



UTENOS TRIKOTAŽAS AB

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,
CONSOLIDATED ANNUAL REPORT
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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UAB „Ernst & Young Baltic“
Aukštaičių g. 7
LT-11341 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Ernst & Young Baltic UAB
Aukštaičių St. 7
LT-11341 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Utenos Trikotažas

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

Opinion

We have audited the accompanying separate financial statements of AB Utenos Trikotažas, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB Utenos Trikotažas and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

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

Key audit matters

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

Investment and loans granted to subsidiary Mrija PAT MTF and receivables from the subsidiary before impairment allowance amount to EUR 4,897 thousand and after impairment allowance to EUR 1,922 thousand in the statements of financial position of the Company as of 31 December 2020. The Company's management performed an impairment test of these assets as disclosed in Note 4 to the financial statements. An additional impairment of EUR 150 thousand was determined and accounted for in year 2020.

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

Furthermore, the investments, loans granted and related trade receivables after impairment allowance represent 9% of the total assets of the Company as of 31 December 2020.

How the matter was addressed in the audit

We have obtained an understanding of the process (including assumptions and methods) how management perform their assessment of recoverability of investments, impairment of loans granted and trade receivables from subsidiaries.

We have considered management's assumptions and methodologies used to evaluate the recoverable value of investment. Our audit procedures included, among others, the following:

- We considered the significant assumptions used by the management in the estimation of Mrija PAT MTF recoverable value based on the fair value less costs of disposal estimation.
- We discussed with the management and gained an understanding of the main 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 reviewed 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 EY valuation specialist to assist us in determining whether the estimation of Mrija PAT MTF recoverable value was performed in accordance with the requirements set in International accounting standard 36 Impairment of assets;

We have considered management's assumptions and methodologies used to evaluate the expected credit losses estimation for loans granted and receivables from subsidiary as follows:

- We have assessed the key inputs used in the ECL model when estimating impairment for loans granted and accounts receivable from subsidiary such as
 - exposure at default, which we confirmed by the Group intercompany reconciliation;

Key audit matters

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

Inventory net realizable value and allowance for obsolescence (Company's separate and consolidated financial statements)

Inventories of the Company and the Group amount to EUR 6,479 thousand and EUR 6,846 thousand respectively before impairment allowance and to EUR 5,384 thousand and EUR 5,428 thousand, respectively, after impairment allowance in the statements of financial position as of 31 December 2020. This is significant matter to our audit since it is a material amount for the Company and the Group comprising respectively 25 % and 23 % of the Company's and the Group's total assets, and it requires management judgment in assessing if the carrying amount of inventories is lower than the net realizable value at year-end. There is also management judgment required in determining inventory obsolescence allowance based on obsolescence rates and assessing if the impairment allowance level is adequate as disclosed in Notes 2.12 and 10 of the accompanying financial statements.

Other information

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

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

How the matter was addressed in the audit

- probability of default, which we assessed by reviewing financial situation of Mrija PAT MTF, and
- 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.

Finally, we evaluated the adequacy of the Company's disclosures included in Note 4 about the assumptions used in the impairment test and the outcome of the test.

Our audit procedures included, among others, the following:

- We have obtained an understanding of the process (including assumptions and methods) how management perform their assessment of inventory net realizable value and allowance for obsolescence;
- We have reviewed calculations of inventory net realizable value, which was performed by the management of the Group and the Company based on review of subsequent sales after the year-end;
- We have also analyzed obsolescence data and rates applied in calculations of allowance and compared the inventory obsolescence allowance to the Company's and the Group's historic figures;
- We have also tested controls over inventory count and observed the procedure for obsolete or damaged inventories identification.
- Finally, we have evaluated the adequacy of the Group's and the Company's disclosures included in Notes 2.12 and 10.

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

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

- ▶ The financial information included in the Company's and Group's Annual Report, including Corporate Governance Report and Remuneration Report, corresponds to the financial information included in the financial statements for the year ended 31 December 2020; and
- ▶ The Company's and Group's Annual Report, including Corporate Governance Report and Remuneration Report, was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment and approval of the auditor

In accordance with the decision made by Shareholders we have been appointed to carry out the audit of the Company's and the Group's financial statements the first time on 18 April 2011. Our appointment to carry out the audit of the Company's and the Group's financial statements in accordance with the decision made by Shareholders has been renewed annually and the period of total uninterrupted engagement is 10 years.

Consistency with the audit report submitted to the audit committee

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

Non audit services

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

We did not provide any services other than the audit of the financial statements throughout our audit engagement period, except for the services disclosed in Note 21 to the accompanying financial statements.

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

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

Asta Štreimikienė
Auditor's licence
No. 000382

30 March 2021

Statements of Financial Position

	Notes	Group		Company	
		31 December		31 December	
		2020	2019	2020	2019
ASSETS					
Non-current assets					
Intangible assets	6	517	548	115	145
Property, plant and equipment	7	9,448	10,350	6,463	6,507
Right-of-use assets	17	629	802	304	365
Investment property	8	125	114	125	114
Investments in subsidiaries	9	-	-	1,490	1,553
Receivables from subsidiaries	26	-	-	1,039	1,126
Prepayments to subsidiaries	26	-	-	883	874
Deferred tax asset	24	77	96	-	-
		10,796	11,910	10,419	10,684
Current assets					
Inventories	10	5,428	6,665	5,384	6,518
Trade receivables	11	1,433	1,234	1,255	966
Contract assets	11	1,382	2,007	1,356	1,970
Other current assets	12	397	224	351	177
Cash and cash equivalents	13	3,792	895	3,167	652
		12,432	11,025	11,513	10,283
		23,228	22,935	21,932	20,967
Total assets					

Continued on the next page

Statements of financial position (continued)

		Group 31 December		Company 31 December	
		2020	2019	2020	2019
EQUITY AND					
LIABILITIES					
Equity attributable to the equity holders of the Company					
Share capital	14	2,756	2,756	2,756	2,756
Legal reserve	15	574	574	574	574
Revaluation reserve	15	4,085	4,215	2,187	2,245
Reserve for acquisition of own shares	15	1,090	1,090	1,000	1,000
Foreign exchange translation reserve	15	922	1,085	-	-
Retained earnings		739	1,039	3,424	3,616
		10,166	10,759	9,941	10,191
Non-controlling interest	26	244	211	-	-
Total equity		10,410	10,970	9,941	10,191
LIABILITIES					
Non-current liabilities					
Borrowings	16	2,314	2,597	2,314	2,597
Non-current lease liabilities	17	527	685	227	285
Borrowings from subsidiaries	16, 26	-	-	600	-
Deferred tax liability	24	614	830	233	333
Provisions for employee benefits	18	275	276	193	212
		3,730	4,388	3,567	3,427
Current liabilities					
Current portion of non-current borrowings	16	567	567	567	567
Borrowings from subsidiaries	26, 16	-	-	-	750
Borrowings from parent company	26, 16	532	-	532	-
Current lease liabilities	17	128	148	96	107
Trade payables		2,180	2 568	2,106	2 528
Payables to other related parties and subsidiaries	26	97	1 076	157	1 075
Contract liabilities	11	372	133	366	134
Income tax payable		73	13	73	16
Accrued expenses and other current liabilities	19	5,139	3 072	4,527	2 172
		9,088	7 577	8,424	7 349
Total liabilities		12,818	11 965	11,991	10 776
Total equity and liabilities		23 228	22,935	21 932	20,967

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

These financial statements were approved by Chief Executive Officer and Chief Accountant on 30 of March 2021.

General Manager	Petras Jašinskas		
Chief Accountant	Reda Kučinskienė		

Statements of Comprehensive Income

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2020	2019	2020	2019
Revenue from contracts with customers	5	27,902	30,771	24,778	26,979
Cost of sales	20	(22,239)	(25,164)	(19,945)	(22,261)
Gross profit		5,663	5,607	4,833	4,718
Selling expenses	21	(2,026)	(2,217)	(1,960)	(2,095)
General and administrative expenses	21	(3,646)	(2,843)	(2,916)	(2,060)
Other income	22	155	127	53	44
Other expenses	22	(15)	(15)	(12)	(10)
Operating profit (loss)		131	659	(2)	597
Interest income	23	-	9	60	69
Finance income	23	177	293	102	1,299
Finance costs	23	(644)	(202)	(384)	(164)
Profit/(loss) before tax		(336)	759	(224)	1,801
Income tax	24	(86)	4	(49)	(3)
Net profit (loss) for the year		(422)	763	(273)	1,798
Net profit (loss) attributable to:					
Equity holders of the Company		(453)	734	(273)	1 798
Non-controlling interests	26	31	29	-	-
		(422)	763	(273)	1,798
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		(161)	151	-	
Net gain/(loss) on cash flow hedge		-	4	-	4
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax		(161)	155	-	4

Continued on the next page

Statements of Comprehensive Income (continued)

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2020	2019	2020	2019
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods					
Actuarial gain/(loss) from the pensions reserve	18	23	(20)	23	(21)
Total other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		23	(20)	23	(21)
Total other comprehensive income/(loss), net of tax					
		(138)	135	23	(17)
Total comprehensive income/(loss), net of tax					
		(560)	898	(250)	1781
Total comprehensive income/(loss) attributable to:					
Equity holders of the Company		(593)	867	(250)	1 781
Non-controlling interests		33	31	-	-
		(560)	898	(250)	1 781
<u>Basic/diluted earnings (loss) per share (EUR)</u>	25	(0.06)	0.08		

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

<u>General Manager</u>	<u>Petras Jašinskas</u>	_____	_____
<u>Chief Accountant</u>	<u>Reda Kučinskienė</u>	_____	_____

Statements of Changes in Equity

Group	Equity attributable to the equity holders of the Company									
	Share capital	Legal reserve	Revaluation reserve	Reserve for acquisition of own shares	Foreign currency translation reserve	Other reserves	Retained earnings/(deficit)	In total	Non-controlling interests	Total equity
Balance at 31 December 2018	2,756	574	4,340	90	936	(4)	2,150	10,842	319	11,161
Net profit for the year	-	-	-	-	-	-	734	734	29	763
Other comprehensive income	-	-	-	-	149	4	(20)	133	2	135
Total comprehensive income	-	-	-	-	149	4	714	867	31	898
Reserve for acquisition of own shares	-	-	-	1,000	-	-	(1,000)	-	-	-
Transfer of revaluation reserve to retained earnings	-	-	(125)	-	-	-	125	-	-	-
Reduction and pay-out of non-controlling interest	-	-	-	-	-	-	-	-	(139)	(139)
Dividends declared	-	-	-	-	-	-	(950)	(950)	-	(950)
Balance at 31 December 2019	2,756	574	4,215	1,090	1,085	-	1,039	10,759	211	10,970
Net profit (loss) 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

Statements of Changes in Equity (continued)

Company	Share capital	Legal reserve	Reserve for acquisition of own shares	Other reserves	Revaluation reserve	Retained earnings/(deficit)	In total
Balance as at 31 December 2018	2,756	574	-	(4)	2,303	3,731	9,360
Net profit for the year						1,798	1,798
Other comprehensive income	-	-	-	4	-	(21)	(17)
Total comprehensive income/(loss)	-	-	-	4	-	1,777	1,781
Transfer of revaluation reserve to retained earnings	-	-	-	-	(58)	58	-
Reserve for acquisition of own shares	-	-	1 000	-	-	(1,000)	-
Dividends accrued	-	-	-	-	-	(950)	(950)
Balance at 31 December 2019	2,756	574	1,000	-	2,245	3,616	10,191
Net profit (loss) 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

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

General Manager	Petras Jašinskas		
Chief Accountant	Reda Kučinskienė		

Statements of Cash Flows

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2020	2019	2020	2019
Cash flows from (to) operating activities					
Net profit (loss) for the year		(422)	763	(273)	1,798
Adjustments for non-cash items:					
Depreciation and amortisation	7	1,053	1,051	780	739
(Gain) from disposal of property, plant and equipment and investment property	22	(7)	(10)	-	(11)
Impairment (reversal of impairment) and write-off of accounts receivable, loans granted and interests		95	90	245	504
Impairment of investments in subsidiaries		-	-	60	-
Impairment and write-off of non-current assets	7	27	-	26	-
Impairment and write-off of inventories	21	730	52	712	52
Lease discounts received	17	(10)	-	(10)	-
Elimination of finance (income)/costs	23	481	(100)	35	(1,206)
Income tax expense/(benefit)	24	86	(4)	49	3
Changes in working capital:					
(Increase)/decrease in inventories		507	(890)	422	(892)
(Increase)/decrease in trade receivables		(294)	1 095	(384)	1,025
(Increase)/decrease in contract asset		625	409	614	358
(Increase)/decrease in non-current receivables from subsidiaries		-	-	(72)	(212)
Decrease/(increase) in other receivables and other current assets		(173)	118	(174)	102
Increase/(decrease) in contract liabilities		239	39	232	19
Increase (decrease) in trade payables and other accounts payable		(1,367)	141	(1,373)	184
Increase/(decrease) in taxes payable and other current liabilities	19	2,038	354	2,287	196
Income tax (paid)		(51)	(107)	(11)	(54)
Net cash flows from operating activities		3,557	3,001	3,165	2,191
Cash flows used in investing activities					
Purchase of property, plant and equipment	7	(624)	(994)	(585)	(896)
(Purchase) of intangible assets and prepayments	6	(35)	(43)	(35)	(43)
Proceeds from sale of property, plant and equipment		7	10	-	11
(Acquisition) disposal of investments in subsidiaries		-	-	3	(3)
Interest received	23	-	9	60	69
Dividends received		-	-	33	69
Net cash flows used in investing activities		(652)	(1,018)	(524)	(793)

