



**UTENOS TRIKOTAŽAS AB**

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS,  
CONSOLIDATED ANNUAL REPORT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018

**UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus Str. 122, Utena, Lithuania**  
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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## 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 2018, 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 2018 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (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

## How the matter was addressed in the audit

### Recoverability of investment, loans granted and trade receivables from subsidiary

Investment and loans granted to subsidiary Mrija PAT MTF and receivables from the subsidiary before impairment allowance amount to EUR 6.870 thousand and after impairment allowance to EUR 1.788 thousand in the statements of financial position of the Company as of 31 December 2018. The Company's management performed an impairment test of these assets based on the value in use estimation as disclosed in Note 4 to the financial statements. This annual impairment test was significant to our audit as it involves management judgment in making the assumptions related to cash flows forecasts and discount rate used in the value in use estimations as disclosed in Note 4. Furthermore, the investments, loans granted and related trade receivables after impairment allowance represent more than 9% of the total assets of the Company as of 31 December 2018.

We gained an understanding of how management evaluate recoverability of investments, loans granted and trade receivables. Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Company. We involved a valuation specialist to assist us with the assessment of the discount rate used by the management in the impairment test. We considered other significant assumptions used by the management in the estimation of cash flows forecasts by comparing revenues and costs to historical performance levels and growth rates. We assessed whether future cash flows, amongst others, were based on the strategic and business plans and other relevant developments in the business of the cash generating unit (hereinafter - CGU). We tested the sensitivity in the available headroom of the CGU considering if a possible change in assumptions could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates. Finally, we evaluated the adequacy of the Company's disclosures included in Note 4 about the assumptions used in the impairment test and the outcome of the test.

### Determination of the carrying value of the buildings

As of 31 December 2018 the Company and the Group had buildings of EUR 3.778 thousand and EUR 6.816 thousand respectively (as of 31 December 2017 - EUR 4.221 thousand and EUR 3.072 thousand respectively). The Company and the Group has a policy of recording buildings at revalued amounts. Independent valuations are undertaken if there is an indicator that the fair value has changed significantly. Prior to this financial year the last independent valuation was carried out in 2013.

The Management has identified indications that the fair value of buildings may have been changed significantly and decided to perform an independent valuation of buildings as of 31 December 2018.

Valuation of buildings is a key audit matter due to its financial magnitude and judgement involved in the assessment of the value of these assets. The judgment relates to the valuation methods used and the assumptions included in each of those methods.

As part of our audit procedures, we obtained independent valuation reports, assessed the competence, objectivity and independence of the independent valuers used. We involved EY valuation specialists who assisted us in reviewing the valuation reports and assessing whether the valuation approach was in accordance with professional valuation standards and suitable for determining the fair value of buildings. We discussed with the management and understood the key assumptions used in the valuation, as well as additionally compared these assumptions used by the Management with the publicly available information on real estate market situation and developments. We compared the buildings in the property, plant and equipment registers to those valued to ensure that all buildings had been revalued and accounted for correctly in accordance with the requirements set in International accounting standard 16, Property, plant and equipment. In addition we have assessed the adequacy of the Group's and the Company's disclosures included in Note 4 and 7.



## Key audit matters

## How the matter was addressed in the audit

### Inventory net realizable value and allowance for obsolescence

Inventories of the Company and the Group amount to EUR 6.249 thousand and EUR 6.721 thousand respectively before impairment allowance and to EUR 5.678 thousand and EUR 5.827 thousand, respectively, after impairment allowance in the statements of financial position as of 31 December 2018. This is material to our audit since it is a material amount for the Company and the Group comprising 28-26 % of the Company's and the Group's total assets, and requires management judgment in assessing if this is lower than the net realizable value at year-end. There is also management judgment required in determining inventory obsolescence allowance as these are based on obsolescence rates and assessing if the impairment allowance level is adequate as disclosed in Note 10 of the accompanying financial statements.

We gained an understanding of how management evaluates inventory net realizable value and provision 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. Finally, we have evaluated the adequacy of the Group's and the Company's disclosures included in Note 10.

### Other information

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

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

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

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

- The financial information included in the Company's and Group's Annual Report, including Corporate Governance Report, corresponds to the financial information included in the financial statements for the year ended 31 December 2018; and
- The Company's and Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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



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

#### Report on Other Legal and Regulatory Requirements

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

##### Appointment and approval of the auditor

In accordance with the decision made by Shareholders we have been appointed to carry out the audit of Company's financial statements and Group's consolidated financial statements the first time on 18 April 2011. Our appointment to carry out the audit of Company's financial statements and Group's consolidated financial statements in accordance with the decision made by Shareholders has been renewed annually and the period of total uninterrupted engagement is 8 years.

##### Consistency with the audit report submitted to the audit committee

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

##### Non audit services

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

Throughout our audit engagement period, we have not provided to the Company and the Group any other services except for the audit of the financial statements and translation services (note 20).

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

28 March 2019

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus str. 122, Utena, Lithuania  
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
 (All amounts are in EUR thousand, unless otherwise stated)

**Statements of financial position**

		Group		Company	
		31 December		31 December	
Notes		2018	2017	2018	2017
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	6	655	661	249	68
Property, plant and equipment	7	9 661	6 979	6 130	5 346
Investment property	8	90	106	90	106
Investments into subsidiaries	9	-	-	1 550	1 550
Receivables from subsidiaries	25	-	-	1 788	2 137
Deferred income tax asset	23	104	63	-	-
		<b>10 510</b>	<b>7 809</b>	<b>9 807</b>	<b>9 207</b>
<b>Current assets</b>					
Inventories	10	5 827	6 853	5 678	6 726
Trade receivables	11	2 419	1 715	2 081	1 445
Contract assets	2.21, 11	2 416	-	2 328	-
Other current assets	12	339	502	277	370
Cash and cash equivalents	13	703	675	120	205
		<b>11 704</b>	<b>9 745</b>	<b>10 484</b>	<b>8 746</b>
<b>Total assets</b>		<b>22 214</b>	<b>17 554</b>	<b>20 291</b>	<b>17 953</b>

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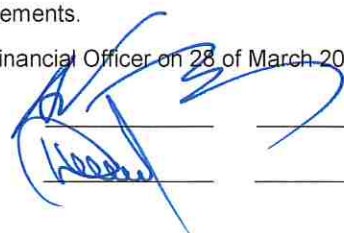
**Statements of financial position (cont'd)**

		<b>Group</b>		<b>Company</b>	
		<b>31 December</b>		<b>31 December</b>	
	<b>Notes</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the shareholders of the Company</b>					
Share capital	14	2 756	2 756	2 756	2 756
Legal reserve	15	574	574	574	574
Revaluation reserve	15	4 340	3 107	2 303	1 709
Reserve for acquisition of own shares	15	90	90	-	-
Foreign currency conversion reserve	15	936	142	-	-
Change in cash flow risk hedge reserve	15	(4)	(21)	(4)	(21)
Accumulated retained earnings		2 150	528	3 731	2 672
		<b>10 842</b>	<b>7 176</b>	<b>9 360</b>	<b>7 690</b>
<b>Non-controlling interest</b>	25	<b>319</b>	<b>260</b>	-	-
<b>Total equity</b>		<b>11 161</b>	<b>7 436</b>	<b>9 360</b>	<b>7 690</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	16	379	2 836	379	2 836
Borrowings from subsidiaries	16, 25	-	-	1 200	1 061
Deferred income tax liabilities	23	822	390	374	270
Derivative financial instruments	15	-	10	-	10
Provisions for employee benefits	17	240	309	188	260
		<b>1 441</b>	<b>3 545</b>	<b>2 141</b>	<b>4 437</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	16	2 871	860	2 871	860
Current financial liabilities	25, 16	1 239	-	1 240	200
Derivative financial instruments	15	13	19	13	19
Trade payables	25	2 577	2 668	2 498	2 649
Payables to other related parties and subsidiaries		36	239	57	221
Contract liability		94	-	115	-
Income tax payables		4	37	-	12
Accrued expenses and other current liabilities	18	2 778	2 750	1 996	1 865
		<b>9 612</b>	<b>6 573</b>	<b>8 790</b>	<b>5 826</b>
<b>Total liabilities</b>		<b>11 053</b>	<b>10 118</b>	<b>10 931</b>	<b>10 263</b>
<b>Total equity and liabilities</b>		<b>22 214</b>	<b>17 554</b>	<b>20 291</b>	<b>17 953</b>

The notes on pages 16 to 76 are an integral part of these financial statements.

These financial statements were approved by General Manager and Financial Officer on 28 of March 2019.

