:
- Head of Business Control of SBA Grupė, UAB

Participation in the management of other companies:
- Kauno Baldai AB, Board member;
- Šatrija AB, Board member;
- SBA Competence and Service Centre UAB, Board member;
- Robotex UAB, Board member;
- Klaipėdos Baldai AB, member of the Supervisory Board.
- Member of the Supervisory Board of Šilutės Baldai, AB.

Vytautas Vaškys (b. 1967)

Utenos Trikotažas AB, the Board Member since 29 April 2009, re-elected for a four-year term on 28 April 2021.

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

Workplace:
- Head of Business Risks of SBA Grupė, UAB.

Participation in the management of other companies:
- Kauno Baldai AB, Chairman of the Board;
- Šatrija AB, Board member;
- SBA Urban, UAB, Board member;
- MTF Mrija PAT, Supervisory Board member;
- SBA Competence and Service Centre UAB, Board member;
- Robotex, UAB, Board member.

Artūras Užgalis (b. 1989)

Independent member of the Board of Utenos Trikotažas AB since 28 April 2021 elected for the period of 4 years.

Education:
- Mykolas Romeris University, Master's degree in Leadership and Change Management;
- Kaunas University of Technology, Bachelor's degree in Food Technology and Engineering.

Workplace:
- Director of Dealja, MB;

Nortautas Luopas (b. 1979)

Independent member of the Board of Utenos Trikotažas AB since 28 April 2021 elected for the period of 4 years.

Education:
- Executive MBA, Baltic Management Institute;
- University of Klaipėda, Bachelor's degree in Applied Mathematics and IT;

Workplace:
- Head of Private Customers, Digitisation and Analytics at Telia Lietuva, AB.

Nerijus Kalinauskas (b. 1978)

Board member of Utenos Trikotažas, AB since 30 November 2021, elected for the period of 4 years.

Position: Head of Strategic Marketing, SBA Grupė

Education:
- Lithuanian Academy of Music and Theatre, Master‘s degree in Film Management (2012).

In 2021, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Management.

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 2021 are disclosed in the notes to the financial statements of Utenos Trikotažas AB for the period ended as at 31 December 2021.

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 2021 with KPMG Baltics, UAB (company code 111494971, the registered address: Lvivo St. 101, 08104, Vilnius). The annual remuneration for the audit services is EUR 33,300 (thirty three thousand three hundred 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
Principal activities	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
Principal activities	Production of knitted articles

Company name	**Gotija UAB**
Legal form	Private company
Registration date and place	1994, Laisvės al. 33, Kaunas
Company code	134181619
Address	Laisvės ave. 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	**Aboutwear UAB**
Legal form	Private company
Registration date and place	2021, Laisvės ave. 3, Vilnius m., Vilnius city municipality, 04215
Company code	305758870
Address	Laisvės ave. 3, Vilnius m., Vilnius city municipality
Telephone	
Fax	-
E-mail	help@aboutwear.com
Website	www.aboutwear.com
Principal activities	Retail and wholesale trade

Subsidiaries Šatrija AB, PAT MTF Mrija, Gotija UAB, Aboutwear UAB 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 2021 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 2021 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 2021.

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 2021 in the Annex to the Annual Report on Compliance with the Corporate Governance Code in 2021.

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 Consolidated Annual Report for 2021, 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, and 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 Subsequent events

Subsequent events are more widely disclosed in the financial statements.

There were no significant subsequent events that could have a significant effect on the Group and Company's financial statements.

Vytautas Vaškys, General Manager 8th March 2022

REMUNERATION REPORT

Executive Remuneration

Remuneration Policy

The Executive Remuneration Policy (hereinafter referred to as “the Remuneration Policy”) lays down the principles for remuneration to the general manager and members of the Board of Utenos Trikotažas AB, and to define the main provisions to be followed by the Company bodies in determining the monthly remuneration or any other pay to the general manager and members of the Board of Utenos Trikotažas AB for work/activities and setting a variable part of the remuneration (if applicable under the Remuneration Policy).

Principles laid down in the Remuneration Policy define the following elements of the executive remuneration:

- A fixed part of the remuneration – monthly salary (hereinafter – Fixed Part);
- A variable part of the remuneration – remuneration for the achievement of objectives/indicators (hereinafter – Variable Part); or
- Other financial remuneration.

The Remuneration Policy shall apply to the general manager and members of the Board of the Company.

The Remuneration Policy contributes to the Company’s strategy, long-term objectives and interests, i.e.:

- Orientation to the business strategy and dynamism: the Remuneration Policy contributes to the implementation of the Company’s strategy. The policy must be dynamic, responsive to the market situation, needs of the organization, business development priorities and plans, and must encourage the required change in the organization.
- Result orientation: the Remuneration Policy encourages to achieve organizational and personal objectives, to build competitive advantages and to improve.
- External competitiveness – the Remuneration Policy reflects market trends; it is aimed at attracting and retaining Executives of the required qualifications for the Company.