Statements of Cash Flows (continued)

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2020	2019	2020	2019
Cash flows from/(used in) financing activities					
Loans received		532	5,000	532	5,850
Loans repaid		(283)	(6,326)	(433)	(6,426)
Interest paid	23	(88)	(126)	(98)	(133)
Dividends paid	1	-	(60)	-	(60)
Reduction and pay-out of non-controlling interest	26	-	(139)	-	-
Lease payments	17	(169)	(140)	(127)	(97)
Net cash flows from (used in) financing activities		(8)	(1,791)	(126)	(866)
Net increase/(decrease) in cash and cash equivalents		2,897	192	2,515	532
Cash and cash equivalents at the beginning of the year		895	703	652	120
Cash and cash equivalents at the end of the year		3,792	895	3,167	652

Supplementary cash flow information:

Non-cash activities:

Non-cash investing and financing activities:

Offset of dividends received from subsidiaries against repayment of borrowings to them		-	-	-	(1,200)
Effect of adoption of IFRS 16 as at 1 January 2019: recognition of the right-of-use assets and lease liabilities		-	741	-	321
Acquisition of the right-of-use asset under lease, excl. VAT		122	143	122	143

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

General Manager

Petras Jašinskas

Chief Accountant

Reda Kučinskienė

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 2020 and 2019, the shareholders of the Company were:

	2020		2019	
	Number of shares held	% of share capital	Number of shares held	% of share capital
Koncernas SBA	8,771	92.31	7,821	82.31
Algirdas Šabūnas	-	-	950	10
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 Koncernas SBA UAB with 90% of shares owned by Mr. A. Martinkevičius.

As at 31 December 2020, the number of employees of the Company was 761 (as at 31 December 2019 – 795).

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

	Registered office	Group's share (%) as at 31 December		Activity
		2020	2019	
Šatrija AB	Šatrijos st. 3, Raseiniai	89.78	89.78	Manufacture of wearing apparel
Gotija UAB	Laisvės ave. 33, Kaunas	100	100	Retail
PAT MTF Mrija	Tomas Masarik 13, Mukachevo, Ukraine	98.95	98.95	Production of knitted articles
Utenas Trikotaža SIA	Cietokšņa st. 60, Daugavpils, Latvia	-	100	Retail

As at 31 December 2020, the number of employees of the Group was 1,081 (31 December 2019 – 1,151).

1. General (continued)

The Company's management authorized these financial statements on 30 of March 2021. 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 2020:

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 recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, 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.

2. 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 acquiree, if any. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

2.3 Segment Reporting

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

2.4 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 recognized in the statement of comprehensive income as they arise.

2.6 Hedge Accounting

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

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

The Group and the Company use cash flow hedge.

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

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

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

2. Summary of Significant Accounting Policies (continued)

2.6 Hedge Accounting (continued)

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

The Group and the Company have entered into interest swap agreement with a purpose to hedge itself against a possible fluctuation (increase) of EURIBOR on the loan taken from a bank 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 with sufficient frequency (at least every 5 years, unless there are significant changes in the market of buildings) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

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

2. Summary of Significant Accounting Policies (continued)

2.8 Property, plant and equipment (continued)

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

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

Land is not depreciated.

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

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

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

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

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

2.9 Investment 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

Initial recognition and measurement:

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

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

2.11. Financial Assets and Financial Liabilities (continued)

Subsequent measurement

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

- (a) Amortised cost (debt instruments)
- (b) Fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition (debt instruments). The Group/Company did not have such items as at 31 December 2020 and 2019.
- (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 2020 and 2019.
- (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, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's/Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, 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 a 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 recognized impairment is recognised in statement of comprehensive income as profit. If a revaluation surplus still exists after the reversal of an impairment loss, it is recognized in comprehensive income as other comprehensive income (and, accordingly, in equity in the statement of financial position).

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

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

(c) Reserve for acquisition of own shares

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

(d) Foreign currency translation reserve

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

(e) Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of 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 2020 of the Group companies that operate in Lithuania is taxable at a rate of 15% (2019: 15%), corporate income tax rate in Ukraine is 18% (2019: 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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

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

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

If ownership of the leased asset transfers to the Company and the Group 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 recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

Short-term leases and leases of low-value assets

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

2. Summary of Significant Accounting Policies (continued)

2.19 Lease (continued)

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 recognized over the lease term on the same basis as rental income. Contingent payments are recognised as revenue in the period in which they are earned.

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

2.20 Revenue Recognition

Revenue from contracts with customers

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

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

Knitted article and working clothes production under particular customers' order

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

Revenue from contracts with customers is recognized 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 recognized in the statement of comprehensive income under the caption "Revenue from contracts with customers" and contract assets are accounted in the current assets in the statement of financial position under the caption "Contract asset". Costs related to this revenue amount are reflected in the statement of comprehensive income under the caption "Cost of sale".

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.

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		Company	
	31 December		31 December	
	2020	2019	2020	2019
Financial assets at amortised cost				
Non-current amounts receivable from subsidiaries except for prepayments	-	-	1,039	1,126
Trade receivables and contract assets (Note 11)	2,815	3,241	2,611	2,936
Cash and cash equivalents	3,792	895	3,167	652
	6,607	4,136	6,817	4,714

Financial liabilities reported in the statement of financial position	Group		Company	
	31 December		31 December	
	2020	2019	2020	2019
Financial liabilities measured at amortised cost				
Borrowings	2,881	3,164	2,881	3,164
Borrowings from subsidiaries	-	-	600	750
Borrowings from parent company	532	-	532	-
Lease liabilities	655	833	323	392
Trade payables	2,180	2,568	2,106	2,528
Payables to subsidiaries	-	-	62	-
Payables to other related parties	97	1,076	95	1,075
Accrued expenses and other current liabilities, other payables (Note 19)	554	821	364	535
	6,899	8,462	6,963	8,444

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 loss on the loans received and long term payables to the Company amounting to EUR 1,167 thousand in 2020 (in 2019, the subsidiary had a foreign exchange profit amounting to EUR 694 thousand) due to fluctuations in the official exchange rate of Ukrainian hryvnia (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 2020 and 2019. Amount of monetary items attributed to net investment amounts to EUR 3,5 million and foreign currency exchange difference related to this amount for the year 2020 comprises EUR 951 thousand (EUR (608) thousand in 2019), 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:

	2020	2019
Foreign currency exchange difference on monetary items attributed to net investments	951	(608)
Foreign currency translation effect on other items	(1,114)	756
Total comprehensive income (loss)	(163)	148

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
2020	5%	66	69
	(5)%	(66)	(69)
2019	5%	72	173
	(5)%	(72)	(173)

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 2020 and 2019, the Company's and the Group's borrowings with variable interest rates were denominated in EUR.

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

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

Based on the sensitivity analysis performed, the impact of a 0.5% increase/decrease in interest rates on the Company's and the Group's net result would be an increase/decrease at maximum of EUR 12 thousand and EUR 14 thousand (in 2019, EUR 12 thousand and EUR 13 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	
	2020	2019	2020	2019
Cash and cash equivalents at banks (Note 13)	3,792	895	3,167	652
Trade receivables and contract assets (Note 11)	2,815	3,241	2,611	2,936
Non-current loans granted and amounts receivable except for prepayments (Note 26)	-	-	1,039	1,126
In total	6,607	4,136	6,817	4,714

(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.

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	
	2020	2019	2020	2019
New trade customers (up to 12 months)	154	46	154	46
Current trade customers (more than 12 months) that fully fulfilled their obligations in the past	2,661	3,195	2,457	2,890
In total	2,815	3,241	2,611	2,936

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	
	2020	2019	2020	2019
Rating "A"	2,764	717	2,207	481
Rating "BBB+"	959	167	959	167
No rating	69	6	1	1
In total	3,792	890	3,167	649

*Independent ratings established by Fitch agency.

As at 31 December 2020, 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	
	2020	2019	2020	2019
Not past due receivables	2,725	2,990	2,570	2,718
Past due not impaired				
Less than 30 days	88	205	40	187
Past due from 31 to 60 days	-	36	-	22
Past due from 61 to 180 days	-	3	-	3
More than 181 days	2	7	1	6
Total past due not impaired	90	251	41	218
Overdue and impaired				
Up to 180 days	-	-	-	-
More than 181 days	107	274	81	248
Impairment allowance for trade receivables	(107)	(274)	(81)	(248)
Total accounts receivable and contract assets after impairment	2,815	3,241	2,611	2,936

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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 recognized in the statement of comprehensive income.

(c) Liquidity risk

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

As at 31 December 2020, the Group's current assets exceeded its current liabilities by EUR 3,344 thousand (as at 31 December 2019, current assets exceeded current liabilities by EUR 3,448 thousand). As at 31 December 2020, the Group's liquidity (current assets/current liabilities) and quick ratios ((current assets - inventory)/current liabilities) were 1.37 and 0.77 respectively (as at 31 December 2019, 1.46 and 0.58 respectively). As at 31 December 2020, the Company's (Utenos Trikotažas AB) current assets exceeded its current liabilities by EUR 3,089 thousand (as at 31 December 2019: by EUR 2,934 thousand). As at 31 December 2020, the Company's liquidity (current assets/current liabilities) and quick ratios ((current assets - inventory)/current liabilities) were 1.37 and 0.73, respectively (as at 31 December 2019: 1.40 and 0.51, 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 2020 and 2019, based on contractual undiscounted payments:

Group

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	In total
31 December 2020					
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

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

Company

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years	In total
31 December 2020					
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

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3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

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

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

Group	01/01/2020	Cash flows	New leases	Write-offs and disposals	Reclassification	Discounts 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

Company

	01/01/2020	Cash flows	New leases	Write-offs and disposals	Reclassification	Discounts received	Interest charges	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

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

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3 Financial Risk Management (continued)

3.1 Financial risk factors (continued)

Company

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

* 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	
	2020	2019	2020	2019
Total borrowings	2,881	3,164	2,881	3,164
Lease liabilities	655	833	323	392
Less: cash and cash equivalents	(3,792)	(895)	(3,167)	(652)
Net debt	(256)	3,102	37	2,904
Total equity	10,166	10,759	9,941	10,191
Total capital	9,910	13,861	9,978	13,095

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 2020 and 2019, the Company and its subsidiaries registered in Lithuania complied with these requirements.

Mrija PAT MTF

As at 31 December 2020 and 31 December 2019, the shareholders' equity of the subsidiary registered in Ukraine was negative. Pursuant to the Ukrainian laws, a company may be put into liquidation when its shareholders' equity becomes less than the minimal amount of authorised share capital as defined in the Law on Companies at the moment of the company's registration. On the date of these financial statements, there were no decisions made or actions taken concerning PAT MTF Mrija negative shareholders' equity. Taking into the account appropriate financial support to PAT MTF Mrija, the management of the Group assesses the liquidation risk as low.

3 Financial Risk Management (continued)

3.3 Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

3.3 Fair value of financial assets and liabilities (continued)

Valuation of assets according to the fair value hierarchy levels:

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
Liabilities for which fair values are disclosed						
Bank borrowings	-	-	2,881	-	-	2,881
Borrowings to subsidiaries	-	-	-	-	-	600
Borrowings to parent company	-	-	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
31 December 2019						
	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets for which fair values are disclosed:						
Loans receivable and other receivables from subsidiaries	-	-	-	-	-	1,126
Trade receivables	-	-	1,234	-	-	966
Cash and cash equivalents (Note 13)	-	-	895	-	-	652
Liabilities for which fair values are disclosed						
Bank borrowings	-	-	3,164	-	-	3,164
Borrowings to subsidiaries	-	-	-	-	-	750
Current financial liabilities	-	-	2,568	-	-	2,528
Trade payables	-	-	-	-	-	3
Payables to subsidiaries	-	-	1,077	-	-	1,072
Payables to other related parties	-	-	833	-	-	392
Accrued expenses and other current liabilities (Note 19)	-	-	525	-	-	522

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 2020 and 2019 (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 2020, the Company's investment in PAT MTF Mrija, including loan granted and amounts receivable, amounted to EUR 4,897 thousand before impairment allowance and to EUR 1,922 thousand after impairment allowance, and, respectively, EUR 7,082 thousand and EUR 2,000 thousand as at 31 December 2019. In 2020, additional impairment of EUR 150 thousand was recognised. In 2019, the Company neither identified nor recognised any additional impairment or impairment reversal. The impairment is accounted for in the Company's statement of comprehensive income under financial expenses (Note 22).