General Manager Algirdas Šabūnas  
Chief Accountant Daiva Mikulėnė



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**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(All amounts are in EUR thousand, unless otherwise stated)

**Statements of comprehensive income**

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2018	2017	2018	2017
Revenue from contracts with customers	2.21,5	30 457	-	26 971	-
Sales	2.21,5	-	25 843	-	22 556
Cost of sales	19	(24 601)	(20 774)	(21 997)	(18 606)
<b>Gross profit</b>		<b>5 856</b>	<b>5 069</b>	<b>4 974</b>	<b>3 950</b>
Selling expenses	20	(2 037)	(2 010)	(1 916)	(1 908)
General and administrative expenses	20	(2 739)	(2 527)	(1 933)	(1 856)
Other operating income	21	138	120	52	44
Other operating expenses	21	(18)	(7)	(11)	(4)
<b>Operating profit</b>		<b>1 200</b>	<b>645</b>	<b>1 166</b>	<b>226</b>
Financial income	22	225	116	108	2 192
Financial costs	22	(274)	(389)	(668)	(169)
<b>Profit before tax</b>		<b>1 151</b>	<b>372</b>	<b>606</b>	<b>2 249</b>
Income tax	23	(10)	(71)	(35)	(14)
<b>Net profit</b>		<b>1 141</b>	<b>301</b>	<b>571</b>	<b>2 235</b>
<b>Net profit attributable to:</b>					
Equity holders of the Company		1 107	274	571	2 235
Non-controlling interest	25	34	27	-	-
		<b>1 141</b>	<b>301</b>	<b>571</b>	<b>2 235</b>
<b>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>					
Foreign currency conversion gain		799	24	-	-
Result from cash flow change risk hedging		17	22	17	22
<b>Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</b>		<b>816</b>	<b>46</b>	<b>17</b>	<b>22</b>

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## Statements of comprehensive income (cont'd)

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2018	2017	2018	2017
<b>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>					
Actuarial gains (losses) from the pensions reserve	17	77	40	77	40
Revaluation of buildings		1 764	-	750	-
Income tax effect of revaluation of buildings		(440)	-	(112)	-
<b>Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>1 401</b>	<b>40</b>	<b>715</b>	<b>40</b>
<b>Other comprehensive income (loss) for the year, net of tax</b>		<b>2 217</b>	<b>86</b>	<b>732</b>	<b>62</b>
<b>Total comprehensive income (loss) for the year, net of tax</b>		<b>3 358</b>	<b>387</b>	<b>1 303</b>	<b>2 297</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Equity holders of the Company		3 299	359	1 303	2 297
Non-controlling interest		59	28	-	-
		<b>3 358</b>	<b>387</b>	<b>1 303</b>	<b>2 297</b>
<u>Basic/diluted earnings per share</u>	24	0.12	0.03	-	-

The notes on pages 16 to 76 are an integral part of these financial statements.

General Manager Algirdas Šabūnas

Chief Accountant Daiva Mikulėnė

## Statements of changes in equity

### Group

Notes	Equity attributable to the equity holders of the Company								Non-controlling interest	Total equity
	Share capital	Legal reserve	Revaluation reserve	Reserve for acquisition of own shares	Foreign currency conversion reserve	Other reserves	Accumulated retained earnings/(losses)	Total		
<b>Balance as of 31 December 2016</b>	<b>2 756</b>	<b>574</b>	<b>3 173</b>	<b>269</b>	<b>119</b>	<b>(43)</b>	<b>(41)</b>	<b>6 807</b>	<b>466</b>	<b>7 273</b>
Net profit for the year	-	-	-	-	-	-	274	274	27	301
Other comprehensive income	-	-	-	-	23	22	40	85	1	86
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>22</b>	<b>314</b>	<b>359</b>	<b>28</b>	<b>387</b>
Reserve for acquisition of own shares	-	-	-	(179)	-	-	179	-	-	-
Non-controlling interest acquisition	-	-	-	-	-	-	10	10	(51)	(41)
Reduction of non-controlling interest of share capital and dividend payments	-	-	-	-	-	-	-	-	(183)	(183)
Revaluation reserve transfer to retained earnings	-	-	(66)	-	-	-	66	-	-	-
<b>Balance as at 31 December 2017</b>	<b>2 756</b>	<b>574</b>	<b>3 107</b>	<b>90</b>	<b>142</b>	<b>(21)</b>	<b>528</b>	<b>7 176</b>	<b>260</b>	<b>7 436</b>
Impact of application of IFRS 15	-	-	-	-	-	-	367	367	-	367
<b>Balance as at 1 January 2018 (restated)</b>	<b>2 756</b>	<b>574</b>	<b>3 107</b>	<b>90</b>	<b>142</b>	<b>(21)</b>	<b>895</b>	<b>7 543</b>	<b>260</b>	<b>7 803</b>
Net profit for the year	-	-	-	-	-	-	1 107	1 107	34	1 141
Other comprehensive income	-	-	1 304	-	794	17	77	2 192	25	2 217
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1 304</b>	<b>-</b>	<b>794</b>	<b>17</b>	<b>1 184</b>	<b>3 299</b>	<b>59</b>	<b>3 358</b>
Revaluation reserve transfer to retained earnings	-	-	(71)	-	-	-	71	-	-	-
<b>Balance as at 31 December 2018</b>	<b>2 756</b>	<b>574</b>	<b>4 340</b>	<b>90</b>	<b>936</b>	<b>(4)</b>	<b>2 150</b>	<b>10 842</b>	<b>319</b>	<b>11 161</b>



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Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Revaluation reserve	Other reserves	Accumulated retained earnings/ (losses)	Total equity
<b>Balance as of 31 December 2016</b>	2.14, 3.2	<b>2 756</b>	<b>574</b>	<b>1 751</b>	<b>(43)</b>	<b>355</b>	<b>5 393</b>
Net profit for the year		-	-	-	-	2 235	2 235
Other comprehensive income		-	-	-	22	40	62
<b>Total comprehensive income (loss)</b>		-	-	-	<b>22</b>	<b>2 275</b>	<b>2 297</b>
Transfer of revaluation reserve to retained earnings		-	-	(42)	-	42	-
<b>Balance as of 31 December 2017</b>		<b>2 756</b>	<b>574</b>	<b>1 709</b>	<b>(21)</b>	<b>2 672</b>	<b>7 690</b>
Impact of application of IFRS 15	2.21	-	-	-	-	367	367
<b>Balance as at 1 January 2018 (restated)</b>		<b>2 756</b>	<b>574</b>	<b>1 709</b>	<b>(21)</b>	<b>3 039</b>	<b>8 057</b>
Net profit for the year		-	-	-	-	571	571
Other comprehensive income	7, 15, 17	-	-	638	17	77	732
<b>Total comprehensive income (expenses)</b>		-	-	<b>638</b>	<b>17</b>	<b>648</b>	<b>1 303</b>
Transfer of Revaluation reserve to retained earnings		-	-	(44)	-	44	-
<b>Balance as of 31 December 2018</b>		<b>2 756</b>	<b>574</b>	<b>2 303</b>	<b>(4)</b>	<b>3 731</b>	<b>9 360</b>

The notes on pages 16 to 76 are an integral part of these financial statements.

General Manager

Algirdas Šabūnas

Chief Accountant

Daiva Mikulėnė

UTENOS TRIKOTAŽAS AB, company code 183709468, J. Basanavičiaus str. 122, Utena, Lithuania  
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
(All amounts are in EUR thousand, unless otherwise stated)

**Statements of cash flows**

		Group Year ended 31 December		Company Year ended 31 December	
	Notes	2018	2017	2018	2017
<b>Cash flows from operating activities</b>					
Net profit for the year		1 141	301	571	2 235
<b>Adjustments for non-cash items:</b>					
Depreciation and amortization	7	854	825	664	620
(Gain) from disposal of property, plant and equipment and investment property	21	-	(14)	-	(21)
Impairment and write-off (reversal) of amounts receivable		4	78	504	72
Impairment and write-off (reversal) of goodwill and property, plant and equipment		200	-	-	-
Impairment and write-off of inventories	10, 20	100	153	100	153
Elimination of financial (income) costs	22	75	297	60	(2 023)
Income tax expenses	23	10	49	35	14
<b>Changes in working capital:</b>					
(Increase) decrease in inventories		1 293	(2 790)	1 315	(2 753)
(Increase) decrease in trade receivables		(708)	(554)	(640)	(813)
(Increase) decrease in contract asset		(2 416)	-	(2 328)	-
(Increase) decrease in non-current receivables from subsidiaries		-	1	(91)	(8)
Decrease (increase) in other receivables and other current assets		163	463	93	456
Increase (decrease) in contract liabilities		94	-	115	-
Increase (decrease) in trade and other accounts payable		11	1 826	107	1 539
Increase (decrease) in taxes payable and other current liabilities	18	(372)	125	(277)	(10)
Income tax (paid)		(46)	(71)	(55)	(18)
<b>Net cash generated from (to) operating activities</b>		<b>403</b>	<b>689</b>	<b>173</b>	<b>(557)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	7	(831)	(820)	(641)	(563)
Acquisition of intangible assets and prepayments	6	(223)	(29)	(223)	(29)
Proceeds from sale of property, plant and equipment		-	15	-	13
Investments in subsidiaries (acquisition)		-	-	-	(41)
Interest received	22	-	-	-	11
Dividends received		-	-	10	37
<b>Net cash flows generated (to) investing activities</b>		<b>(1 054)</b>	<b>(834)</b>	<b>(854)</b>	<b>(572)</b>

Continued on the next page

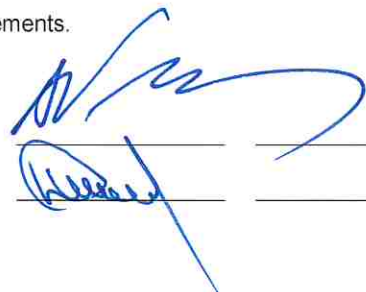
## Statements of cash flows (cont'd)

	Notes	Group Year ended 31 December		Company Year ended 31 December	
		2018	2017	2018	2017
<b>Cash flows from financing activities</b>					
Borrowings received		1 653	650	1 793	1 850
Repayment of borrowings		(860)	(738)	(1 060)	(977)
Interest paid	22	(114)	(98)	(137)	(137)
Other payments to non-controlling interest	1	-	(183)	-	-
Acquisition of non-controlling interest		-	(41)	-	-
<b>Net cash flows (to) from financing activities</b>		<b>679</b>	<b>(410)</b>	<b>596</b>	<b>736</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>28</b>	<b>(555)</b>	<b>(85)</b>	<b>(393)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>675</b>	<b>1 230</b>	<b>205</b>	<b>598</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>703</b>	<b>675</b>	<b>120</b>	<b>205</b>

The notes on pages 16 to 76 are an integral part of these financial statements.