The Remuneration Policy is aimed at providing appropriate incentives to Company Executives whose personal activities have a significant impact on the Company’s business and on respecting organizational values in the Company’s activities.

Where the same person holds the position of the general manager and a member of the Board of the Company or the position of a member of the Board and another job in the Company and/or in another company of the Group in which the Company is a part (hereinafter – affiliated company), a single type of remuneration shall be paid to such Executive, i.e. total remuneration for holding the position of the general manager or total remuneration for the job (the remuneration principles for other jobs in the Company are laid down in the SBA Group remuneration policy), but no additional remuneration shall be paid for duties as the member of the Board.

The Remuneration Policy must be applied in such a way as to avoid any discrimination on the basis of gender and on other grounds. Men and women shall be equally remunerated for the same or an equivalent job/activity. In terms of implementing the principles of gender equality and non-discrimination on other grounds, discrimination-free Executive remuneration means discrimination-free remuneration for work/activity and any additional amounts paid under this Remuneration Policy.

Setting of the Monthly Salary

The monthly salary of the general manager shall be determined by the decision of the Board of the Company, and the monthly salary to the members of the Board shall be determined by the decision of the General Meeting of Shareholders. In all cases, the principle of internal equity must be respected when determining the manager’s monthly salary, taking into account the Job Level or activity performed by the person where the remuneration to a member of the Board, who does not have employment relationship with the Company, is determined.

The Executive monthly salary shall be reviewed based on:

- The performance of the Company – the achievement of the Company’s annual and/or long-term objectives.
- The budget for remuneration approved by the Company.

The Remuneration Policy provides for the possibility of Variable Part of remuneration for the general manager to encourage the achievement of the Company’s annual and long-term objectives. The Variable Part shall not be allocated or paid to the members of the Board. The Board of the Company shall approve the objectives, and weights and indicators of the objectives. The following objectives may be set:

- financial;
- operational;
- manufacturing;
- qualitative.

The annual Variable Part paid to the general manager shall be calculated where not less than 100 per cent of the Company’s objectives have been achieved The Board of the Company shall determine the amount of the annual Variable Part. The annual Variable Part shall not be higher than 75 per cent of the annual salary of the general manager. The Board of the Company may decide to apply long-term incentives and establish their principles.

Upon the termination of the employment contract, the general manager shall be entitled to the severance pay provided for in the Labour Code of the Republic of Lithuania (if the general manager is at all entitled to it under the law), unless the parties agree on a different severance pay in the employment contract.

No prior arrangements on the conditions for early retirement shall apply to Executives.

The Board members of Utenos Trikotažas AB did received remuneration in 2021. There were no transactions with managers granting shares or share options.

The tables provide information on the pre-tax remuneration to the members of the management bodies accrued in euros.

Executive remuneration, 2021

Full name	Position	Fixed Part	Variable Part	Another financial remuneration	In total
Arūnas Martinkevičius	Chairman of the Board	-	-	-	-
Dovilė Tamoševičienė	Chairwoman of the Board	-	-	-	-
Artūras Užgalis	Independent member of the Board	-	-	9,331	-
Nortautas Luopas	Independent member of the Board	-	-	3,827	-
Auksė Žukauskienė	Member of the Board	-	-	-	-
Vytautas Vaškys	Member of the Board	-	-	-	-
Giedrius Grondskis*	Member of the Board	28,393	21,270	-	49,663
Petras Jašinskas	General Manager	125,487	30,034	-	155,521
Nerijus Kalinauskas	Member of the Board	-	-	-	-

* Giedrius Grondskis, Member of the Board of Utenos Trikotažas AB and General Manager of the subsidiary Šatrija AB, received a remuneration from the subsidiary Šatrija AB. The information provided covers the period when he was a Board member of Utenos Trikotažas AB.

Executive remuneration, 2020

Full name	Position	Fixed Part	Variable Part	Another financial remuneration	In total
Arūnas Martinkevičius	Chairman of the Board	-	-	-	-
Dovilė Tamoševičienė	Member of the Board	-	-	-	-
Vytautas Vaškys	Member of the Board	-	-	-	-
Giedrius Grondskis*	Member of the Board	87,502	25,000	-	112,502
Gintautas Rudis	Chairman of the Board	-	-	-	-
Petras Jašinskas	General Manager	120,120	248	-	120,368
Algirdas Šabūnas	The Board Member, General Manager	1,542	-	-	1,542

* Giedrius Grondskis, Member of the Board of Utenos Trikotažas AB and General Manager of the subsidiary Šatrija AB, received a remuneration from the subsidiary Šatrija AB.