As at 31 December 2020 and 2019, 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 2020, 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 2020, 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 (94%) 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 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 2020, 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.

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 customization 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 subsidiary PAT MTF Mrija) and production of working clothes (that includes subsidiary Šatrija AB).

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

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 (loss)	(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

5. Segment information (continued)

2019	Production of knitted articles	Production of working clothes	Eliminations	In total
External sales	27,084	3,687	-	30,771
Internal sales	1,060	-	(1,060)	-
Total sales	28,144	3,687	(1,060)	30,771
Gross profit	4,797	810	-	5,607
EBITDA	1,291	419	-	1,710
Profit	504	259	-	763
Depreciation and amortisation	908	143	-	1,051
Interest expense	204	-	(78)	126
Income tax	33	(37)	-	(4)
Total segment assets	21,944	991	-	22,935
Total segment liabilities	11,058	907	-	11,965

	<u>2020</u>	<u>2019</u>
EBITDA	1,184	1,710
Depreciation and amortisation	(1,053)	(1,051)
Operating profit	131	659
Interest expense	(88)	(126)
Other finance costs, net	(379)	226
Profit for the year before income tax	(336)	759

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:

	<u>2020</u>	<u>2019</u>
Sales of goods ordered (recognised over time)	16,910	22,261
Sales of goods ordered (recognised at the point in time)*	1,585	-
Company brands (About, Utenos) (recognised at the point in time)	5,142	3,879
Sales of services (recognised over time)	365	404
Other sales (recognised at the point in time)	776	435
	<u>24,778</u>	<u>26,979</u>

* 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.

5. Segment information (continued)

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

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

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

The majority of the Group's sales (56.6%) in 2020 were made to DACH customers (in 2019: 53.6%). In 2020, 10.4% of total production was sold to Scandinavian customers (in 2019: 17.1%). 22% of the production was sold in the Lithuanian market (in 2019: 20%).

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 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. 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. 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. 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.

Potential risks caused by the COVID 19 on the Company's performance and going concern identified by the management, which are still relevant for 2021:

- Decline in retail and wholesale trade, channel redistribution
- 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

In managing the situation, the management of the Company and Group took measures to optimize the Company's and Group's costs, working capital and to manage cash flows, as appropriate. Investments planned by the Company and Group that are considered as not essential are suspended and credit risk of receivables is managed by insuring them.

Operational risk is managed through preventive testing of employees, the principles of organizational organization have been changed to minimize 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 organized from home.

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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, the carrying amount of intangible assets located in Ukraine was EUR 90 (EUR 284 as at 31 December 2019).

	Group		Company	
	Goodwill related to Šatrija AB	Other intangible assets	In total	Other intangible assets
Cost:				
Balance at 31 December 2018	441	1,248	1,689	1,097
Additions	-	43	43	43
Disposals and write-offs	-	(100)	(100)	(100)
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
Amortization and impairment:				
Balance at 31 December 2018	37	997	1,034	848
Amortisation for the reporting period	-	50	50	47
Disposals and write-offs	-	-	-	-
Balance at 31 December 2019	37	1,047	1,084	895
Amortisation for the reporting period	-	65	65	65
Disposals and write-offs	-	(340)	(340)	(340)
Balance at 31 December 2020	37	772	809	619
Net book value at 31 December 2018	404	251	655	249
Net book value at 31 December 2019	404	144	548	145
Net book value at 31 December 2020	404	113	517	115

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 2020, acquisition cost of fully amortised but still in use intangible assets of the Group and the Company amounted to EUR 703 thousand and EUR 571 thousand, respectively (as at 31 December 2019, EUR 931 thousand and EUR 799 thousand, respectively).

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7. Property, plant and equipment

	Land	Buildings	Structures	Vehicles and other property, plant and equipment	Construction -in-progress	In total
Group						
Cost or revalued amount:						
Balance at 31 December 2018	4	6,870	316	21,273	161	28,624
Additions	-	23	78	430	463	994
Reclassification between asset groups	-	-	-	105	(105)	-
Reclassified from intangible assets	-	-	-	100	-	100
Reclassified to investment property	-	(31)	-	-	-	(31)
Disposals and write-offs	-	(5)	-	(760)	-	(765)
Foreign currency translation differences	-	476	7	20	-	503
Balance at 31 December 2019	4	7,333	401	21,168	519	29,425
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 as at 1 January 2020	4	6,879	389	21,103	382	28,757
Accumulated depreciation:						
Balance at 31 December 2018	-	41	162	18 747	-	18 950
Depreciation charge for the year	-	60	12	617	-	689
Depreciation of revalued asset	-	166	-	-	-	166
Reclassified to investment property	-	(5)	-	-	-	(5)
Disposals and write-offs	-	(5)	-	(760)	-	(765)
Foreign currency translation differences	-	8	6	13	-	27
Balance at 31 December 2019	-	265	180	18,617	-	19,062
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 as at 1 January 2020	-	269	188	18,839	-	19,296
Impairment:						
Balance at 31 December 2018	-	13	-	-	-	13
Balance at 31 December 2019	-	13	-	-	-	13
Balance at 31 December 2020	-	13	-	-	-	13
Net book value at 31 December 2018	4	6,816	154	2,526	161	9,661
Net book value at 31 December 2019	4	7,055	221	2,551	519	10,350
Net book value at 31 December 2020	4	6,597	201	2,264	382	9,448

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 2020, the carrying amount of property, plant and equipment located in Ukraine was EUR 2,064 thousand (as at 31 December 2019 – EUR 2,838 thousand).

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 2018	4	3,806	278	18,707	160	22,955
Additions	-	18	78	336	464	896
Disposals and write-offs	-	-	-	(655)	-	(655)
Reclassification between asset groups	-	-	-	105	(105)	-
Reclassified from intangible assets	-	-	-	100	-	100
Reclassified to investment property	-	(31)	-	-	-	(31)
Balance at 31 December 2019	4	3,793	356	18,593	519	23,265
Additions	-	5	-	248	332	585
Disposals and write-offs	-	-	-	(127)	(25)	(152)
Reclassified to investment property	-	-	-	-	(13)	(13)
Reclassification between groups	-	431	-	-	(431)	-
Balance at 31 December 2020	4	4,229	356	18,714	382	23,685
Accumulated depreciation:						
Balance at 31 December 2018	-	19	134	16,663	-	16,816
Depreciation for the reporting period	-	28	11	487	-	526
Depreciation of revalued asset	-	67	-	-	-	67
Reclassification	-	(5)	-	-	-	(5)
Disposals and write-offs	-	-	-	(655)	-	(655)
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
Impairment:						
Balance at 31 December 2018	-	9	-	-	-	9
Balance at 31 December 2019	-	9	-	-	-	9
Balance at 31 December 2020	-	9	-	-	-	9
Net book value at 31 December 2018	4	3,778	144	2,044	160	6,130
Net book value at 31 December 2019	4	3,675	211	2,098	519	6,507
Net book value at 31 December 2020	4	3,998	195	1,884	382	6,463

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	
	2020	2019	2020	2019
Cost of sales (Note 20)	704	755	483	519
General and administrative expenses (Note 21)	342	289	289	213
Other operating expenses	7	7	7	7
Total	1,053	1,051	779	739

As at 31 December 2020, property, plant and equipment of the Group and the Company with the cost of EUR 16,103 thousand and EUR 13,353 thousand, respectively, were fully depreciated (as at 31 December 2019 – EUR 14,915 thousand and EUR 12,244 thousand, respectively).

As at 31 December 2020, the Company's carrying amount of property, plant and equipment pledged to the bank was EUR 3,903 thousand (Note 16). As at 31 December 2019, 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	Company
	As at 31 December 2020	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

	Group	Company
	As at 31 December 2019	As at 31 December 2019
Acquisition cost	4,017	2,104
Accumulated depreciation and impairment losses	(2,417)	(1,051)
Net book value	1,600	1,053

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.

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 2018	6,816	3,778
Net book value of buildings at revalued amount as at 31 December 2018:	5,205	2,690
Net book value of buildings at acquisition cost as at 31 December 2018:	1,611	1,088
Acquisition, reclassification, write-off of buildings	(12)	(12)
Effect of exchange rate to revalued amount	416	-
Effect of exchange rate to buildings acquisition cost	51	-
Depreciation of acquisition cost of buildings	(50)	(23)
Depreciation of the revalued part of buildings	(166)	(67)
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
Net book value of the buildings as at 31 December 2019	7,055	3,675
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 revalued amount as at 31 December 2020:	4,711	2,555
Net book value of buildings acquisition cost as at 31 December 2020:	1,886	1,443
Net book value of the building as at 31 December 2020	6,597	3,998

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8. Investment property

	Group	Company
Cost:		
Balance at 31 December 2018	163	163
Reclassified from property, plant and equipment	31	31
Balance at 31 December 2019	194	194
Reclassified from property, plant and equipment	13	13
Balance at 31 December 2020	207	207
Accumulated depreciation:		
Balance at 31 December 2018	73	73
Depreciation for the reporting period	2	2
Reclassified from property, plant and equipment	5	5
Balance at 31 December 2019	80	80
Depreciation for the reporting period	2	2
Balance at 31 December 2020	82	82
Net book value at 31 December 2018	90	90
Net book value at 31 December 2019	114	114
Net book value at 31 December 2020	125	125

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	
	2020	2019	2020	2019
	31 December	31 December	31 December	31 December
Net book value of investment property	125	114	125	114
Fair value of investment property	207	194	207	194

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8. Investment property (continued)

Future rental income of investment property

	Group		Company	
	2020	2019	2020	2019
Within 1 year	12	13	12	13
After 1 year but not later than 5 years	4	2	4	2
	16	15	16	15

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:

	2020	2019
Cost of investments:		
Balance as at 1 January	3,748	3,745
Additions	-	3
Disposals	(3)	-
Balance as at 31 December	3,745	3,748
Impairment:		
Balance as at 1 January	2,195	2,195
Impairment	60	-
Balance as at 31 December	2,255	2,195
Carrying amount of investments in subsidiaries as at 31 December	1,490	1,553

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.

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	
	2020	2019	2020	2019
	31 December	31 December	31 December	31 December
Raw materials	3,017	3,059	2,684	2,711
Production-in-progress	1,485	1,862	1,481	1,853
Finished goods	2,340	2,552	2,314	2,521
Goods for re-sale	4	82	-	-
	6,846	7,555	6,479	7,085
Write-down to net realisable value:				
Opening balance	(890)	(894)	(567)	(571)
Change	(528)	4	(528)	4
Closing balance	(1,418)	(890)	(1,095)	(567)
	5,428	6,665	5,384	6,518

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10. Inventories (continued)

Taking into account the changed circumstances of the realization of inventories in 2020, the principles of write-down of inventories to net realizable value were revised and an additional allowance was formed - the total amount of allowance formed during 2020 amounted to EUR 528 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 2020 amounted to EUR 2,018 thousand and EUR 1,694 thousand, respectively (as at 31 December 2019 – EUR 1,135 thousand and EUR 800 thousand, respectively). Changes in impairment allowance for inventories during 2020 and 2019 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 2020, the unaudited value of such inventories owned by third parties was EUR 2,324 thousand and EUR 524 thousand, respectively (as at 31 December 2019 – EUR 2,665 thousand and EUR 171 thousand, respectively).

As at 31 December 2020, the Company's carrying amount of inventories pledged to the bank was EUR 5,384 thousand (Note 16). As at 31 December 2019, the Company's carrying amount of inventories pledged to the bank was EUR 5,678 thousand.

11. Trade receivables, contract assets

	Group		Company	
	2020	2019	2020	2019
	31 December	31 December	31 December	31 December
Trade receivables, gross	1,540	1,508	1,336	1,214
Impairment:				
Opening balance	(274)	(197)	(248)	(170)
Accrued over the year	(81)	(77)	(81)	(78)
Written-off	248	-	248	-
Closing balance	(107)	(274)	(81)	(248)
	1,433	1,234	1,255	966

Changes in allowance for doubtful trade receivables during 2020 and 2019 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 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 2019, contract assets of the Company and the Group comprised of accrued revenue of, respectively, EUR 1,970 thousand and EUR 2,007 thousand, it mainly reflects the earned 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 and 2019, the Group and the Company did not have amounts past due.