General Manager Algirdas Šabūnas

Chief Accountant Daiva Mikulėnė



## Notes to the financial statements

### 1. General information

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 2018 and 2017, the shareholders of the Company were as follows:

	2018		2017	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB Koncernas SBA	7 821	82.31	7 294	76.76
Algirdas Šabūnas	950	10	950	10
Investment Fund East Capital Asset Management	-	-	527	5.55
Other shareholders	732	7.69	732	7.69
	<b>9 503</b>	<b>100</b>	<b>9 503</b>	<b>100</b>

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

As at 31 December 2018 the number of employees of the Company was 793 (as at 31 December 2017, 791).

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

	Registered address	Group's share (%) as at 31 December		Activity
		2018	2017	
Šatrija AB	Šatrijos g. 3, Raseiniai	89.78	89.78	Sewing of clothes
Gotija UAB	Laisvės al. 33, Kaunas	100	100	Retail trade
PAT MTF Mrija"	Matrosovo 13, Mukačevs, Ukraina	98.95	98.95	Production of knitted articles

As at 31 December 2018 the number of employees of the Group was 1 164 (31 December 2017 – was 1 124).



## 1. General information (cont'd)

The Company's management authorised these financial statements on 28 March 2019. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them 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 that have been measured at revalued amounts and derivative financial instruments accounted at fair value.

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

#### **IFRS 9 Financial Instruments**

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The management has applied the standard and evaluated that the application of the standard did not have material impact on the Company's and the Group's financial statements, which is disclosed in Note 2.11

#### **IFRS 15 Revenue from Contracts with customers**

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers irrespective of income-bearing contract type or entity. Standard requirements are applied in recognition and assessment of income or loss from a particular non-financial asset that is not attributable to the Company's usual activities, rendering (for example, rendering of non-current assets or intangible assets). Explicit information has to be rendered, including the general amount of income classification to component; information about operating liabilities; balances of changes in contract assets and liabilities within periods of time and the principal decisions as well as accounting assessment. The management has applied the standard and evaluated that the application of the standard had impact on the Company's and the Group's results, which is disclosed in Note 2.22.

#### **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The management has applied the clarification's and evaluated that there did not have material impact on the Company's and the Group's performance results in addition to the impact of IFRS 15, which is disclosed in Note 2.21

#### **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendment of the standard did not have material impact on the Company's and the Group's financial statements as the management evaluated that the Company and the Group does not have any share based transaction payments.

#### **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The management concluded that the application of the amendments did not have material impact on the Company's and the Group's financial statements as there were no changes in the amendment of the use of the Company's and the Group's investment property

## 2. Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

#### **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Company's management has evaluated that adoption of the standards had no material impact to the Company's and the Group's financial statements as the Company and the Group did not have any non-monetary assets or non-monetary liabilities arising from prepayment received or made.

The IASB has issued the **Annual Improvements to IFRS 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The management has evaluated that the improvements will have no material impact on the Company's and the Group's financial statements as the Company does not apply international financial reporting standards for the first time and the Company did not have any new investments to associates or joint ventures.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

#### **Standards issued but not yet effective**

##### **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentational and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exceptions. Lessor accounting remains substantially unchanged. The Company's management has evaluated that adoption of the standard will have no material impact to the Company's and the Group's financial statements.

##### **Amendment in 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**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this amendment.

##### **IFRS 9: Prepayment features with negative compensation (Amendment)**

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The management has not yet evaluated the impact of the implementation of this amendment.

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

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. 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 (cont'd)

### 2.1 Basis of preparation (cont'd)

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

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

#### **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of this interpretation.

#### **IFRS 3: Business Combinations (Amendments)**

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

#### **IAS 1 Presentational 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. These Amendments have not yet been endorsed by the EU. The Company's management has not yet evaluated the impact of the implementation of these amendments.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The Group/Company has not yet evaluated the impact of the implementation of these improvements.

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

#### **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.

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

## **2. Summary of significant accounting policies (cont'd)**

### **2.2 Business combinations and consolidation**

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, 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 IAS 39 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 then the reporting date is assessed for impairment.

### **2.3 Segment reporting**

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

### **2.4 Measurement and presentational currency**

#### *(a) Functional and presentational currency*

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

#### *(b) Transactions and balances*

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

Monetary assets and liabilities denominated in foreign currencies are converted based on their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Differences arising on settlement or conversion of monetary items are recognised in profit or loss with the exception of monetary items that are designated as the Group's net investment of a foreign subsidiary. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges attributable to exchange differences on those monetary items are also recorded in other comprehensive income (OCI).

#### *(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).



## **2. Summary of significant accounting policies (cont'd)**

### **2.4 Measurement and presentational currency**

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

- (i) assets and liabilities for each statement of financial position presented are converted at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are converted 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 converted 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 entity and converted at the closing rate.

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

### **2.5 Derivative financial instruments**

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

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

### **2.6 Hedge accounting**

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

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

The Group and the Company use cash flow hedge.

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

The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income 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.

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 the statement of comprehensive income.

## **2. Summary of significant accounting policies (cont'd)**

### **2.6 Hedge accounting (cont'd)**

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

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

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates) and the terms of electricity forwards matches the terms of the highly probable forecast electricity purchase (i.e., notional amount, maturity). 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 an entity include the carrying amount of goodwill relating to the entity sold.

#### **(b) Computer software**

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

### **2.8 Property, plant and equipment**

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

Any increase in value of buildings is recorded in the revaluation reserve, except for the cases and only at the amount recovering the revaluation decrease of the same asset that was previously recognised as expenses. In this case it is recognised as income. Any decrease is first set off against increase in the value of the same asset from the previous valuation, and only the remaining difference is recognised as expenses. At a write - off or depreciation of revalued assets, the respective part of the Revaluation reserve is transferred from the revaluation reserve directly to retained earnings. 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.

The remaining property, plant and equipment is 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 (cont'd)**

### **2.8 Property, plant and equipment (con't)**

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

Buildings	10 – 80 years
Structures	15 – 25 years
Vehicles	4 – 7 years
Machinery	5 – 15 years
Other property, plant and equipment	2 – 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 expensed in financial activity expenses 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 recognized 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 of 40 to 70 years using the straight-line method to write off the cost of each asset to its residual value. Depreciation of investment property is included into other operating expenses caption.

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 into 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 (cont'd)**

### **2.10 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are tested annually for impairment. Assets that are subject to amortization 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**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018, no practical expedients have been used. The Company has not restated the comparative information, which continues to be reported under IAS 39.

A financial instrument is any 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 (cont'd)

### 2.11 Financial assets and financial liabilities (cont'd)

#### Subsequent measurement

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

- a) Amortised cost (debt instruments)
- b) Fair value through other comprehensive income OCI with recycling of cumulative gains and losses upon derecognition (debt instruments). The Group/Company did not have such items as at 31 December 2018 and 2017.
- c) Fair value through other comprehensive income OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group/Company did not have such items as at 31 December 2018 and 2017.
- 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 and contract assets (if any).

#### Financial assets through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (according to IFRS9). 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 the statement of profit or loss (Note 2.5).

#### Impairment of financial assets

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

##### 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 (cont'd)

### 2.11 Financial assets and financial liabilities (cont'd)

#### a) Impairment of trade receivables (cont'd)

The Company/Gruop is also making allowances on individual assessment basis for certain debtors. The Company has identified that the loss rates are less than 0.2% from total receivables, after considering forward looking estimates it was decided that these do not have impact on loss rates.

#### 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. Moreover, the Company evaluates the impairment of loans granted by calculating discounted cash flows that the lessee will probably earn in the future and will be able to repay debts with them (Note 4).

### 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/Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and finance lease liabilities.

#### Subsequent measurement

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

#### Financial liabilities at fair value through profit or loss

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

#### Loans and other payables

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

#### Offsetting of financial instruments

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



## 2. Summary of significant accounting policies (cont'd)

### 2.11 Financial assets (cont'd)

#### Impact of application of IFRS 9 as at 1 January 2018

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group/Company. Trade receivables and other non-current and current financial assets (i.e., Loans) classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018. The Group continued to measure financial assets and liabilities at fair value, hitherto accounted at fair value according to 39 IAS except if the financial instruments were attributed to hedging instruments used in hedging relationships as it is stated in IFRS 9 and IAS 39. There were no changes in classification and assessment of the Group's/Company's financial liabilities.

As described above, the adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. Upon adoption of IFRS 9 the Company has not recognised additional impairment on the Company's trade receivables and contract assets, long term receivables and loans granted as according to the management, with regard to the Group's and the Company's client solvency and amount payments, and the potential impact of future factors, the assessed possible losses are not significant.

Upon initial application, all hedging relationships of the Group/Company met the criteria to be considered as continuing hedging relationships, therefore, no changes in risk component identification or subsequens reclassifications through profit or loss was made.