Remuneration of the parent and the Group's employees

In 2021, the parent's remuneration fund amounted to EUR 10.59 million (2020: EUR 8.32 million). The total remuneration fund in 2021 amounted to EUR 13.44 million (in 2020: EUR 11.02 million). The tables below show the average monthly remuneration of employees in euros before taxes in 2017–2021 (Variable and Fixed Part).The number of employees is estimated as the full-time equivalent.

Average monthly salary of the parent's employees in EUR before taxes

Employee category	2021		2020		2019		2018		2017	
	Number of employees	Average salary**	Number of employees	Average salary**	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
General Manager	1	10,457	1	9,951	1	11,081	1	8,615	1	8,691
Managers	46	2,757	42	2,527	48	1,947	43	1,498	46	1,407
Specialists	161	1,298	128	1,434	142	1,289	135	936	139	842
Workers	507	989	496	1,008	554	842	531	663	536	616

** As from 2019, a change in taxation or remuneration took effect.

Average monthly salary of the Group's employees in EUR before taxes

Employee category	2021		2020		2019		2018		2017	
	Number of employees	Average salary**	Number of employees	Average salary**	Number of employees	Average salary	Number of employees	Average salary	Number of employees	Average salary
General Manager	4	7,158	4	5,166	4	5,949	4	4,511	4	4,575
Managers	55	2,847	47	1,863	55	1,365	48	1,251	51	1,031
Specialists	191	1,239	153	1,129	177	990	170	725	172	655
Workers	4	7,158	4	5,166	4	5,949	4	4,511	4	4,575

** As from 2019, a change in taxation or remuneration took effect.

Changes in the Company's and the Group's results during 2017–2021 (EUR'000)

	2021		2020		2019		2018		2017	
Indicator	Group	Parent	Group	Parent	Group	Parent	Group	Parent	Group	Parent
EBITDA *(defined in section 7)*	(1,919)	(1,310)	1,184	778	1,710	1,337	2,032	1,785	1,470	846
Net profit	(3,111)	(2,948)	(422)	(273)	763	1,798	1,141	571	301	2,235

APPENDIX TO THE ANNUAL REPORT

DISCLOSURE OF UTENOS TRIKOTAŽAS AB CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2021

Utenos Trikotažas AB (hereinafter referred to as the “Company”), acting in compliance with Article 22(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
1. Principle: General meeting of shareholders, equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure equitable treatment of each shareholder. The corporate governance framework should protect the rights of the shareholders.**		
1.1. All shareholders should be furnished with equal opportunity to familiarise with information provided for in legislation and (or) documents and participate in the decision-making process regarding significant corporate issues.	Yes	Yes, all shareholders have an opportunity to familiarise with information.
1.2. It is recommended that the company’s capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The ordinary registered shares which make the authorised capital of the Company give the equal rights for all share owners.
1.3. 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 ordinary registered shares which make the authorised capital of the Company give the equal rights for all share owners.
1.4. Exclusive transactions that are especially important, such as transfer of all or almost all of the company's assets, which would basically mean the transfer of the company, should be subject to approval of the General meeting of shareholders.	Not applicable	None of such transactions were made. The Company follows the provisions of the Law on Companies and the Company’s Articles of Association.
1.5. Procedures of organising and participating in a general meeting of shareholders should ensure equal opportunities for the shareholders to effectively participate at the general meetings of shareholders 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. In the notice about the general meeting of shareholders being convened, the company should specify the date when draft resolutions to be proposed should be last submitted.	Yes	No comment.

1.6 If it is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be published not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also published not only in Lithuanian language, but in English and /or other foreign languages. It is recommended to place this information on the company's website. Documents may be publicly available to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	No comment.
1.7 Shareholders who are entitled to vote should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	No comment.
1.8 With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings of shareholders via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed.	No	The Company does not have opportunities to apply modern technologies to voting at general meetings of shareholders with a view to ensuring security of shareholders' rights due to legal regulation being incompletely clear.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	This information about candidates for the Board was provided to shareholders together with the notice about the convening of the general meeting of shareholders (in accordance with requirements of the Law on Companies of the Republic of Lithuania) during which members of the Board were elected, and with the agenda of the general meeting of shareholders.
1.10. Members of the company's collegial management body, heads of the administration [1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	No comment.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

2. Principle: Supervisory board 2.1. Functions and liability of the supervisory board **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1.Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	There is no supervisory board.
2.1.2.Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	
2.1.3.The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	
2.1.4.Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	
2.1.5.The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	
2.1.6.The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1.The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	
2.2.2.Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	
2.2.3.Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	
2.2.4.Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	
2.2.5.When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	
2.2.6.The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	

2.2.7.Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applicable	
3. Principle: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	No comment
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	No comment
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	No comment
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	No comment
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	No comment

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	Members of the management bodies of the Company work in a variety of areas in other companies, which ensures reasonableness of their competences in respect of their held positions.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	This information about candidates for the Board was provided to shareholders together with the notice about the convening of the general meeting of shareholders (in accordance with requirements of the Law on Companies of the Republic of Lithuania) during which members of the Board were elected, and with the agenda of the general meeting of shareholders. The required information on members of the board is disclosed in Notes 29-30 to the Company's annual report.
3.2.3. All new members of the management board should be familiarised with their duties and the structure and operations of the company.	Yes	Newly appointed members of the management board are familiarised with their duties and the structure and operations of the company.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	No comment
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	The supervisory board in not formed at the Company, the chairman of the management board is not and has not been the head of the Company.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Members of the Company's management board perform their duties in a responsible manner.