As at 31 December 2020, the Group and the Company had received advances from customers in the amount of EUR 372 thousand and EUR 366 thousand, respectively (as at 31 December 2019 – EUR 133 thousand and EUR 134 thousand, respectively). The advances received are reflected as contractual liabilities in the statement of financial position.

12. Other current assets

	Group		Company	
	2020 31 December	2019 31 December	2020 31 December	2019 31 December
Other current assets				
Taxes receivable and other receivables, except for prepaid income tax	39	8	-	-
Subsidies receivable*	175	-	175	-
Prepayments	133	156	128	94
Deferred expenses	50	60	48	83
Total other current assets	397	224	351	177

*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	
	2020 31 December	2019 31 December	2020 31 December	2019 31 December
Cash on hand	1	5	1	3
Cash at bank	3,791	887	3,166	647
Cash equivalents	-	3	-	2
	3,792	895	3,167	652

As at 31 December 2020, cash equivalents stand for restricted cash that is used to secure payments to suppliers. Such restrictions are short-term (up to 3 months). The Company's and Group's cash at banks is held in highly rated credit institutions.

14. Share capital

As at 31 December 2020 and 2019, the share capital comprised of 9,503,000 ordinary registered shares with nominal value of EUR 0.29 each.

As at 31 December 2020 and 2019, all shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2020 and 2019. The Company did not hold its own shares as at 31 December 2020 and 2019.

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 2020 and 2019, 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.

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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 2018:	4,340	2,303
Building revaluation depreciation charges	(125)	(58)
Net book value of buildings revaluation reserve as at 31 December 2019:	4,215	2,245
Building revaluation depreciation charges	(130)	(58)
Net book value of buildings revaluation reserve as at 31 December 2020:	4,085	2,187

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 2020, foreign currency translation impact on consolidated financial statements amounted to EUR (158) thousand (including non-controlling interest), respectively as at 31 December 2019 – EUR 148 thousand.

16. Borrowings

	Group		Company	
	2020	2019	2020	2019
	31 December	31 December	31 December	31 December
Current				
Current portion of non-current bank borrowings	567	567	567	567
Borrowings from subsidiaries	-	-	-	750
Borrowings from related parties	532	-	532	-
Non-current				
Borrowings from subsidiaries	-	-	600	-
Non-current bank borrowings	2,314	2,597	2,314	2,597
Total borrowings	3,413	3,164	4,013	3,914

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 2022 and variable interest rate 12 month EURIBOR+2.2%.

On 18 December 2020, the Company entered into the loan agreement with SBA Koncernas UAB for EUR 532 thousand. The annual interest rate on the loan will be 2.2 %. The loan matures on 31 December 2021.

As of 31 December 2020 and 2019, 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	
	2020	2019	2020	2019
	31 December	31 December	31 December	31 December
EUR	3,413	3,164	4,013	3,914

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16. Borrowings (continued)

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

	Group		Company	
	2020	2019	2020	2019
	31 December	31 December	31 December	31 December
Non-current borrowings from subsidiaries	2.2	-	2.2	1.9
Short-term loan from related parties	2.2	-	2.2	-
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	
	2020	2019	2020	2019
	31 December	31 December	31 December	31 December
Every 3 months	2,881	3,164	2,881	3,164
Every 6 months	532	-	532	-
Every 12 months	-	-	600	750
	3,413	3,164	4,013	3,914

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 2020, the amount of the long-term credit was EUR 2,881 thousand with maturity term effective until 31 August 2024.

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.

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17. Leases

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

Company

	Premises	Land	Vehicles	Other property, plant and equipment	In total
31 December 2018	-	-	-	-	-
Effect of adoption of IFRS 16 as at 1 January 2019	197	33	84	7	321
Additions	-	-	135	8	143
Depreciation expense	(49)	(3)	(42)	(3)	(97)
31 December 2019	148	30	176	12	366
Additions	93	-	28	1	122
Write-offs and disposals	-	-	(60)	(1)	(61)
Depreciation expense	(73)	(3)	(43)	(4)	(123)
31 December 2020	168	27	101	8	304

Group

	Premises	Land	Vehicles	Other property, plant and equipment	In total
31 December 2018	-	-	-	-	-
Effect of adoption of IFRS 16 as at 1 January 2019	197	435	101	7	741
Additions	-	-	135	8	143
Depreciation expense	(49)	(43)	(49)	(3)	(144)
Effect of exchange rate	-	64	-	-	64
31 December 2019	148	456	187	12	804
Additions	93	-	28	1	122
Write-offs and disposals	-	-	(52)	(1)	(53)
Depreciation expense	(73)	(31)	(50)	(4)	(158)
Effect of exchange rate	-	(86)	-	-	(86)
31 December 2020	168	339	114	8	629

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

	Company	Group
1 January 2020	392	833
Additions	122	122
Accretion of interest	7	15
Payments	(127)	(169)
Discounts received	(10)*	(10)*
Write-offs and disposals	(61)	(51)
Effect of exchange rate	-	(86)
31 December 2020	323	655
Current	96	128
Non-current	227	527

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 recognized in profit or loss:

	Company	Group
Depreciation expense of right-of-use assets	103	142
Interest expense on lease liabilities	7	15
Commitments relating to short-term leases	-	-
Commitments relating to leases of low-value assets	-	-
Discounts received	(10)	(10)
Variable lease payments (included in cost of sales)	7	7
Total amount recognized in profit or loss	107	154

In 2020, the Company and the Group had total cash outflows for leases of EUR 127 thousand and EUR 169 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)

2020	Fixed payments	Variable payments	In total
	EUR thousand	EUR thousand	EUR thousand
Variable rent with minimum payment	77	7	84
	77	7	84

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 2 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties.

Rental income recognized by the Group during the year is EUR 16 thousand (during 2019 – EUR 15 thousand).

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

	2020	2019
	EUR thousand	EUR thousand
Within one year	12	13
After one year but not more than five years	4	2
After five years	-	-
	16	15

18. Provisions for employee benefits

	Group	Company
Balance at 31 December 2018	329	268
Benefits earned	40	28
Interest expense	2	2
Actuarial (gain) loss	19	19
Reduction of costs due to cancelled job contracts	(27)	(27)
Balance at 31 December 2019	363	290
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

	Group	Company
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
Non-current provisions for employee benefits as at 31 December 2019	276	212
Current provisions for employee benefits as at 31 December 2019	87	78

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 2020, provisions were calculated with the discount rate of 0.22% and employee turnover rate of 14.62% (in 2019, 0.71% and 12.26%, respectively).

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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 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%

	31 December 2019				
	Group			Company	
	Change in assumption	Positive changes in assumption	Negative changes in assumption	Positive changes in assumption	Negative changes in assumption
Discount rate	0.50%	Decreased by 3.19%	Increased by 3.31%	Decreased by 2.68%	Increased by 2.85%
Salary growth rate	0.50%	Increased by 3.41 %	Decreased by 3.13 %	Increased by 2.80'	Decreased by 2.66%

19. Accrued expenses and other current liabilities

	Group		Company	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
	Accrual for vacation reserve	1,059	1,249	840
Salaries and social security*	1,557	646	1,462	491
Accounts payables for services and non-current assets	328	525	353	522
Taxes payable, other than income tax*	1,466	269	1,442	203
Provisions for accrued bonuses	423	-	351	-
Provisions for employee benefits	79	87	69	78
Other liabilities	227	296	10	13
	5,139	3,072	4,527	2,172

*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.

20. Cost of sales

	Group		Company	
	2020	2019	2020	2019
Materials used in production	8,131	9,552	7,921	9,220
Salaries and social security	9,112	10,274	6,805	7,405
Other additional expenses	3,569	3,889	4,054	4,497
Depreciation and amortisation (Notes 6, 7, 8 and 17)	704	755	483	519
Cost of materials sold	723	694	682	620
	22,239	25,164	19,945	22,261

21. Selling, General and Administrative Expenses

	Group		Company	
	2020	2019	2020	2019
Selling expenses				
Salaries and social security	718	827	666	750
Advertising and marketing costs	445	433	444	426
Agency costs	209	381	209	381
Transportation expenses	389	283	387	280
Maintenance costs of retail outlets	20	33	14	26
Depreciation and amortisation (Notes 6, 7, 8 and 17)	157	122	156	109
Other selling expenses	88	138	84	123
Total selling expenses	2,026	2,217	1,960	2,095
General and administrative expenses				
Salaries and social security	1 173	1 011	837	711
Communication and consulting services*	443	468	379	392
Taxes (other than income tax)	114	92	108	91
Depreciation and amortisation	185	167	133	104
Security services	136	131	67	62
Car operating expenses	34	101	28	89
Fees to financial institutions	97	111	94	104
Premises operating expenses	42	39	39	37
Travel expenses	5	26	4	12
Representation expenses	31	44	29	41
Allowance (reversal) and write-off of trade receivables	95	90	95	90
Allowance (reversal) and write-off of inventories	730	53	712	52
Other	561	510	391	275
	3,646	2,843	2,916	2,060
	5,672	5,060	4,876	4,155

*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). For year 2019, fee for other non-audit related services provided by independent auditors amounted to EUR 1.2 thousand (translation services).

22. Other income and expenses

	Group		Company	
	2020	2019	2020	2019
Gain on disposal of non-current assets	7	10	-	11
Rental income	23	21	18	16
Other income	125	96	35	17
Other income	155	127	53	44
Loss from disposal of non-current assets	-	-	-	-
Expenses related to leasehold assets	(8)	(6)	(5)	(3)
Depreciation of rentals	(7)	(7)	(7)	(7)
Other expenses	-	(2)	-	-
Other expenses	(15)	(15)	(12)	(10)

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23. Finance expenses, net

	Group		Company	
	2020	2019	2020	2019
Dividend income	-	-	33	1,269
Gain on foreign exchange	163	291	55	29
Interest income	-	9	60	69
Other finance income	14	2	14	1
Income from financing activities	177	302	162	1,368
Interest expense	(88)	(126)	(98)	(133)
Loss on foreign exchange	(538)	(75)	(57)	(31)
Impairment of interest of loans granted			(150)	-
Impairment of investments in subsidiary			(60)	-
Other finance costs	(18)	(1)	(19)	-
Finance costs	(644)	(202)	(384)	(164)

24. Income tax

Income tax expenses comprised as follows:

	Group		Company	
	2020	2019	2020	2019
Current income tax	(166)	(79)	(149)	(44)
Change of deferred income tax	80	83	100	41
Income tax (expenses) recognised in the statement of comprehensive income	(86)	4	(49)	(3)

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	
	2020	2019	2020	2019
Profit (loss) before tax	(336)	759	(224)	1 801
Income tax (expense) at a rate of 15%	50	(114)	34	(270)
Change in investment incentive	12	98	12	124
Effect of different tax rates applicable to subsidiary in Ukraine	(27)	(26)	-	-
Change in valuation allowances for deferred tax asset	-	36	-	-
Used tax losses carried forward for which deferred tax assets was not recognised	234	121	-	-
Impact of permanent differences	(355)	(111)	(95)	143
Income tax (expenses) recognised in the statement of comprehensive income	(86)	4	(49)	(3)

In 2020, deferred income tax asset and liability related to the entities operating in Lithuania were estimated using a tax rate of 15 per cent (in 2019: 15 per cent). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using a tax rate of 18% (in 2019: 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:

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24. Income Tax (continued)

Group	31 December 2019	Recognised in profit or loss	Recognised in	31 December 2020
			other comprehensiv e income	
Deferred tax asset				
Inventories	93	79	-	172
Accounts 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)	-	78
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	(624)
Deferred income tax, net	(734)	81	116	(537)

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

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24. Income Tax (continued)

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 accounts 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)

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

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 2020, the subsidiary PAT MTF Mrija had tax losses carried forward amounting to EUR 1,556 thousand (as at 31 December 2019 – EUR 3,498 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	2020	2019
Profit (loss) attributable to the equity holders of the Group	(453)	734
Weighted average number of shares in issue (thousand)	9,503	9,503
Earnings per share/notional profit (in EUR)	(0.05)	0.08

26. Related party transactions

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

Related party	Description of relation
A. Martinkevičius	Ultimate controlling individual
Koncernas SBA UAB members	Ultimate parent company, exercising control through majority of Board
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 2020 and 2019, 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	2020	2019
Gotija UAB	Lithuania	0.00%	0.00%
Šatrija AB	Lithuania	10.22%	10.22%
PAT MTF Mrija	Ukraine	1.05%	1.05%
Utenas Trikotaža SIA	Latvia	0.00%	0.00%

26. Related Party Transactions (continued)

	2020.12.31	2019.12.31
Accumulated balances of non-controlling interest:		
Gotija UAB	-	-
Šatrija AB	204	193
PAT MTF Mrija	40	18
Utenas Trikotaža SIA	-	-

Summarised statement of comprehensive income for 2020:

	Gotija UAB	Utenas Trikotaža 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	-	-	-	-

Summarised statement of comprehensive income for 2019:

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

26. Related Party Transactions (continued)

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	(506)
Attributable to:			
Parent company	61	1,792	(547)
Non-controlling interests	-	204	40*

Summarised statement of financial position as at 31 December 2019:

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

* 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.