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

##### Financial liabilities

A financial liability is derecognised only when the obligation under the liability is discharged, cancelled or expires. When a present financial liability is swapped with other liability to the same lessor, although, upon other conditions or when the present liability terms are substantially changed, this change is recognised as initial derecognition and establishment of a new liability. The difference between respective balances is recognised in the statement of comprehensive income.

#### **Financial assets (before 1 January 2018)**

The Group's and the Company's financial assets comprise trade and other receivables, loans granted and investments into subsidiaries.

All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

##### **(a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method. The Company and the Group assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other amounts receivables is described in Note 4.

## **2. Summary of significant accounting policies (cont'd)**

### **2.11 Financial assets (cont'd)**

#### **(b) Investments in subsidiaries**

The Company's investments in subsidiaries are stated at cost less impairment in separate financial statements. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell and value in use. Amounts receivable from subsidiary are tested for impairment jointly with investments into the subsidiary.

#### **Financial assets are reviewed for impairment at each reporting date (before 1 January 2018)**

For financial assets carried at amortised cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

In relation to trade and other receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group and the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

In relation to investments in subsidiaries impairment loss is recognised in the statement of comprehensive income as general and administrative expenses.

### **2.12 Inventories**

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

### **2.13 Cash and cash equivalents**

Cash and cash equivalents are carried at nominal value.

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

### **2.14 Share capital**

#### **(a) Ordinary shares**

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

#### **(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. Summary of significant accounting policies (cont'd)

### 2.15 Reserves

#### (a) Legal reserve

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

#### (b) Revaluation reserve

A Revaluation reserve is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, when new revaluated amount is higher than net book value previously recognised impairment for the asset accounted in statement of comprehensive income, the increase in value of revaluated amount which not exceed recognized impairment is recognised in statement of comprehensive income or profit. 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.

An annual transfer from the asset revaluation reserve 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. Additionally, 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 reserve relating to the particular asset being sold is transferred to retained earnings.

#### (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 conversion reserve

The foreign currency conversion reserve is used for conversion 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 conversion reserve is recognised as income or expenses in the same period when the gain or loss of disposal is recognised.

#### (e) Cash flow hedge reserve

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

### 2.16 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 method. Gains and losses are recognised in the statement of comprehensive income when trade liabilities are written-off or amortised.

### 2.17 Borrowing costs

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

## 2. Summary of significant accounting policies (cont'd)

### 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 2018 of the Group's subsidiaries that operate in Lithuania is taxable at a rate of 15 % (15 % in 2017), corporate income tax rate in Ukraine is 18 % (18 % in 2017).

In accordance with tax legislation of the Republic of Lithuania, starting from 1 January 2008, taxable losses, except for losses related to transfer of securities and (or) financial instruments may be carried forward for an unlimited period. Starting 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, starting from 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.

### 2.19 Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### (a) Financial lease - the Company or the Group is the lessee

Leases of property, plant and equipment when the Company or the Group has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and financial charges so as to achieve a constant rate on the financial balance outstanding. The corresponding rental obligations, net of financial charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under financial leases is depreciated over the shorter of the asset's useful life and the lease term.

## **2. Summary of significant accounting policies (cont'd)**

### **2.19 Lease**

b) Operating lease - the Company or the Group is the lessee or the lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease. 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. Property (land and buildings) leased out under operating leases are included in investment property in the statement of financial position (Note 2.9).

### **2.20 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 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 or the Group recognises a liability and an 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 Lithuanian Job Code, 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 an expenses on a straight-line basis over the average period until the benefits become vested.

Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred.

Employee benefit obligations are calculated based on actuarial assumptions, using the projected unit method. Remeasurements, comprising 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. Summary of significant accounting policies (cont'd)

### 2.21 Revenue recognition

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive additional disclosures presented in the financial statements.

The Company and the Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to contracts that are not completed as at 1 January 2018. The Company and Group did not apply any additional practical measures.

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

#### Statement of comprehensive income for the year 2018

##### Group

	<u>Amounts in EUR according to:</u>		
	<u>2018, according to IFRS 15</u>	<u>2018, according to IAS 11 and IAS 18</u>	<u>Increase/ (decrease)</u>
Sales	-	30 897	(30 897)
Revenue from contracts with customers	30 457	-	30 457
Cost of goods sold	(24 601)	(24 983)	382
<b>Profit</b>	<b>5 856</b>	<b>5 914</b>	<b>(58)</b>
Sales expenses	(2 037)	(2 037)	-
General and administrative expenses	(2 739)	(2 739)	-
Income from other activities	138	138	-
Expenses from other activities	(18)	(18)	-
<b>Operating profit</b>	<b>1 200</b>	<b>1 258</b>	<b>(58)</b>
Financial income	225	225	-
Financial expenses	(274)	(274)	-
<b>Income (loss) before tax</b>	<b>1 151</b>	<b>1 209</b>	<b>1 209</b>
Income tax	(10)	(10)	-
<b>Net profit (loss) for the year</b>	<b>1 141</b>	<b>1 199</b>	<b>(58)</b>
<b>Net profit (loss) attributable to:</b>			
To shareholders of the Company	1 107	1 165	(58)
Non-controlling interest	34	34	-

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Revenue recognition (cont'd)

#### Statement of comprehensive income for the year 2018

Company	Amounts in EUR according to:		
	2018, according to IFRS 15	2018, according to IAS 11 and IAS 18	Increase/ (decrease)
Sales	-	27 411	(27 411)
Revenue from contracts with customers	26 971	-	26 971
Cost of goods sold	(21 997)	(22 379)	382
<b>Profit</b>	<b>4 974</b>	<b>5 032</b>	<b>(58)</b>
Sales expenses	(1 916)	(1 916)	-
General and administrative expenses	(1 933)	(1 933)	-
Income from other activities	52	52	-
Expenses from other activities	(11)	(11)	-
<b>Operating profit</b>	<b>1 166</b>	<b>1 224</b>	<b>(58)</b>
Financial income	108	108	-
Financial expenses	(668)	(668)	-
<b>Income (loss) before tax</b>	<b>606</b>	<b>664</b>	<b>(58)</b>
Income tax	(35)	(35)	-
<b>Net profit (loss) for the year</b>	<b>571</b>	<b>629</b>	<b>(58)</b>
<b>Net profit (loss) attributable to:</b>			
To shareholders of the Company	<b>571</b>	<b>629</b>	<b>(58)</b>
Non-controlling interest	-	-	-

2. Summary of significant accounting policies (cont'd)

2.21 Revenue recognition (cont'd)

Statement of financial position as at 31 December 2018

Balance in EUR according to:

Group	Notes	2018, according to IFRS 15	2018, according to IAS 11 and IAS 18	Increase/ (decrease)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	6	655	655	-
Non-current tangible assets	7	9 661	9 661	-
Investment assets	8	90	90	-
Investments into subsidiaries	9	-	-	-
Trade and other receivables		-	-	-
Receivables from subsidiaries	25	-	-	-
Deferred income tax assets	23	104	104	-
		<b>10 510</b>	<b>10 510</b>	<b>-</b>
<b>Current assets</b>				
Inventories	10	5 827	7 846	(2 019)
Trade receivables	11	2 419	2 419	-
Contract assets	2.21	2 416	-	2 416
Other current assets	12	339	427	(88)
Current financial assets	12	-	-	-
Cash and cash equivalents	13	703	703	-
		<b>11 704</b>	<b>11 395</b>	<b>309</b>
<b>Total assets</b>		<b>22 214</b>	<b>21 905</b>	<b>309</b>

**2. Summary of significant accounting policies (cont'd)**

**2.21 Revenue recognition (cont'd)**

**Statement of financial position as at 31 December 2018**

**EQUITY AND LIABILITIES**

**Equity, owned by shareholders of the Company**

		Accord- ing to IFRS 15	According to IAS 11 and IAS 18	Increase (decrease)
Share capital	14	2 756	2 756	-
Legal reserve	15	574	574	-
Revaluation reserve	15	4 340	4 340	-
Reserve for acquisition of own shares	15	90	90	-
Foreign exchange recalculation reserve	15	936	936	-
Reserve of change in cash flows	15	(4)	(4)	-
Hedge reserve			-	-
Retained earnings (losses)		2 150	1 841	309
		<b>10 842</b>	<b>10 533</b>	<b>309</b>
<b>Non-controlling interest</b>	25	<b>319</b>	<b>319</b>	-
<b>Total equity</b>		<b>11 161</b>	<b>10 852</b>	<b>309</b>

**LIABILITIES**

**Non-current liabilities**

Borrowings	16	379	379	-
Borrowings from subsidiaries	16, 25	-	-	-
Deferred income tax liability	23	822	822	-
Derivative financial instruments	15	-	-	-
Employee benefit provisions	17	240	240	-
		<b>1 441</b>	<b>1 441</b>	-

**Non-current liabilities**

Current portion of borrowings	16	2 871	2 871	-
Current finansiniai liabilities	25	1 239	1 239	-
Derivative financial instruments	15	13	13	-
Trade payables		2 577	2 577	-
Payables to other related parties and subsidiaries	25	36	36	-
Income tax payable		4	4	-
Contract liability		94	-	94
Accrued expenses and other current liabilities	18	2 778	2 872	(94)
		<b>9 612</b>	<b>9 612</b>	-
<b>Total liabilities</b>		<b>11 053</b>	<b>11 053</b>	-
<b>Total equity and liabilities</b>		<b>22 214</b>	<b>21 905</b>	<b>309</b>