3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent,[4] it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	The required information on members of the management board is disclosed in Note 30 to the Company's annual report.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	Remuneration to the members of the management board is approved by the general meeting of shareholders of the Company.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	Members of the Company's management board perform their duties in a responsible manner.
3.2.10. The management board should carry out an assessment of its activities every year. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	No	No comment
4. Principle: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Not applicable	Supervisory Council of the Company

[4] For the purposes of this Code, the criteria of independence of members of the management board are interpreted as the criteria of unrelated parties defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of the board are convened once per quarter and more frequently when necessary.
4.3 Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials 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 present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	No comment
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	Not applicable because there is only the management board formed.
5. Principle: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgement and integrity when performing their functions and provide with recommendations concerning the decisions of the collegial body; nevertheless, the final decision should be adopted by the collegial body.**		
5.1.1.Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	Yes	No comment.
5.1.2.Companies may decide to set up less than three committees. In such case companies should explain why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	No	

5.1.3.In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	No comment.
5.1.4.Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	The Audit Committee comprises two independent members.
5.1.5.The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	No	Yes - the Audit Committee operates in accordance with the approved provisions of the Audit Committee. Reports of the committees are not published in the annual report.
5.1.6.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 request that certain employees of the company or experts would participate in the meeting. 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 head of the Company, members of the management board, chief finance officer, and other employees responsible for finances, as well as external auditors to participate in its meetings.
5.2. Nomination Committee.		

The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.2.1.Key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	No	There is no nomination committee.
5.2.2 When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	No	There is no nomination committee.
5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	No	There is no remuneration committee.
5.4. Audit committee. 5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	The audit committee performs the functions provided for in the provisions of the audit committee.
5.4.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The audit committee performs the functions provided for in the provisions of the audit committee.

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.3.The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	No comment
5.4.4.The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group.	Yes	No comment
5.4.5.The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	No comment
5.4.6.The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	No comment
6. Principle: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.** **The corporate governance framework should recognise the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	No comment
7. Principle: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		

7.1.The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	No comment.
7.2.The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Company is in compliance with the legislation regulating labour relations effective in the Republic of Lithuania. The remuneration policy comprises fixed-rate and variable components of remuneration; according to the policy, the variable component of remuneration is not paid to executives if the level of implementation of objectives is below 100%.
7.3.With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	According to the remuneration policy, the variable component of remuneration is not paid to members of the collegial bodies.
7.4.The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	No	The remuneration policy defines termination payments; however, it does not provide for specific thresholds of such payments.
7.5.In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	The Company does not anticipate nor apply schemes according to which members of collegial bodies and heads of the administration are remunerated with shares, share options, etc.
7.6.The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company publishes a remuneration report

7.7.It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The remuneration policy has been approved by the general meeting of shareholders.
8. Principle: Role of stakeholders in corporate governance **The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
8.1.The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company has a collective agreement concluded.
8.2.The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorised capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	Chairman of the employees' trade union is constantly invited to participate in meetings regarding production and other meetings important to the Company's management which take place on a monthly basis.
8.3.Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	Chairman of the employees' trade union is constantly invited to participate in meetings regarding production and other meetings important to the Company's management which take place on a monthly basis.
8.4.Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	Representative of the employees' trade union.
9. Principle: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1.In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. The financial and operating results of the company;	Yes	The information is published in the Company's financial statements, and on websites of the Company and the stock exchange.

9.1.2. Objectives and non-financial information of the company;	Yes	No comment
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	No comment
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	No comment
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	No	No comment
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	No comment
9.1.7. the company's transactions with related parties;	Yes	No comment
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	No comment
9.1.9. structure and strategy of corporate governance;	Yes	No comment
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	No comment
9.2 When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	No comment
9.3 When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	No comment
9.4 Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously.	Yes	The information is published on websites of the Company and the Vilnius stock exchange.

10. Principle: 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.**		
10.1. With a view to obtain an objective opinion on the company's financial position and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	No comment.
10.2. 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 complies with the recommendation to have the candidature for the audit firm to be proposed to the general meeting of shareholders by the management board.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	Except for translation services, no services other than the audit of the financial statements were provided during the audit.