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26. Related Party Transactions (continued)

Related party transactions are disclosed below:

	Group		Company	
	2020	2019	2020	2019
Sales of goods and services				
Subsidiaries of the Company	-	-	26	213
SBA Group companies	23	2	23	2
Ultimate parent company	10	-	10	-
	33	2	59	215
	Group		Company	
	2020	2019	2020	2019
Interest income				
Subsidiaries of the Company	-	-	60	60
	-	-	60	60
	Group		Company	
	2020	2019	2020	2019
Interest expense				
Subsidiaries of the Company	-	-	13	19
	-	-	13	19
	Group		Company	
	2020	2019	2020	2019
Purchases of goods and services				
Subsidiaries of the Company	-	-	656	799
Ultimate parent company	189	160	160	137
Other related parties	203	104	162	121
	392	264	978	1,057
	Group		Company	
	2020	2019	2020	2019
Dividend payments and reduction of issued capital				
Dividends declared by the subsidiaries of the Company	-	-	33	47
Reduction of issued share capital of subsidiaries and pay-out to the equity holders	-	-	-	1,222*
	-	-	33	1,269
	Group		Company	
	2020	2019	2020	2019
Dividends paid				
Subsidiaries of the Company	-	-	-	-
Ultimate parent company	782	-	782	-
	782	-	782	-

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

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26. Related Party Transactions (continued)

	Group		Company	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Amounts receivable, prepayments and loans				
Accounts receivable from subsidiaries of the Company, gross*	-	-	14	2 267
Impairment:	-	-	-	(1 958)
Accounts receivable from subsidiaries of the Company, net	-	-	14	309
Prepayments to subsidiaries	-	-	883	874
Loans granted including interest receivables from subsidiaries, gross**	-	-	1,805	1,745
Impairment	-	-	(780)	(928)
Prepayments, loans granted and interest receivables from the Company's subsidiaries, net	-	-	1,908	1,691
	-	-	1,922	2,000

* As at 31 December 2020 and 2019, accounts receivable consisted only of accounts receivable from PAT MTF Mrija.

**As at 31 December 2020 and 2019, the amount stands for loan granted to (including interest receivables) PAT MTF Mrija with fixed annual interest rate of 6%.

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. As at 31 December 2019, receivables not past due and loans granted amounted to EUR 1,690 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 290 thousand were more than 121 days past due.

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

	Group		Company	
	2020.12.31	2019.12.31	2020.12.31	2019.12.31
Current and non-current payables				
Subsidiaries of the Company:				
Borrowings	-	-	600	750
Other payables	-	-	62	3
SBA Group companies:				
Other related parties	27	98	21	98
Ultimate parent company	622	897	607	894
	649	995	1,290	1,745

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. There are no guarantees granted for receivables from or payables to related parties.

As at 31 December 2020, the amount of loan from subsidiary Šatrija AB amounted to EUR 600 thousand and accounted for in non-current liabilities. As at 31 December 2019, the amount of loan from subsidiary Šatrija AB amounted to EUR 750 thousand.

	Group		Company	
	2020	2019	2020	2019
Key management remuneration including social security costs				
Remuneration of the management	742	588	507	354
Defined benefit and jubilee payments to management	10	6	2	2
	752	594	509	356

Management includes general director, functional directors and chief accountant.

In 2020 and 2019, the management of the Group and the Company did not receive any loans, guarantees, any other payments or property transfers were not made or accrued. Remuneration to management comprise base salary and related social security costs.

No guarantees were issued on behalf of related parties as at 31 December 2020 and 2019.

27. Contingent Liabilities and Commitments

As at 31 December 2020 and 2019, the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

From 2003 to 2020, 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. Events After the Reporting Period

Prior to the date of approval of these financial statements, there were no significant subsequent events that could have a material effect to the financial statements of the Company and the Group.

The full impact of the COVID-19 pandemic on economic activity is still unknown as further development of situation is not clear yet. The Company's management believes that COVID-19 will not have material impact on the business operations after the reporting date, however, this assumption is based on the information available at the time of signing these financial statements.



UTENOS TRIKOTAŽAS AB

CONSOLIDATED ANNUAL REPORT
For the year ended 31 December 2020

1 Reporting Period Covered by the Annual Report

The Annual Report covers the period from 01 January 2020 to 31 December 2020. All amounts in the Annual Report presented as at 31 December 2020 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 183709468
Code of the Register of Legal Entities	EUR 2,755,870
Authorised share capital	J. Basanavičiaus g.122, LT-28214, Utena, Lithuania
Address	Registru centras VĮ
Name of Register of Legal Entities	+370 389 51445 +370 389 69358
Telephone	utenos.trikotazas@ut.lt
Fax	www.ut.lt
E-mail	Production of knit-wear and textile articles
Website	ERNST&YOUNG BALTIC UAB
Main activities	
Auditor	

3 Nature of the Issuer's Operations

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

Utenos Trikotažas AB types of activities:

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

Šatrija AB type of activity:

- sewing of clothes;

MTF Mrija PAT type of activity:

- production of knitwear;
- sewing of knitwear;

Gotija UAB type of activity:

- retail trade;

Utenas Trikotaža SIA types of activities:

- retail trade;

4 Company and Group Companies

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

5 Agreements with Intermediaries of Securities' Public Turnover

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

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

6 Overview of the Company's Activities

During the pandemic year, the Utenos Trikotažas Group owned by Koncernas SBA UAB earned EUR 27.9 million or 9.3 per cent less than in 2019. The sales of Utenos Trikotažas company alone shrank by 8.2 per cent to EUR 24.8 million.

"The year was extremely difficult for the whole textile market globally. Part of customers of Utenos Trikotažas lost sales, and as a result, they postponed or cancelled orders already planned. The situation in both Lithuania and export markets was unpredictable throughout the year. Given the circumstances, we have coped with this pandemic period very well and continue our operations having more experience and positive signs of recovery", said Petras Jašinskas, the head of Utenos Trikotažas.

Šatrija, producer of functional-technical clothing, sold products worth EUR 3 million last year, i.e., 17.4 per cent less than in 2019. Over this difficult year, the Utenos Trikotažas Group incurred losses of EUR 336 thousand before tax, while the net profit of the Group last year was EUR 759 thousand. The Group's EBITDA in 2020 amounted to EUR 1.2 million and was 30.8 per cent less than in 2019.

As the business environment changed, the quality of working capital of Utenos Trikotažas was reviewed and provisions were formed accordingly. The financial results were affected by the recorded impairment loss on reserves and receivables of EUR 0.6 million incurred in 2020.

More than 50 per cent of the Company's customers suffered losses due to the coronavirus pandemic, in particular those who operate in a physical retail environment. In 2020, sales of on-demand production shrank by 15 per cent to EUR 19.6 million.

Despite the difficult operating circumstances, targeted efforts and refocused manufacturing priorities led Utenos Trikotažas to attracting new, strong clients. At the end of 2020, new clients accounted for over 25 per cent of the client portfolio. According to Mr. Jašinskas, the growth of new customers is determined by two main reasons: Adjusting of manufacturing flexibility of Utenos Trikotažas to smaller and faster batches as well as the growing attractiveness of European origin production to end-users.

The Company is focusing on strong global brands, successfully developing effective e-commerce channels. Global trends of e-commerce growth have contributed to the record-breaking increase in sales of UTENOS and ABOUT, the brands owned by Utenos Trikotažas. In total, these brands sold products worth EUR 5.2 million this year, which is 31.4 per cent more than in 2019. This sharp leap in sales was partly caused by the sales of face masks which were in particular demand during the second quarter of the year, however, changing customer behaviours, timely focus on e-commerce platform and targeted marketing measures were no less important.

In 2020, Utenos Trikotažas made a historical achievement in responsible manufacturing – it became the first company in the world to meet the textile manufacturing standard set by the environmental organization Greenpeace.

In addition to ordinary operations, the year 2020 was the year of community initiatives and good deeds. When the country faced critical shortages of protection equipment in March, Utenos Trikotažas was among the first to produce protective face masks, several thousand of which were donated to medical workers and staff in social institutions. In cooperation with other SBA companies, Utenos Trikotažas bought and distributed nutritious food packages for people most in need in rural areas, and supported Utena Hospital with medical equipment.

7 Key performance indicators of the Group

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

	2020	2019	2018	2017	2016
Revenue (EUR'000)	27,902	30,771	30,457	25,843	22,790
Profit for the year (loss) (EUR'000)	(422)	763	1,141	301	1,053
Price per share	0.900	0.940	0.820	0.950	0.800

Trade

Revenue (EUR'000) EUR	Group			Company		
	2020	2019	Change, per cent	2020	2019	Change, per cent
Products manufactured on demand of other clients	19,637	23,111	(15.0)	19,636	23,100	(15.0)
Company brands (ABOUT, UTENOS)	5,222	3,973	31.4	5,142	3,879	32.5
Services of specialized clothing manufacture	3,043	3,687	(17.4)	-	-	-
	27,902	30,771	(9.3)	24,778	26,979	(8.2)

Revenue (EUR'000) EUR

	2020	2019	Change, per cent	2018
Utenos Trikotažas AB	24,778	26,979	(8.2)	26,971
Šatrija AB	3,044	3,687	(17.4)	3,378
PAT MTF Mrija	692	865	(20.0)	710
Gotija UAB	26	300	(91.3)	320
Utenas Trikotaža SIA	-	-	-	-
Elimination of intercompany transactions	(638)	(1,060)	(39.8)	(922)
	27,902	30,771	(9.3)	30,457

Sales by regions

In 2020, the Company has sold goods and services of total amount of EUR 24.8 million. Trade volume decreased by EUR 2.2 million as compared to 2019. The Company exported to Western Europe and other countries 78 per cent, whereas sold in Lithuania 22 per cent of total production.

In 2020, the total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to EUR 27.9 million. The Group exported 77.9 per cent, whereas sold in Lithuania 22.1 per cent of total production.

Lithuania

In 2020, the Company sold in Lithuania total amount of EUR 5.5 million of knitwear production. The sales in Lithuania increased by EUR 0.5 million or 11.2 per cent.

In 2020, the Group sales in Lithuania amounted to EUR 6.2 million of production, the export sales decreased by EUR 62 million compared to 2019.

Export

In 2020, the Company exported knitwear in the amount of EUR 19.3 million. Export volumes decreased by EUR 2.7 million or 12.5 per cent compared to 2019. Western European retail chains remained the Company's major buyers.

In 2020, the Group's exports to Western Europe and other regions amounted to EUR 21.7 million, which is less by EUR 2.8 million compared to 2019.

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

Operating figures

	Group			Company*		
	2020	2019	2018	2020	2019	2018
Manufactured items, units'000	3,149	2,853	3,132	3,062	2,735	3,008
Average number of employees (FTE)	936	1,080	997	662	720	659

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

Production

In 2020, the Company produced 1.7 million knit-wear items. The Company's subcontractors (including subcontractors in Ukraine) produced 1.4 million knit-wear items or 45.5 per cent of total production volumes. In 2020, Šatrija AB produced 87 thousand sewn items. In 2020, MTF Mrija PAT produced 590 million items.