2. Summary of significant accounting policies (cont'd)

2.21 Revenue recognition (cont'd)

**Statement of financial position as at 31 December 2018**

Balance in EUR according to:

Company	Notes	2018, according to IFRS 15	2018, according to IAS 11 and IAS 18	Increase (decrease)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	6	249	249	-
Non-current tangible assets	7	6 130	6 130	-
Investment assets	8	90	90	-
Investments into subsidiaries	9	1 550	1 550	-
Trade and other receivables		-	-	-
Receivables from subsidiaries	25	1 788	1 788	-
Deferred income tax assets	23	-	-	-
		<b>9 807</b>	<b>9 807</b>	<b>-</b>
<b>Current assets</b>				
Inventories	10	5 678	7 697	(2 019)
Trade receivables	11	2 081	2 081	-
Contract assets	2.21	2 328	-	2 328
Other current assets	12	277	277	-
Cash and cash equivalents	13	120	120	-
		<b>10 484</b>	<b>10 175</b>	<b>309</b>
<b>Total assets</b>	<b>21</b>	<b>20 291</b>	<b>19 982</b>	<b>309</b>



## 2. Summary of significant accounting policies (cont'd)

### 2.21 Revenue recognition (cont'd)

#### Statement of financial position as at 31 December 2018

##### EQUITY AND

##### LIABILITIES

##### Equity, owned by shareholders of the Company

	Accord- ing to IFRS 15	According to IAS 11 and IAS 18	Increase/ (decrease)
Share capital	2 756	2 756	-
Legal reserve	574	574	-
Revaluation reserve	2 303	2 303	-
Reserve for acquisition of own shares	-	-	-
Foreign exchange recalculation reserve	-	-	-
Reserve of change in cash flows	(4)	(4)	-
Hedge reserve	3 731	3 422	309
Retained earnings (losses)	9 360	9 051	309
<b>Non-controlling interest</b>	-	-	-
<b>Total equity</b>	<b>9 360</b>	<b>9 051</b>	<b>309</b>

##### LIABILITIES

##### Non-current liabilities

Borrowings	1 200	1 200	-
Borrowings from subsidiaries	374	374	-
Deferred income tax liability	-	-	-
Derivative financial instruments	188	188	-
Employee benefit provisions	2 141	2 141	-

##### Non-current liabilities

Current portion of borrowings	16	2 871	2 871	-
Current finansiniai liabilities	25	1 240	1 240	-
Derivative financial instruments	15	13	13	-
Trade payables		2 498	2 498	-
Payables to other related parties and subsidiaries	25	57	57	-
Contract liabilities		115	-	115
Income tax payable		-	-	-
Accrued expenses and other current liabilities	18	1 996	2 111	(115)
		<b>8 790</b>	<b>8 790</b>	<b>-</b>
<b>Total liabilities</b>		<b>10 931</b>	<b>10 931</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>20 291</b>	<b>19 982</b>	<b>309</b>

## 2. Summary of significant accounting policies (cont'd)

### 2.21 Revenue recognition (cont'd)

#### Revenue from contracts with clients

The main activity of the Company and the Group is production of knitted articles and working clothes production for particular orders of the clients. The service includes the full process of production from making yarns to preparation of fully finished production. Revenue from contracts with clients is only recognized when the control of goods or services is transferred to the client 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 make income from sales of goods with their brand and from other commercial activities. This type of revenue, in comparison with knitted article production for particular orders from clients, is relatively not significant. This type of revenue is recognised when the control over goods is transferred to the client and the goods are transferred at a particular time.

#### Knitted article and working clothes production for particular orders from clients

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

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

The Company and the Group supplies their production to clients only if they are fully finished. The Company and the Group distributes contract price over the course of the article production with regard to relative cost of separate production level sales.

The Company has performed an analysis and evaluated that the Company and the Group fulfils their performance obligation described in contracts with clients through a period of time (not on a set time) due to the following reasons:

- The Company and the Group, does not create an alternatively usable asset while providing article production services;
- The Company and the Group have an unconditional right to remuneration for partly-produced articles.

Calculating the income and cost accruing to them, the management uses the expected expenses and expected margin method. According to managing and production accounting data, a production completion state of expected expenses at every stage of production (calculating what portion of expected product cost is reached at a particular production stage). The calculations are completed by adding the applied margin to the calculated relative incomplete production level at separate production stages. Thus, the calculated income amount is accounted in the statement of comprehensive income under revenue from contracts with customers and assets arising from contracts with clients is accounted in the statement of comprehensive income under sales costs. Costs related to this income amount are reflected in the statement of comprehensive income under sales costs caption.

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 assessments that have significant impact on amounts presented in financial statements. According to the management, the most significant assessments and uncertainties related to them arising while calculating and recognising revenue from contracts with clients are related to:

- The used product margin, expected to be earned (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 to the recognition of other impact, such as the existence of significant financial components, non-monetary payments, discounts applied, return of products, etc. None of these terms appear in the Company's and the Group's contracts with clients, and according to the management, they are not significant in application of IFRS 15. Due to IFRS 15 implementation, the Company and the Group did not capitalize the costs of signing or pursuing contracts and did not recognize as assets due to the insignificance of such asset.

## **2. Summary of significant accounting policies (cont'd)**

### **2.21 Revenue recognition (cont'd)**

#### **Contract assets, accrued income**

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

If the Company and the Group transfers 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. Please see description of accrued revenue above. Contract assets – accrued revenue – at the end of production cycle (usually within 60 days) after fulfilling contractual liabilities and issuing an invoice, is accounted as trade receivable.

#### **Contract liabilities- prepayments received**

Contract liabilities consist of prepayments received from customers for services to rendered or goods to be sold in the future. As of 31 12 2017 these amounts were accounted for under the item of accrued expenses and other current liabilities.

#### **Trade receivables**

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

##### **a) 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.

##### **b) Dividend income**

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

##### **c) 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 2.20).

#### **Revenue recognition until 1 January 2018**

Revenue is recognised at fair value equal to the received or receivable remuneration for goods sold or services provided, as the Company and the Group performs its usual activities, less VAT, returned goods and discounts.

##### **d) Sales of goods**

Revenue from sales of goods is recognised only when substantially all risks and benefits arising from ownership of goods are transferred to the customer and amount of revenue can be estimated reliably.

##### **e) Sewing services**

Revenue from sales of sewing services is recognized when service is provided. At the year-end revenues from customer specific sewing orders in progress are recognized by the reference to the stage of completion.

##### **f) 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.

## **2. Summary of significant accounting policies (cont'd)**

### **2.21 Revenue recognition (cont'd)**

#### **g) Dividend income**

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

#### **h) 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 21).

### **2.23 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.

### **2.24 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.

### **2.25 Non-current assets held for sale**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group 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.

### **2.26 Subsequent events**

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

### **2.27 Current versus non-current classification**

The Group and the Company presents 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
- It is 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.

### 3. Financial risk management

#### 3.1 Financial risk factors

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

	Group 31 December		Company 31 December	
	2018	2017	2018	2017
<b>Financial assets reported in the statements of financial position</b>				
<b>Borrowings and receivables, at amortised cost</b>				
Non-current amounts receivable from subsidiaries except for prepayments	-	-	1 035	1 495
Trade receivables contract assets (Note 11)	4 835	1 715	4 409	1 445
Cash	703	675	120	205
	<b>5 538</b>	<b>2 390</b>	<b>5 564</b>	<b>3 145</b>
	Group 31 December		Company 31 December	
	2018	2017	2018	2017
<b>Financial liabilities reported in the statements of financial position</b>				
<b>Financial liabilities measured at amortised cost</b>				
Borrowings	4 489	3 696	4 489	3 696
Borrowings from subsidiaries	-	-	1 200	1 061
Current financial liabilities	-	-	1	200
Trade payables	2 577	2 668	2 498	2 649
Amounts payable to subsidiaries	-	-	21	4
Amounts payable to other related parties	36	239	36	217
Accrued expenses and other current liabilities, other payables (Note 18)	909	874	665	546
<b>Financial liabilities at fair value through profit or loss upon initial recognition</b>				
Derivative short term and long term financial instruments	13	29	13	29
	<b>8 024</b>	<b>7 506</b>	<b>8 923</b>	<b>8 402</b>

### 3. Financial risk management (cont'd)

#### 3.1 Financial risk factors (cont'd)

##### (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 incurred a foreign exchange loss amounting to EUR 171 thousand during the year ended 31 December 2018 (2017: incurred a foreign exchange loss amounting to EUR 573 thousand) due to fluctuations in the official exchange rate of Ukrainian hryvnia (UAH) to EUR set by the National Bank of Ukraine.

Foreign exchange risk for the Group's and the Company's activity is reduced by matching sales transactions and accounts receivable dominated in euro to purchase transactions, accounts payable and borrowings denominated in euro.

From the beginning of the 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 loans granted, related interests and other long term receivables as a part of net investment in Mrija PAT MTF, 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 2017, and 2018. Amount of monetary items attributed to net investment amounts to EUR 3.5 million as of 31 December 2018 and 2017 and foreign currency exchange difference related to this amount for the year 2018 comprises EUR 171 thousand (EUR 573 thousand in 2017), the difference is accounted in the Group's consolidated financial statements through other comprehensive income.

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

	31 December 2018	31 December 2017
Foreign currency exchange difference on monetary items attributed to net investments	(171)	573
Foreign currency conversion reserve on other items	970	(550)
<b>Total comprehensive income</b>	<b>799</b>	<b>23</b>

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

The following table demonstrates the sensitivity to a reasonably possible change in UAH exchange rate related to EUR, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the carrying value of monetary assets. The impact on the Group's pre-tax equity is due to changes in the carrying value of net investment. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in UAH rate with regard to EUR	Effect on profit before tax	Effect on pre-tax equity (excludes the impact from the change in results)
2018	+ 5 %	Decrease by 5 %	Decrease by 5 %
	- 5 %	Increase by 5 %	Increase by 5 %
2017	+ 5 %	Decrease by 5 %	Decrease by 5 %
	- 5 %	Increase by 5 %	Increase by 5 %



### 3. Financial risk management (cont'd)

#### 3.1 Financial risk factors (cont'd)

##### (ii) Cash flow interest rate risk

Borrowings with variable interest rates expose the Company and the Group to cash flow interest rate risk. Borrowings with variable interest rates of the Company and the Group in 2018, and 2017 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 (including financial lease payables) by the estimated interest rate shift. Except for the current year's profit (loss), there is no impact on the equity of the Group and the Company.

Based on the simulations performed, the impact of a 0.5 % increase/decrease in interest rates on the Company's and the Group's net result would be an increase/decrease at maximum of EUR 13 thousand (in 2017, EUR 17 thousand) and EUR 12 thousand (in 2017, EUR 16 thousand), respectively, mainly as a result of higher/lower interest expenses/income on borrowings and loans granted.

##### (b) Credit risk

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

##### i) Maximum exposure to credit risk

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

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

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents (Note 13)	703	675	120	205
Amounts receivable and contract assets (Note 11)	4 835	1 715	4 409	1 445
Non-current loans granted and amounts receivable except for prepayments (Note 25)	-	-	1 035	1 495
<b>Total</b>	<b>5 538</b>	<b>2 390</b>	<b>5 564</b>	<b>3 145</b>

##### ii) Credit quality of financial assets

Trade client 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.

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**3. Financial risk management (cont'd)**

**3.1 Financial risk factors (cont'd)**

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

	Group 31 December		Company 31 December	
	2018	2017	2018	2017
New trade customers (up to 12 months)	629	74	628	74
Current trade customers (more than 12 months) that fully fulfilled their obligations in the past	4 206	1 641	3 781	1 371
<b>Total</b>	<b>4 835</b>	<b>1 715</b>	<b>4 409</b>	<b>1 445</b>

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 clients based on similar previous credit loss risk experience. Calculations reflect the possibility to calculate the amount, money value in time, reasonable and predictable information on past events, current conditions and forecasts of expected economic conditions, that can be obtained at the physical financial statement date. Based on the performed analysis, The Company/Group assessed that its clients may be attributable to the low risk category.

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

	Group 31 December		Company 31 December	
	2018	2017	2018	2017
A rating	600	662	19	199
BBB+ rating	97	-	97	-
No rating	2	7	1	1
<b>Total</b>	<b>699</b>	<b>669</b>	<b>117</b>	<b>200</b>

\*Independent ratings established by Fitch agency.

as of 31 December 2018, the Company's non-current receivables and loans granted comprises of receivables only from PAT "Mrija" (Note 25).

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 31 December		Company 31 December	
	2018	2017	2018	2017
<b>Not past due receivables</b>	<b>4 170</b>	<b>1 307</b>	<b>3 854</b>	<b>1 137</b>
<b>Past due not impaired</b>				
Past due up to 30 days	428	333	346	233
Past due 31 – 60 days	5	58	5	58
Past due 61 – 180 days	24	3	24	3
Past due more than 181 days	208	14	180	14
<b>Total past due not impaired</b>	<b>665</b>	<b>408</b>	<b>555</b>	<b>308</b>
<b>Overdue and impaired</b>				
Past due up to 180 days	-	72	-	72
Past due more than 181 days	197	121	170	94
Impairment allowance for trade receivables	(197)	(193)	(170)	(166)
<b>Total accounts receivable and contract assets after impairment</b>	<b>4 835</b>	<b>1 715</b>	<b>4 409</b>	<b>1 445</b>

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**3. Financial risk management (cont'd)**

**3.1 Financial risk factors (cont'd)**

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

(c) Liquidity risk

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

Group's current assets exceeded its current liabilities by 2 092 thousand EUR as of 31 December 2018 (current assets exceeded current liabilities by EUR 3 172 thousand as at 31 December 2017). Group's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2018 were 1.22 and 0.61 respectively (1.48 and 0.44 as at 31 December 2017 respectively). Company's (AB Utenos trikotazas) current assets exceeded its current liabilities by 1 694 thousand as at 31 December 2018 (current assets exceeded current liabilities by EUR 2 920 thousand as at 31 December 2017). Company's liquidity (current assets / current liabilities) and quick ((current assets - inventory) / current liabilities) ratios as at 31 December 2018 were 1.19 and 0.55 respectively (1.50 and 0.35 as at 31 December 2017 respectively).

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

The amounts disclosed in the table are contractual undiscounted cash flows. 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 2018 and 2017, based on contractual undiscounted payments:

**Group**

<b>31 December 2018</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
Borrowings from the banks with future interest	282	2 389	374	3 045
Derivative financial instruments	13	-	-	13
Trade payables and other financial liabilities	2 613	-	-	2 613
<b>Balance as at 31 December 2018</b>	<b>2 908</b>	<b>2 389</b>	<b>374</b>	<b>5 671</b>

<b>31 December 2017</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
Borrowings from the banks with future interest	199	714	2 879	3 792
Derivative financial instruments	19	-	10	29
Trade payables and other financial liabilities	3 781	-	-	3 781
<b>Balance as at 31 December 2018</b>	<b>3 999</b>	<b>714</b>	<b>2 889</b>	<b>7 602</b>

**Company**

<b>31 December 2018</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
Borrowings from the banks with future interest	282	2 389	374	3 045
Payables for subsidiaries	-	1	1 246	1 247
Derivative financial instruments	13	-	-	13
Trade payables and other financial liabilities	2 555	-	-	2 555
<b>Balance as at 31 December 2018</b>	<b>2 850</b>	<b>2 390</b>	<b>1 620</b>	<b>6 860</b>

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**3. Financial risk management (cont'd)**

**3.1 Financial risk factors (cont'd)**

<b>31 December 2017</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
Borrowings from the banks with future interest	199	714	2 879	3 792
Payables for subsidiaries	-	200	1 100	1 300
Derivative financial instruments	19	-	10	29
Trade payables and other financial liabilities	3 416	-	-	3 416
<b>Balance as at 31 December 2018</b>	<b>3 634</b>	<b>914</b>	<b>3 989</b>	<b>8 537</b>

<b>Group</b>	<b>1 January 2018</b>	<b>Cash flows</b>	<b>Reclassification</b>	<b>Change in fair value</b>	<b>Interests for the year</b>	<b>31 December 2018</b>
Current portion of non-current borrowings	860	812	2 335	-	103	4 110
Non-current portion of borrowings	2 836	(133)	(2 335)	-	11	379
Derivative financial instruments	29	-	-	(16)	-	13
	<b>3 725</b>	<b>679</b>	<b>-</b>	<b>(16)</b>	<b>114</b>	<b>4 502</b>

<b>Company</b>	<b>1 January 2018</b>	<b>Cash flows</b>	<b>Reclassification</b>	<b>Change in fair value</b>	<b>Interests for the year and net-offs*</b>	<b>31 December 2018</b>
Current portion of non-current borrowings	1 060	613	2 335	-	103	4 111
Non-current portion of borrowings	3 897	(17)	(2 335)	-	34	1 579
Derivative financial instruments	29	-	-	(16)	-	13
	<b>4 986</b>	<b>596</b>	<b>-</b>	<b>(16)</b>	<b>137</b>	<b>5 703</b>

\* Net-off was made with dividends, loans received and interests payable.

<b>Group</b>	<b>1 January 2017</b>	<b>Cash flows</b>	<b>Reclassification</b>	<b>Change in fair value</b>	<b>Interests for the year</b>	<b>31 December 2017</b>
Current portion borrowings and interest	738	(836)	860	-	98	860
Non-current portion of borrowings and interest	3 046	650	(860)	-	-	2 836
Derivative financial instruments	52	-	-	(23)	-	29
	<b>3 836</b>	<b>(186)</b>	<b>-</b>	<b>(23)</b>	<b>98</b>	<b>3 725</b>

**3. Financial risk management (cont'd)**

### 3.1 Financial risk factors (cont'd)

Company	1 January 2017	Cash flows	Reclassification	Change in fair value	Interests for the year and net-offs*	31 December 2017
Current portion borrowings and interest	738	(875)	860	-	137	860
Other current financial borrowings	-	961	-	-	(761)	200
Derivative financial instruments	5 468	650	(860)	-	(1 361)*	3 897
	<b>6 206</b>	<b>736</b>	<b>-</b>	<b>-</b>	<b>(1 985)</b>	<b>4 957</b>

\* Net-off was made with dividends, loans received and interests payable.

### 3.2 Capital management

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

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

	Group		Company	
	31 December		31 December	
	2018	2017	2018	2017
Total borrowings	4 489	3 696	5 689	4 957
Less: cash and cash equivalents	(703)	(675)	(120)	(205)
Net debt	3 786	3 021	5 569	4 752
Total equity	11 161	7 436	9 360	7 690
<b>Total capital</b>	<b>14 947</b>	<b>10 457</b>	<b>14 929</b>	<b>12 442</b>

#### **Utenos trikotazas AB**

According to the Lithuanian 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 company) and the shareholders' equity should not be lower than 50 % of the company's registered share capital. As at 31 December 2018 and 2017, the Company and its subsidiaries registered in Lithuania complied with these requirements. Furthermore, the Group has to comply with Equity/Assets ratio identified in the loan agreement with bank (Note 16).