Production (units'000)

	2020	2019	Change, per cent
Utenos, Trikotažas, AB	2,472	2,000	23.6
Šatrija, AB	87	118	(26.3)
PAT, MTF, Mrija	590	735	(19.7)
Gotija, UAB	-	-	-
	3,149	2,853	10.4

Financial ratios

	Group			Company		
	2020	2019	2018	2020	2019	2018
Revenue (EUR'000)	27,902	30,771	30,457	24,778	26,979	26,971
Operating profit (loss) (EUR'000)	131	659	1,200	(2)	597	1,166
Operating profit (loss) margin (per cent)	0.5	2.1	3.9	(0.01)	2.2	4.3
EBITDA *	1,184	1,710	2,032	778	1,337	1,785
EBITDA margin (per cent)	4.2	5.6	6.7	3.1	5.0	6.6
Profit (loss) before tax (EUR'000)	(336)	759	1,151	(224)	1,801	606
Profit (loss) before tax, margin (per cent)	(1.2)	2.5	3.8	(0.9)	6.7	2.2
Net profit (loss) for the year (loss) (EUR'000)	(422)	763	1,141	(273)	1,798	571
Net profit (loss) for the year margin (per cent)	(1.5)	2.5	3.7	(1.1)	6.7	2.1
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		
	2020	2019	2018	2020	2019	2018
Return on capital employed (per cent) (net profit divided by share capital)	(15.3)	27.7	41.4	(9.9)	65.2	20.7
Return on assets (per cent) (net profit divided by total assets)	(1.8)	3.3	5.1	(1.2)	8.6	2.8
Return on shareholders' equity (per cent) (net profit divided by shareholder's equity)	(4.1)	7.0	10.2	(2.7)	17.6	6.1
Debt ratio (per cent) (total liabilities divided by total assets)	55.2	52.2	49.8	54.7	51.4	53.9
Debt-to-equity ratio (per cent) (total liabilities divided by shareholder's equity)	123.1	109.2	99.0	120.6	105.7	116.8
Liquidity ratio (per cent) (current assets divided by current liabilities)	136.8	145.5	121.8	136.7	139.9	119.3
Equity-to-asset ratio (per cent)	44.8	47.8	50.2	45.3	48.6	46.1

Ratios related with the share price

	2020	2019	2018
P/E (price-to-earnings ratio)	(18.88)	12.17	7.04
EPS (earnings per share)	(0.05)	0.08	0.12
EV/EBITDA (enterprise value to EBITDA ratio)	6.45	6.55	5.70
EV/EBIT (enterprise value to EBIT ratio)	(30.57)	12.66	9.16

Investments

In 2020, the Group's investments in new equipment and new technologies amounted to EUR 659 thousand.

In 2020, the Company's investments in new equipment and technologies amounted to EUR 620 thousand, including transactions between Group companies.

In 2020, Šatrija AB invested EUR 58 thousand.

In 2020, MTF Mrija PAT invested EUR 2 thousand.

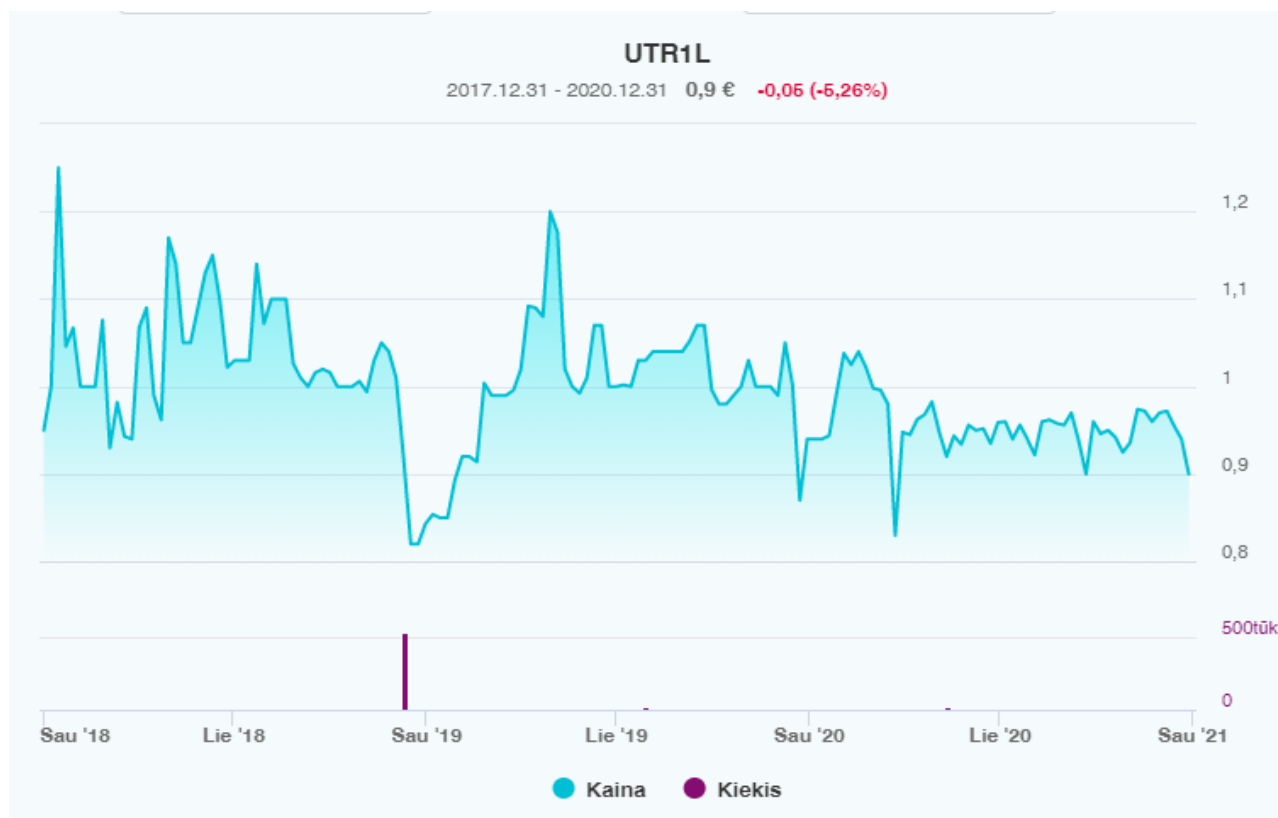
In 2020, Utenas Trikotaža SIA and Gotija UAB made no investments.

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

The Company's shares are listed on the Official List of the National Stock Exchange, as well on the Baltic List of the Lithuanian, Latvian and Estonian stock market. 9,503,000 of ordinary registered shares have been registered for public turnover of securities. 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, 2018–2020 (EUR):



Price ratios	2020	2019	2018
Open price, EUR	0.94	0.82	0.95
High price, EUR	1.04	1.20	1.25
Low price, EUR	0.80	0.81	0.82
Last price, EUR	0.90	0.94	0.82
Turnover, units	56,369	79,171	602,135
Turnover, million EUR	0.05	0.08	0.50
Capitalisation, million EUR	8.55	8.93	7.79

Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index dynamics from 2018 to 2020


Index/Equity	31/12/2020	31/12/2019	31/12/2018	2020/2019 change, per cent
—OMX Baltic Benchmark GI	1,104.74	992.83	873.81	11.27
—OMX Vilnius	816.64	712.14	616.9	14.67
—UTR1L	EUR 0.90	EUR 0.94	EUR 0.82	(4.26)

10 Dividend Policy

The decision on dividends payment for 2020 will be made by the General Meeting of Shareholders, based on the proposal of the Board.

	2020	2019	2018
Dividends (EUR'000)	-	-	950.3
Dividends per share	-	-	0.10

11 Description of Key Risks and Contingencies of the Company

Sales of Utenos Trikotažas AB (hereinafter referred to as “the Group”), the largest group of textile companies in Central and Eastern Europe, dropped in 2020, and the main reason of this decline is COVID-19 and its outcomes on economic situation in the main export markets and Lithuania. In 2020, 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.

Economic factors.

The COVID-19 pandemic and the announcement of quarantine in Lithuania and other markets affects the performance of the Company and the Group.

Having observed the COVID-19 related situation in textile sector and in the main export markets, and having assessed the financial situation of certain clients, the management of the Company has formed impairment for inventories and trade receivables in Q2 2020. Impairment losses at the end of 2020 were reviewed and adjusted.

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 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 and from 16 December 2020 to 31 December 2020. 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. 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 17 per cent in 2020. 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, 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 Company’s operations also depend on government policy and other political and economical changes in Lithuania and the World (which affect Lithuania). The Company and the Group use instruments ensuring that production is sold to reliable customers. The Company and the Group’s policy focuses on maintaining adequate amount of cash and cash equivalents or maintaining funding by keeping adequate credit lines available with the purpose of implementing commitments provided in the strategic plans.

Utenos Trikotažas AB continues to improve the management system according to EN ISO 9001, EN ISO 14001, SA 8000 and other relevant requirements.

Social risk factors.

The Company focuses on improvement of working conditions, employees training, qualification development.

Technical and technological risk factors.

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

Ecological risk factors.

The Company has implemented environment management system, which complies with requirements of ISO 14001. Key environmental strategic objectives include:

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

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

All financial data of 2020 and 2019 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 2020, 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 independent 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 surveillance audits were carried out on 21–22 October 2020 and 8–9 March 2020).

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 were cancelled in February 2020, excursions to the Company's premises were no longer organized and the reception of the guest delegations was cancelled, and working from home was introduced. 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. In 2020, the pandemic prevented the full implementation of all training programs planned for the first half of the year. In the second half of the year, a large part of the programs were successfully 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. In 2020, 25 per cent of training and development initiatives were implemented remotely.

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 2020, 115 employees joined Utenos Trikotažas AB (in 2019: 170). Particular attention is paid to the remote induction of new employees.

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 partners¹ 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 by 2020.

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

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

15 Information About the Company's Own Share Acquisitions

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

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

On 26/02/2021, announcement of unaudited consolidated financial statements of Utenos Trikotažas AB of 2020.

On 08/01/2021, announcement of the resolutions of the Extraordinary General Meeting of the Shareholders of Utenos Trikotažas AB.

On 05/01/2021, announcement of preliminary dates of activity results of Utenos Trikotažas AB for 2021.

On 16/12/2020, announcement of conveyance of the Extraordinary General Meeting of Shareholders of Utenos Trikotažas AB.

On 30/10/2020, announcement of the financial statements of Utenos Trikotažas AB for the 9-month period.

On 31/07/2020, announcement of the performance results. Announcement of the performance results of Utenos Trikotažas AB for the first quarter of 2020

On 09/07/2020, announcement about the sale of the subsidiary in Latvia.

On 30/04/2020, announcement of the performance results for the first quarter of 2020.

On 28/04/2020, announcement of the decisions of the general shareholder meeting.

On 28/04/2020, announcement of annual information of Utenos Trikotažas AB for 2019.

On 23/04/2020, announcement of Utenos Trikotažas AB intention to retain most of its employees.

On 16/12/2020, announcement of conveyance of the Extraordinary General Meeting of Shareholders of Utenos Trikotažas AB. Draft resolutions of the General Meeting of the Shareholders of Utenos Trikotažas AB.

On 16/03/2020, announcement of the closure of stored during the quarantine, and continuing production activities.

On 28 February 2020, announcement of unaudited interim consolidated financial statements of Utenos Trikotažas AB of 2019.

On 24 February 2020, announcement of “Greenpeace”: Utenos Trikotažas AB became the first company in the world to fully comply with the organisation’s environmental standards.

On 22/01/2020, announcement of preliminary dates of activity results for 2020.

On 8 January 2020, announcement of disposal of voting rights.

On 8 January 2020, announcement of the communication regarding the transactions of the persons under the management of Utenos Trikotažas AB and the transactions of persons closely related to them, and their public disclosure.

On 7 January 2020, announcement of the acquisition of shares Utenos Trikotažas AB.

On 6 January 2020, announcement of changes in management of Utenos Trikotažas AB.

17 The Company's Operating Plans and Objectives

Sales in 2021 are planned to be maintained at the same level as in 2020. The development and production of new, innovative materials will remain one of the Company's top priorities. Utenos Trikotažas AB in 2017 officially joined the Greenpeace project "Detox", reaffirming its commitment to organic and clean production, and to eliminate the use of raw materials likely to have adverse effects on humans or the environment at all stages of the product life cycle by 2020. In the Company's strategy, strengthening of the organic production is one of the priority axis of its activities.

The Group's sale trends in 2021 due to the impact of COVID-19 are expected to be similar to those in 2020.

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

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

Priority axes for 2021:

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

18 Research and Development Activities

The Company and the Group did not carry out research.

19 Structure of the Issuer's Authorised Share Capital

As at 31 December 2020, 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 2020, the total number of shareholders of Utenos Trikotažas AB was 1,202.

The shareholders that owned or controlled more than 5 per cent of the Issuer's authorized share capital as at 31 December 2020 were as follows:

Shareholder's name	Company code	Address, country	Number of ordinary registered shares held (thousand)	Ownership interest in the authorized share capital (per cent)	Voting rights (per cent)
Koncernas SBA UAB	132206739	Upės st. 21, Vilnius, Lithuania	8,772	92.31	92.31
Other shareholders	-	-	731	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
		2020	2019	
Šatrija AB	Šatrijos st. 3, Raseiniai	89.78	89.78	Manufacture of wearing apparel
Gotija UAB	Laisvės st. 33, Kaunas	100.00	100.00	Retail
PAT MTF Mrija	Tomas Masarik 13, Mukachevo, Ukraine	98.95	98.95	Production of knitted articles
Utenas Trikotaža SIA	Cietokšna st. 60, Daugavpils, Latvia	-	100.00	Retail

On 9 July 2020, Utenos Trikotažas AB sold a subsidiary established in Latvia SIA Utenas Trikotāža for EUR 100. The private person who acquired this company established the first specialized Utenos Trikotažas store in Daugavpils, which operates on the basis of a franchise.