#### **Mrija PAT MTF**

The shareholders' equity of the subsidiary registered in Ukraine was negative as at 31 December 2018 and 31 December 2017. 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.

### 3. Financial risk management (cont'd)

#### 3.3 Fair value of financial assets and liabilities

Fair value is the price that would be received after selling an asset or paying 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 the 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.

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**3.3 Fair value of financial assets and liabilities (cont'd)**

Valuation of assets according to the fair value hierarchy levels:

31 December 2018	Group			Company		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets measured at fair value:</b>						
Investment property	-	-	162	-	-	162
Buildings	-	-	6 816	-	-	3 778
<b>Assets for which fair values are disclosed:</b>						
Receivable loans and other receivables from subsidiaries	-	-	-	-	-	1 055
Trade receivables and contract assets	-	-	4 835	-	-	4 409
Cash and cash equivalents (Note 13)	-	-	703	-	-	120
<b>Liabilities measured at fair value:</b>						
Derivative financial instruments	-	13	-	-	13	-
<b>Liabilities for which fair values are disclosed:</b>						
Borrowings from bank	-	-	4 489	-	-	4 489
Borrowings payable to subsidiaries	-	-	-	-	-	1 200
Current financial liabilities	-	-	-	-	-	1
Trade payables	-	-	2 577	-	-	2 498
Amounts payable to subsidiaries	-	-	-	-	-	21
Amounts payable to related parties	-	-	36	-	-	36
Accrued expenses and other current liabilities (Note 18)	-	-	909	-	-	665
<b>31 December 2017</b>						
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets measured at fair value:</b>						
Investment property	-	-	258	-	-	258
Buildings	-	-	4 221	-	-	3 072
<b>Assets for which fair values are disclosed:</b>						
Receivable loans and other receivables from subsidiaries	-	-	-	-	-	1 495
Trade receivables	-	-	1 715	-	-	1 445
Cash and cash equivalents	-	-	-	-	-	-
<b>Liabilities measured at fair value:</b>						
Derivative financial instruments	-	-	675	-	-	205
<b>Assets measured at fair value:</b>						
Investment property	-	29	-	-	29	-
<b>Liabilities with disclosed fair value</b>						
Borrowings from bank	-	-	3 696	-	-	3 696
Borrowings payable to subsidiaries	-	-	-	-	-	1 061
Trade payables	-	-	-	-	-	200
Amounts payable to subsidiaries	-	-	2 668	-	-	2 649
Amounts payable to related parties	-	-	-	-	-	4
Accrued expenses and other current liabilities and other payables (Note 18)	-	-	239	-	-	217
	-	-	874	-	-	546

The fair value of receivables from subsidiaries and loans granted to the subsidiary by the Company is estimated discounting expected cash flows at market interest rates (Note 4), management estimates that their fair value approximates carrying amounts as at 31 December 2018 and 2017, (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, it is deemed that fair value of loans received equals their carrying amount.



#### **4. Critical accounting estimates and judgements**

The Company and the Group make estimates and assumptions that affect the reported amounts of assets and liabilities within. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. As at 31 December 2018 and 2017, the management of the Group and the Company did not make any significant judgments. Estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

##### **Estimates of recoverable amounts of goodwill and investments in subsidiaries**

The Group annually tests whether group test 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 value-in-use calculations. These calculations require the use of significant estimates as outlined below.

##### **Investment in the subsidiary PAT MTF Mrija and related goodwill**

At the Group's consolidated financial statement level, cash generating unit, related to the subsidiary PAT "MTF Mrija" is comprised of the entity's property, plant and equipment, working capital and goodwill. "Utenos trikotažas", a cash generating unit at a separate financial statement level, related to the subsidiary PAT "MTF Mrija", is comprised of investment costs, loans granted and other receivables.

The Company's investment in PAT MTF Mrija, including loan granted and receivable amounts, amounted to EUR 6 870 thousand before impairment and to EUR 1 788 thousand after impairment as at 31 December 2018 and, respectively, EUR 6 718 thousand and EUR 2 173 thousand had an additional accounting of impairment of EUR 500 thousand for the loan granted (investment is already impaired by 100 %). The impairment is accounted for in the Company's statement of comprehensive income under financial expenses (Note 22)

Goodwill which is accounted in consolidated financial statements is related to PAT MTF Mrija. As at 31 December 2018, goodwill before impairment amounted to EUR 195 thousand, after the impairment it amounted to EUR 0 thousand. Impairment was accounted for in the statement of comprehensive income of the Group under general and administrative expenses (Note 20). As at 31 December 2017 goodwill was not impaired and its value amounted to EUR 184 thousand. In 2018, an additional impairment of non-current assets was formed amounting to EUR 20 thousand.

Previously described amounts of asset impairment were identified upon a result of cash-generating unit impairment test as at 31 December 2018, based on the calculated recoverable amount of cash-generating unit. Analogical impairment test was as well performed on 31 December 2017 (no impairment indication). As at 31 December 2018 and 2017, the recoverable amount of the cash generating unit was determined based on the value in use calculation using discounted cash flow projections. Cash flows are based on the forecast prepared by the management for the consecutive 5 years. The pre-tax discount rate of 30 % and 24 % in 2018 and 2017 was applied, respectively.

The following significant assumptions were used for the assessment of the value in use in 2018:

1. Based on the current market situation, experience from prior periods, increasing number of Group manufacturing orders and actions of the Group management to significantly increase manufacturing orders and manufacturing employees in PAT MTF Mrija in 2018 model assumptions of increase in revenue from manufacturing activities of PAT MTF Mrija by 58 % in 2019 comparing to 2018, by 8 % in 2020 comparing with 2019, by 5 % in 2021, comparing to 2020, and will grow by 2 % annually after 2021. Planned actions to attract and motivate new employees will allow to reach growth of manufacturing quantities, however due to that gross profit should decrease to 31-32 %.
2. Cash flows beyond the 5-year period were extrapolated using a 2 % growth rate that reflects the best estimate of the management based on the present situation of this business sector.

In the opinion of the Group's management, the most important and most sensitive assumptions are the discount rate and the revenue growth. The sensitivity analysis to these assumptions is provided below.

Increase of pre-tax discount rate applied to the discounted cash-flows by 1 % (i.e. from 30 % to 31 % with all other inputs remaining stable) would not result in an additional impairment loss on amount receivable from subsidiary as at 31 December 2018 and (investment would not change as it is impaired to zero). As at 31 December 2018, there would be no impairment of related goodwill in the Group's consolidated financial statements.

Reduction in revenue growth from manufacturing activities in 2019 by 29 % (i.e. from the forecasted 58 % to 29 %, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 233 thousand as at 31 December 2018 in the separate financial statements of the Company.

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**4. Critical accounting estimates and judgements (cont'd)**

Reduction in revenue growth from manufacturing activities in 2020 by 7,5 % (i.e. from 15 % to 7,5 %, with all other inputs remaining stable) would result in an additional impairment loss on amounts receivable from subsidiary amounting to EUR 73 thousand as at 31 December 2017 in the separate financial statements of the Company.

As of the date of these financial statements, the management of the Group do not expect any significant changes in assumptions used, including revenue growth and discount rate.

**Determination of the carrying value of the buildings**

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

**5. Segment information**

The Group has two main business segments: production of knitted articles (that includes the Company and its subsidiary PAT MTF Mrija) and production of working clothes (that includes subsidiary of the Company Satrija AB).

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

<b>2018</b>	<b>Production of knitted articles</b>	<b>Production of working clothes</b>	<b>Eliminations</b>	<b>Total</b>
External sales	27 079	3 378		30 457
Internal sales	922	-	(922)	-
<b>Total revenue</b>	<b>28 001</b>	<b>3 378</b>	<b>(922)</b>	<b>30 457</b>
<b>Gross profit</b>	<b>5 126</b>	<b>730</b>	-	<b>5 856</b>
<b>EBITDA</b>	<b>1 609</b>	<b>423</b>	-	<b>2 032</b>
<b>Profit</b>	<b>826</b>	<b>315</b>	-	<b>1 141</b>
Depreciation and amortization	696	136		832
Interest expenses	136	-	(22)	114
Income tax	34	(24)		10
<b>Total segment assets</b>	<b>20 128</b>	<b>2 086</b>		<b>22 214</b>
<b>Total segment liabilities</b>	<b>10 229</b>	<b>825</b>		<b>11 054</b>
<b>2017</b>	<b>Production of knitted articles</b>	<b>Production of working clothes</b>	<b>Eliminations</b>	<b>Total</b>
External sales	22 671	3 172	-	25 843
Internal sales	950	-	(950)	-
<b>Total revenue</b>	<b>23 621</b>	<b>3 172</b>	<b>(950)</b>	<b>25 843</b>
<b>Gross profit</b>	<b>4 320</b>	<b>749</b>	-	<b>5 069</b>
<b>EBITDA</b>	<b>1 006</b>	<b>464</b>	-	<b>1 470</b>
<b>Profit</b>	<b>19</b>	<b>282</b>	-	<b>301</b>
Depreciation and amortization	659	166	-	825
Interest expenses	137	-	(39)	98
Income tax	19	52	-	71
<b>Total segment assets</b>	<b>15 545</b>	<b>1 999</b>	-	<b>17 544</b>
<b>Total segment liabilities</b>	<b>9 143</b>	<b>975</b>	-	<b>10 118</b>