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	31/12/2020	31/12/2019	Change, per cent
Utenos Trikotažas AB	761	795	(4.3)
Šatrija AB	183	214	(14.5)
PAT MTF Mrija	136	139	(2.2)
Gotija UAB	1	3	(66.7)
Utenas Trikotaža SIA	-	-	-
	1,081	1,151	(6.1)

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

Company name	2020	2019	Change, per cent
Utenos Trikotažas AB	8,306	8,866	(6.3)
Šatrija AB	2,206	2,505	(11.9)
PAT MTF Mrija	482	706	(31.7)
Gotija UAB	5	35	(84.6)
Utenas Trikotaža SIA	3	-	
	11,002	12,112	(9.2)

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 of employees	Group			Company		
	2020	2019	Change, per cent	2020	2019	Change, per cent
Managers	5,166	5,949	(13.2)	9,951	11,081	(10.2)
Managers	1,863	1,365	36.4	2,527	1,947	29.8
Specialists	1,129	990	14.1	1,434	1,289	11.2
Workers	862	640	34.6	1,008	842	19.7
	953	789	20.8	1,208	1,048	15.2

The Company's employee distribution by education (according to data as at 31 December 2020):

Group of employees Group	Number of employees	Education level					
		Higher	Non-higher professional	Vocational	Secondary	Basic	Higher non-university
Managers	48	27	7	9	3	2	-
Specialists	157	74	51	19	3	3	7
Workers	556	10	40	150	163	162	31
	761	111	98	178	169	167	38

26 Management of the Group Companies

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

27 Management Incentives

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

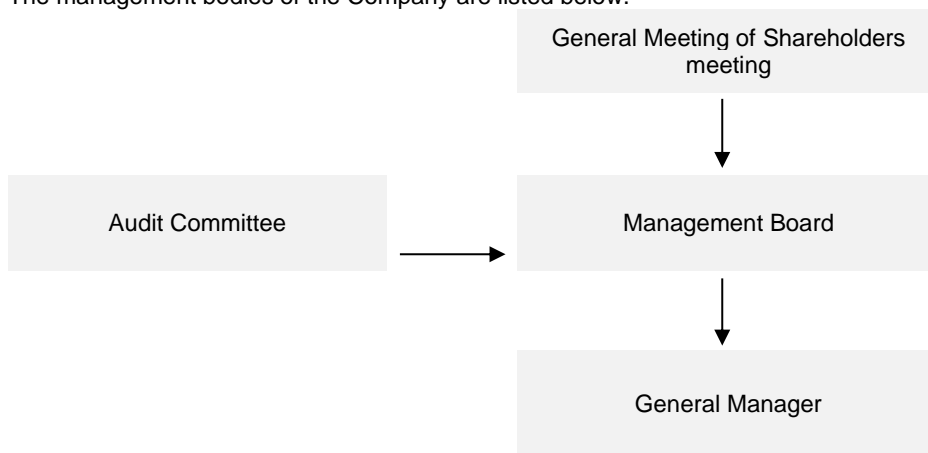
28 Amendment Procedure of the Issuer's Articles of Association

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

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 2020, the Audit committee held 7 (seven) meetings (on 13 February 2020, 30 March 2020 and 2 December 2020, 3 December 2020, 8 December 2020, 13 December 2020 and 22 December 2020). During the meetings, the Audit Committee considered the questions which fall under its competency.

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

Genadijus Makušėvas (b. 1959)

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

Education:

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

Workplace:

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

Participation in the management of other companies:

- Chairman of the Board of Grant Thornton Baltic UAB;
- Member of the Board of Association of Lithuanian Accounting Companies.

Arvydas Dalikas (b. 1954)

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

Education:

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

Workplace:

- MGI In salvo UAB audit company, the partner.

Participation in the management of other companies:

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

The Duties of the Audit Committee:

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

The Rights of the Audit committee:

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

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

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

As at 31 December 2020:

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	Arūnas Martinkevičius	-	28/04/2020	30/04/2021
Member of the Board	Dovilė Tamoševičienė	-	28/04/2020	30/04/2021
Member of the Board	Vytautas Vaškys	3	30/04/2013	30/04/2021
Member of the Board	Giedrius Grondskis	-	26/04/2017	30/04/2021
Head of Administration and the Chief Financial Officer				
General Manager	Petras Jašinskas	-	07/01/2020	-
Finance Director	Živilė Jonaitytė	-	02/03/2020	-
Audit Committee				
The independent auditor	Genadijus Makušėvas	-	30/04/2013	30/04/2021
The independent auditor	Arvydas Dalikas	-	26/04/2017	30/04/2021

The Chairman of the Board holds 90 per cent shares of Koncernas SBA UAB.

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

Information about board members:

Arūnas Martinkevičius (b. 1962)

Member of the board of Utenos Trikotažas AB from 28 April 2020 until 30 April 2021.

Education:

- Kaunas University of Technology, Bachelor's degree in Management

Workplace:

- Koncernas SBA UAB, president

Participation in the management of other companies:

- Koncernas SBA, the Chairman of the Board;
- SBA Baldų Kompanija UAB, the Board Member.

Dovilė Tamoševičienė (b. 1978)

Member of the board of Utenos Trikotažas AB from 28 April 2020 until 30 April 2021.

Education:

- Vilnius University, Master's degree in Economics

Workplace:

- Koncernas SBA UAB, Business Control Director

Participation in the management of other companies:

- Kauno Baldai AB, the Board Member
- Šatrija AB, the Board Member
- SBA Competence and Service Center UAB, the Board Member.

- Robotex UAB, the Board Member
- Klaipėdos Baldai AB, the Member of the Supervisory Board

Vytautas Vaškys (b. 1967)

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

Education:

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

Workplace:

Koncernas SBA UAB, the Business Risks Director.

Participation in the management of other companies:

- Enteco Baltic UAB, the Chairman of the Board
- Kauno Baldai AB, the Chairman of the Board
- Euromodus UAB, the Board Member
- Šatrija AB, the Board Member
- Urban Inventors UAB, the Board Member
- SBA Baldų Kompanija UAB, the Board Member
- MTF Mrija PAT, the Supervisory Board Member
- SBA Competence and Service Center UAB, the Board Member.

Giedrius Grondskis (b. 1973)

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

Education:

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

Workplace:

- Šatrija AB, the General Manager

Participation in the management of other companies:

- Kauno Baldai UAB, the Member of the Board

In 2020, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration.

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 2020 are disclosed in the notes to the financial statements of Utenos Trikotažas AB for the period ended as at 31 December 2020.

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 2020 with ERNST & YOUNG BALTIC UAB (company code 110878442, the registered address: Aukštaičių st. 7, Vilnius). The annual remuneration for the audit services is EUR 23,000 (twenty 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	Utenas Trikotaža SIA
Legal form	Private company
Registration date and place	2019, Cietokšņa st. 60, Daugavpils, Latvia
Company code	40203234380
Address	Cietokšņa st. 60, Daugavpils, Latvia
Telephone	+ 371 (656) 37547
Fax	-
E-mail	OutletDaugavpilis@ut.lt
Website	None
Principal activities	Retail trade in knitwear products

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

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

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

38 Diversity Policy

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

39 Corporate Governance

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

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

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

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

The Company publishes this information in 2020 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 2020.

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 2020 in the Annex to the Annual Report on Compliance with the Corporate Governance Code in 2020.

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

The Company provides information on the members of the Board of Company, the general manager in the Notes 26, 29, 30 of the Consolidate Annual Report for 2020, 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 Events After the Reporting Period

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

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

Petras Jašinskas, General Manager

30 March 2021

REMUNERATION STATEMENT

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 not receive any remuneration in 2019–2020. The General Manager of Utenos Trikotažas AB did not receive any Variable Part in 2019–2020. 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, 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.

Executive remuneration, 2019

Full name	Position	Fixed Part	Variable Part	Another financial remuneration	In total
Gintautas Rudis	Chairman of the Board	-	-	-	-
Vytautas Vaškys	Member of the Board	-	-	-	-
Giedrius Grondskis*	Member of the Board	88,327	23,000	-	111,327
Algirdas Šabūnas	The Board Member, General Manager	137,306	-	-	137,306

* 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 2020, the parent's remuneration fund amounted to EUR 8.32 million (2019: EUR 9.30 million). The total remuneration fund in 2020 amounted to EUR 11.02 million (in 2019: EUR 11.55 million). The tables below show the average monthly remuneration of employees in euros before taxes in 2016–2020 (Variable and Fixed Part). The number of employees is estimated as the full-time equivalent.

Employee category	2020		2019		2018		2017		2016	
	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	9,951	1	11,081	1	8,615	1	8,691	1	6,857
Managers	42	2,527	48	1,947	43	1,498	46	1,407	45	1,194
Specialists	128	1,434	142	1,289	135	936	139	842	121	775

Workers	496	1,008	554	842	531	663	536	616	516	567
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Average monthly salary of the parent's employees in EUR before taxes

** 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	2020		2019		2018		2017		2016	
	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	5,166	4	5,949	4	4,511	4	4,575	4	3,525
Managers	47	1,863	55	1,365	48	1,251	51	1,031	52	1,044
Specialists	153	1,129	177	990	170	725	172	655	148	578
Workers	737	862	869	641	840	585	844	556	817	556

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

Changes in the Company's and the Group's results during 2016–2020 (EUR'000)

Indicator	2020		2019		2018		2017		2016	
	Group	Parent	Group	Parent	Group	Parent	Group	Parent	Group	Parent
EBITDA (defined in section 7)	1,184	778	1,710	1,337	2,032	1,785	1,470	846	2,205	1,397
Net profit	(422)	(273)	763	1,798	1,141	571	301	2,235	1,053	569

APPENDIX TO THE ANNUAL REPORT

UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2020

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

PRINCIPLES/RECOMMENDATIONS	YES/NO/NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.		
1.1 A company should adopt and make public the company’s development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Relevant matters are made public in the Company’s internet site www.ut.lt , and on the websites of the Stock Exchange.
1.2 All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Every year the Company’s Board approves the plans of operation containing the description of the Company’s development strategy for 2 to 3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation. The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
1.3 A company’s supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the Board, the Audit Committee and the general manager (the Supervisory Board has not been set up).
1.4 A company’s supervisory and management bodies should ensure that the rights and interests of persons other than the company’s shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company’s operation, are duly respected.	Yes	The Company has a collective employment contract in place. The Board every quarter review employee related social questions.
Principle II: The Corporate Governance Framework The Corporate Governance Framework should ensure the strategic guidance of the company, the effective oversight of the company’s management bodies, an appropriate balance and distribution of functions between the company’s bodies, protection of the shareholders’ interests.		
2.1 Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – the General Meeting of Shareholders and the general manager, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The Supervisory Board has not been set up, however, the General Meeting of Shareholders has elected the Board. The Company’s general manager and the member of the Board is not one and the same person.
2.2 A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company’s management bodies.	Yes	The functions described in the recommendation are fulfilled at the Company by a collegial management body – the Board.

<p>2.3 Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the Supervisory Board. In such a case, the Supervisory Board is responsible for the effective monitoring of the functions performed by the company's general manager.</p>	<p>No</p>	<p>Only one collegial body has been set up – the Board.</p>
<p>2.4 The collegial supervisory body to be elected by the General Meeting Of Shareholders should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.</p>	<p>Yes</p>	<p>No comments.</p>
<p>2.5 A company's management and supervisory bodies should comprise such number of Board (executive directors) and Supervisory Board's members (non-executive directors) that no individual or small group of individuals can dominate decision-making on the part of these bodies.</p>	<p>Yes</p>	<p>The Company's Board consists of 4 members. The head of the company is not the member of the Board</p>
<p>2.6 Non-executive directors or members of the Supervisory Board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated, however, this procedure should not be easier than the removal procedure for an executive director or a member of the Management Board.</p>	<p>Not applicable</p>	<p>There are no non-executive directors and the Supervisory Board.</p>
<p>2.7 Chairman of the collegial body elected by the General Meeting of Shareholders may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a Supervisory Board but rather the Board, it is recommended that the chairman of the Board and general manager of the company should be a different person. Former company's general manager should not be immediately nominated as the chairman of the collegial body elected by the General Meeting of Shareholders. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.</p>	<p>Yes</p>	<p>The Company does observe the recommendations. The Company has not set up the Supervisory Board, and the chairman of the Board has never been in the past and currently is not the Company's general manager.</p>

Principle III: The order of the formation of a collegial body to be elected by the General Meeting of Shareholders

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

<p>3.1 The mechanism of the formation of a collegial body to be elected by the General Meeting of Shareholders (hereinafter in this Principle referred to as "the collegial body") should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.</p>	<p>Yes</p>	<p>A collegial management body is set up in accordance with the requirements of the Lithuanian Law on Companies, and the shareholders are notified of candidates to become members of the Company's collegial management body.</p>
<p>3.2 Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the General Meeting of Shareholders so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>This information on candidates to the board was disclosed to the shareholders together with the notification on convening the General Meeting of Shareholders (in accordance with the requirements of the Lithuanian Law on Companies), which involved the election of members to the Board, and the agenda of the General Meeting of Shareholders.</p> <p>The required information about the Board members is disclosed in Note 29 of the Company's annual report.</p>

<p>3.3 Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>Information published about the Board members in the annual report: education, occupation, participation in the management of the other companies.</p>
<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgement and experience to complete their tasks properly. The members of the Audit Committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	<p>Yes</p>	<p>The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.</p>
<p>3.5 All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organisation and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>Newly appointed members by collegial body are acquainted with their duties, the Company's organization and operations.</p>
<p>3.6 In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>	<p>No</p>	<p>During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.</p>
<p>3.7 A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with a company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> (1) He/she is not an executive director or member of the Board (if a collegial body elected by the General Meeting of Shareholders is the Supervisory Board) of the company or any associated company and has not been such during the last five years; (2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; (3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); (4) He/she is not a controlling shareholder or representative of such shareholder (control as 	<p>No</p>	<p>All members of the Management Board work in the companies related with the controlling shareholder.</p>

<p>defined in the Council Directive 83/349/EEC Article 1 Part 1);</p>		
<p>(5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>(6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>(7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the Board (if a collegial body elected by the general Meeting of Shareholders is the Supervisory Board) is non-executive director or member of the Supervisory Board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>(8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>(9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the Meeting of Shareholders is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>	<p>No</p>	
<p>3.8 The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he/she cannot be considered independent due to special personal or company-related circumstances.</p>	<p>No</p>	<p>During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.</p>
<p>3.9 Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>No</p>	<p>During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.</p>
<p>3.10 When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, a company should require independent members to have their independence periodically re-confirmed.</p>	<p>No</p>	<p>During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.</p>
<p>3.11 In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from a company's funds. The General Meeting of Shareholders should approve the amount of such remuneration.</p>	<p>No</p>	<p>During the whole practice of the Company no remunerations to the members of a collegial body for their work and participation in the meetings of the collegial body were paid. Information is disclosed in Note 25 to the financial statements.</p>

Principle IV: The duties and liabilities of a collegial body elected by the General Meeting of Shareholders		
The Corporate Governance Framework should ensure proper and effective functioning of the collegial body elected by the General Meeting of Shareholders, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.		
4.1 The collegial body elected by the General Meeting of Shareholders (hereinafter in this Principle referred to as "the collegial body") should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	No comments.
4.2 Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of a company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of a company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or the Audit Committee and, if necessary, respective company-not-pertaining body (institution).	Yes	No comments.
4.3 Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The Board members responsibly carries duties of collegial body.
4.4 Where decisions of a collegial body may have a different effect on the Company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the Company's affairs, strategies, risk management and resolution of conflicts of interest. The Company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Company's Articles of Association define the procedure of co-operation between a collegial body and the shareholders in accordance with the Lithuanian Law on Companies.
4.5 It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.
4.6 The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. A company should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	No	A member of the Board is the head of the direct controlling shareholder and the ultimate controlling shareholder of the company

<p>4.7 Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and the Audit Committees. Companies should ensure that the functions attributable to the nomination, remuneration, and the Audit Committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>During the whole practice of the Company, the independence of the Board members has not been subject to any assessments so far.</p> <p>The rights and duties of the Audit Committee are provided in the Audit Committee's regulations, confirmed during shareholder's meeting on 26 April 2017.</p>
<p>4.8 The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless, the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes</p>	<p>The Audit Committee acts in accordance with the approved regulations of the Audit Committee.</p>
<p>4.9 Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when a company chooses not to set up a Supervisory Board, the Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>Yes</p>	<p>The Audit committee is composed of 2 independent members.</p>
<p>4.10 Authority of each of the committees should be determined by the collegial body. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. The Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>No</p>	<p>Yes – the Audit Committee acts in accordance with the approved regulations of the Audit Committee.</p> <p>The annual report does not include committees' reports.</p>

<p>4.11 With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p>	<p>Yes</p>	<p>The Audit Committee has the right to invite the Company's Manager, members of the Board, the Chief Financier, other employees responsible for finances, as well as external auditors to attend its meetings.</p>
<p>4.12 Nomination committee 4.12.1 The key functions of the Nomination Committee should be the following: (1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The Nomination Committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. The Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of a company; (2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; (3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; (4) Properly consider issues related to succession planning; (5) Review the policy of the management bodies for selection and appointment of senior management. 4.12.2 The Nomination Committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Meeting of Shareholders is the Supervisory Board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the Nomination Committee.</p>	<p>No</p>	<p>There is no Nomination Committee.</p>
<p>4.13 The Remuneration Committee. 4.13.1 Key functions of the Remuneration Committee should be the following: (1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; (2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the Committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; (3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; (4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); (5) Make general recommendations to the executive directors and members of the management bodies on the level</p>	<p>No</p>	<p>There is no Remuneration Committee.</p>

<p>and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2 With respect to stock options and other share-based incentives which may be granted to directors or other employees, the Committee should:</p> <p>(1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>(2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>(3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3 Upon resolution of the issues attributable to the competence of the Remuneration Committee, the Committee should at least address the chairman of the collegial body and/or general manager of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14 The Audit Committee.</p> <p>4.14.1 Key functions of the Audit Committee should be the following:</p> <p>(1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>(2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>(3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>(4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the General Meeting of Shareholders) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>(5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the Committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the Committee;</p> <p>(6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2 All members of the Committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The company's</p>	<p>Yes</p>	<p>The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.</p>

<p>management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case, a special consideration should be given to the company's operations in offshore centres and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3 The Audit Committee should decide whether participation of the chairman of the collegial body, general manager of the company, chief financier (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4 Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose, the Audit Committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5 The Audit Committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The Audit Committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the Company and its Group. The Committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6 The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7 The Audit Committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15 Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>No comments.</p>

Principle V: The working procedure of the company’s collegial bodies		
The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company’s bodies.		
5.1 The company’s supervisory and management bodies (hereinafter in this Principle the concept “collegial bodies” covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body, including order and working atmosphere during the meeting.	Yes	No comments.
5.2 It is recommended that meetings of the company’s collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company’s supervisory board should be convened at least once in a quarter, and the company’s board should meet at least once a month.	Yes	The Board meetings are held at least once in a quarter or more often, if necessary.
5.3 Members of the collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	No comments.
5.4 In order to co-ordinate operation of the company’s collegial bodies and ensure effective decision-making process, chairpersons of the company’s collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company’s Board should be free to attend meetings of the company’s Supervisory Board, especially where issues concerning removal of the Board members, their liability or remuneration are discussed.	Not applicable	Not applicable, since only the Board has been set up.

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

<p>6.4 Procedures of convening and conducting the General Meeting of Shareholders should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the General Meeting of Shareholders should not hinder wide attendance of the shareholders. Prior to the General Meeting of Shareholders, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Meeting of Shareholders and receive answers to them.</p>	<p>Yes</p>	<p>No comments.</p>
<p>6.5 It is recommended that documents on the course of the General Meeting of Shareholders, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the General Meeting of Shareholders after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>	<p>Yes</p>	<p>The Company is in compliance with the Law on Companies and its Articles of Association.</p>
<p>6.6 Shareholders should be furnished with the opportunity to vote in the General Meeting of Shareholders in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	<p>Yes</p>	<p>No comments.</p>
<p>6.7 With a view to increasing the shareholders' opportunities to participate effectively at the General Meeting of Shareholders, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in General Meeting of Shareholders via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch the General Meeting of Shareholders by means of modern technologies.</p>	<p>No</p>	<p>The Company has no technical possibilities to use modern technologies in voting process during the General Meeting of Shareholders to ensure the protection of shareholders' rights due to uncertainty in legal regulation.</p>

Principle VII: Prevention and disclosure of conflicts of interest

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

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

7.3 Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4 Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	A member of the Board is the head of the direct controlling shareholder and the ultimate controlling shareholder of the company

Principle VIII: Company's remuneration policy

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

8.1 A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual report. Remuneration statement should also be posted on the company's website.	Yes	The remuneration statement is being prepared. Information on remuneration in the regulatory sections required by law is provided in the annual reports.
8.2 Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	The remuneration statement is both prepared and made public in a form as set forth herein.
8.3 Remuneration statement should leastwise include the following information: (1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; (2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; (3) Sufficient information on the linkage between the remuneration and performance; (4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; (5) A description of the main characteristics of supplementary pension or early retirement schemes for directors; the remuneration statement should not entail the disclosure of information of a commercially sensitive nature.	Yes	The remuneration statement is both prepared and made public in a form as set forth herein.
8.4 Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	Yes	The remuneration statement is both prepared and made public in a form as set forth herein.
8.5 The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the Remuneration Committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Meeting of Shareholders.	No	Information is not disclosed.

<p>8.6 Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Meeting of Shareholders. Remuneration statement should be put for voting in the Annual General Meeting of Shareholders. The vote may be either mandatory or advisory.</p>	Yes	No comments.
<p>8.7 Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1 The following remuneration and/or emoluments-related information should be disclosed:</p> <p>(1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the Annual General Meeting of Shareholders;</p> <p>(2) The remuneration and advantages received from any undertaking belonging to the same group;</p> <p>(3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</p> <p>(4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</p> <p>(5) Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</p> <p>(6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points 1–5.</p> <p>8.7.2 As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <p>(1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>(2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>(3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>(4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.7.3 The following supplementary pension schemes-related information should be disclosed:</p> <p>(1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>(2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.7.4 The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	Yes	The remuneration statement is both prepared and made public in a form as set forth herein.

<p>8.8 Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of the Annual General Meeting of Shareholders by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in the Annual General Meeting of Shareholders. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	
<p>8.9 The following issues should be subject to approval by the Annual General Meeting of Shareholders:</p> <ol style="list-style-type: none"> (1) Grant of share-based schemes, including share options, to directors; (2) Determination of maximum number of shares and main conditions of share granting; (3) The term within which options can be exercised; (4) The conditions for any subsequent change in the exercise of the options, if permissible by law; (5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. <p>The Annual General Meeting of Shareholders should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	<p>Not applicable</p>	
<p>8.10 Should national law or the company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	<p>Not applicable</p>	<p>The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.</p>
<p>8.11 Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Meeting of Shareholders.</p>	<p>Not applicable</p>	
<p>8.12 Prior to the Annual General Meeting of Shareholders that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	<p>Not applicable</p>	

<p>Principle IX: The role of stakeholders in corporate governance</p> <p>The Corporate Governance Framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.</p>		
<p>9.1 The Corporate Governance Framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company has a collective employment contract in place. The chairman of the Trade union is invited to join monthly production meetings and other major management discussions of the Company.</p>
<p>9.2 The Corporate Governance Framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>		
<p>9.3 Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

<p>Principle X: Disclosure</p> <p>The Corporate Governance Framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</p>		
<p>10.1 The company should disclose information on:</p> <ol style="list-style-type: none"> 1) The financial and operating results of the company; 2) The company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company’s supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company’s regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. <p>This list should be considered as a minimum list and companies are encouraged not to limit themselves to disclosing the information contained in this list.</p> <p>10.2 It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3 It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, general manager of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company’s supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company’s supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4 It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company’s policy with regard to human resources, employee participation schemes in the company’s share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	<p>No</p>	<p>All information, except for certain items (see the note below), is disclosed in the Company’s annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange.</p> <p>Note:</p> <p>The information mentioned in Recommendation 10.4 is not published.</p>

<p>10.5 Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	<p>Yes</p>	<p>Information is posted on the websites of the Vilnius Stock Exchange and the Company.</p>
<p>10.6 Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	<p>Yes</p>	<p>Information is posted on the websites of the Vilnius Stock Exchange and the Company.</p>
<p>10.7 It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	<p>Yes</p>	<p>This information is available on the websites of the Stock Exchange and the Company.</p>

<p>Principle XI: Selection of the company's audit firm</p> <p>The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.</p>		
<p>11.1 An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	<p>Yes</p>	
<p>11.2 It is recommended that the audit firm would be proposed to the General Meeting Of Shareholders by the Supervisory Board or, if the Supervisory Board is not formed at the company, by the Management Board of the company.</p>	<p>Yes</p>	<p>The Company is in compliance with this recommendation, where the Company's board proposes a candidate firm of auditors to the general meeting of shareholders.</p>
<p>11.3 It is recommended that the Company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the Company. The audit firm is being selected according to the procedure, laid out in the Public Procurement Law of the Republic of Lithuania, the selected audit firm is proposed to the General Shareholder Meeting by the Company's Board.</p>	<p>Yes</p>	<p>Throughout audit engagement period, there were no any other services provided except for the audit of the financial statements and translation services.</p>