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**5. Segment information (con't)**

	<b>2018</b>	<b>2017</b>
<b>EBITDA</b>	<b>2 032</b>	<b>1 470</b>
Depreciation and amortization	(832)	(825)
<b>Operating profit</b>	<b>1 200</b>	<b>645</b>
Interest expenses	(114)	(98)
Other financial cost, net	65	(175)
<b>Profit for the year before income tax</b>	<b>1 151</b>	<b>372</b>

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

**Company's revenues based on activity:**

	<b>2018</b>	<b>2017</b>
Sales of goods ordered	22 133	17 280
Company brands (About, Utena)	3 812	3 525
Sales of services	434	186
Other sales	592	1 565
	<b>26 971</b>	<b>22 556</b>

The Group's and the Company's revenue from the main customers in 2018, and 2017 was as follows:

<b>Customer</b>	<b>Region</b>	<b>Group</b>		<b>Company</b>	
		<b>Percentage of total sales (%)</b>		<b>Percentage of total sales (%)</b>	
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Customer 1	Western Europe	11	11	13	13
Customer 2	Western Europe	7	8	8	9

Revenue from these customers is attributed to production of knitted articles segment.  
The table below summarizes the Group's and the Company's revenues geographically:

<b>2018</b>	<b>DACH (Germany, Austria, Switzerland)</b>	<b>Scandinavia (Sweden, Norway, Denmark, Finland)</b>	<b>Lithuania</b>	<b>Other markets</b>	<b>Total</b>
Sales of the Group	13 618	8 250	5 752	2 837	30 457
Sales of the Company	12 798	7 893	4 425	1 855	26 971
<b>2017</b>	<b>DACH (Germany, Austria, Switzerland)</b>	<b>Scandinavia (Sweden, Norway, Denmark, Finland)</b>	<b>Lithuania</b>	<b>Other markets</b>	<b>Total</b>
Sales of the Group	10 925	6 676	5 515	2 727	25 843
Sales of the Company	9 720	6 273	4 007	2 556	22 556

The majority of the Group's sales (24.6 %) were performed to DACH customers (42 % in 2017). In 2018, 23.6 % of total sales was rendered to Scandinavian customers (26 % in 2017).

## 6. Intangible assets

The Group's assets (except for the assets of subsidiary PAT MTF Mrija located in the Republic of Ukraine) are located in the Republic of Lithuania. The carrying amount of property, plant and equipment located in Ukraine was EUR 305 thousand as at 31 December 2018 (EUR 322 thousand as at 31 December 2017).

	Group			Company	
	Goodwill related to PAT MTF Mrija	Goodwill related to Šatrija AB	Other intangible assets	Total	Other intangible assets
<b>Cost:</b>					
<b>Balance as at 31 December 2016</b>	<b>217</b>	<b>441</b>	<b>1 121</b>	<b>1 779</b>	<b>970</b>
Additions	-	-	29	29	29
Disposals and write-offs	-	-	(125)	(125)	(125)
Foreign currency conversion differences	(33)	-	-	(33)	-
<b>Balance as at 31 December 2017</b>	<b>184</b>	<b>441</b>	<b>1 025</b>	<b>1 650</b>	<b>874</b>
Additions	-	-	223	223	223
Impairment	(195)	-	-	(195)	-
Foreign currency conversion differences	11	-	-	11	-
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>441</b>	<b>1 248</b>	<b>1 689</b>	<b>1 097</b>
<b>Amortization and impairment:</b>					
<b>Balance as at 31 December 2016</b>	<b>-</b>	<b>37</b>	<b>998</b>	<b>1 035</b>	<b>895</b>
Amortisation for the reporting year	-	-	78	78	35
Disposals and write-offs	-	-	(124)	(124)	(124)
Foreign currency conversion differences	-	-	-	-	-
<b>Balance as at 31 December 2017</b>	<b>-</b>	<b>37</b>	<b>952</b>	<b>989</b>	<b>806</b>
Amortisation for the reporting year	-	-	45	45	42
Disposals and write-offs	-	-	-	-	-
Foreign currency conversion differences	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>37</b>	<b>997</b>	<b>1 034</b>	<b>848</b>
<b>Net book value as at 31 December 2016</b>	<b>217</b>	<b>404</b>	<b>123</b>	<b>744</b>	<b>75</b>
<b>Net book value as at 31 December 2017</b>	<b>184</b>	<b>404</b>	<b>73</b>	<b>661</b>	<b>68</b>
<b>Net book value as at 31 December 2018</b>	<b>-</b>	<b>404</b>	<b>251</b>	<b>655</b>	<b>249</b>

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 20).

As at 31 December 2018 acquisition cost of fully depreciated but still in use assets amounted to EUR 790 thousand and EUR 788 thousand, respectively (as at 31 December 2017, EUR 766 thousand and EUR 764 thousand).

Based on the impairment tests performed, recognised on the goodwill arising from investment in PAT MTF Mrija and Šatrija AB, an impairment of EUR 195 thousand was recognised and this amount was accounted for in the statement of comprehensive income under general and administrative expenses.

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**7. Property, plant and equipment**

Group	Land	Build- ings	Struc- tures	Vehicles and other property, plant and equipment	Construc- tion in progress	Total
<b>Cost or revalued amount:</b>						
<b>Balance as at 31 December 2016</b>	<b>4</b>	<b>4 493</b>	<b>160</b>	<b>20 916</b>	<b>214</b>	<b>25 787</b>
Additions	-	142	9	583	86	820
Reclassification	-	-	152	61	(213)	-
Disposals and write-offs	-	-	-	(722)	-	(722)
Foreign currency conversion differences	-	(145)	(8)	(66)	-	(219)
<b>Balance as at 31 December 2017</b>	<b>4</b>	<b>4 490</b>	<b>313</b>	<b>20 772</b>	<b>87</b>	<b>25 666</b>
Additions	-	34	-	507	290	831
Revaluation reserve	-	2 629	-	-	-	2 629
Reclassification	-	21	-	166	(216)	(29)
Disposals and write-offs	-	-	-	(201)	-	(201)
Foreign currency conversion differences	-	37	3	29	-	69
<b>Balance as at 31 December 2018</b>	<b>4</b>	<b>7 211</b>	<b>316</b>	<b>21 273</b>	<b>161</b>	<b>28 965</b>
<b>Accumulated depreciation:</b>						
<b>Balance as at 31 December 2016</b>	-	<b>154</b>	<b>143</b>	<b>18 431</b>	-	<b>18 728</b>
Depreciation for the year	-	136	9	599	-	744
Disposals and write-offs	-	-	-	(708)	-	(708)
Foreign currency conversion differences	-	(34)	(6)	(50)	-	(90)
<b>Balance as at 31 December 2017</b>	-	<b>256</b>	<b>146</b>	<b>18 272</b>	-	<b>18 674</b>
Charge for the year	-	72	13	629	-	714
Charge for the year revaluation reserve	-	85	-	-	-	85
Disposals and write-offs	-	-	-	(197)	-	(197)
Foreign currency conversion differences	-	9	3	23	-	35
Impairment	-	(40)	-	20	-	(20)
<b>Balance as at 31 December 2018</b>	-	<b>382</b>	<b>162</b>	<b>18 747</b>	-	<b>19 291</b>
<b>Impairment</b>						
<b>Balance as at 31 December 2016</b>	-	<b>13</b>	-	-	-	<b>13</b>
<b>Balance as at 31 December 2017</b>	-	<b>13</b>	-	-	-	<b>13</b>
<b>Balance as at 31 December 2018</b>	-	<b>13</b>	-	-	-	<b>13</b>
<b>Net book value as at 31 December 2016</b>	<b>4</b>	<b>4 326</b>	<b>17</b>	<b>2 485</b>	<b>214</b>	<b>7 046</b>
<b>Net book value as at 31 December 2017</b>	<b>4</b>	<b>4 221</b>	<b>167</b>	<b>2 500</b>	<b>87</b>	<b>6 979</b>
<b>Net book value as at 31 December 2018</b>	<b>4</b>	<b>6 816</b>	<b>154</b>	<b>2 526</b>	<b>161</b>	<b>9 661</b>

The Group property (except for the property of subsidiary MTF Mrija PAT, which is located in Ukraine) is in the Republic of Lithuania. Non – current assets, which is located in Ukraine, recognized value as at 31 December 2018 was EUR 2 491 thousand (31 December 2017 was EUR 723 thousand).

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**7. Property, plant and equipment (cont'd)**

Company	Land	Build-ings	Struc-tures	Vehicles and other property, plant and equipment	Con-struction in progress	Total
<b>Cost or revalued amount:</b>						
<b>Balance as at 31 December 2016</b>	<b>4</b>	<b>3 283</b>	<b>117</b>	<b>18 573</b>	<b>212</b>	<b>22 189</b>
Additions	-	60	9	423	72	564
Disposals and write-offs	-	-	-	(653)	-	(653)
Reclassification	-	-	152	61	(213)	-
<b>Balance as at 31 December 2017</b>	<b>4</b>	<b>3 343</b>	<b>278</b>	<b>18 404</b>	<b>71</b>	<b>22 100</b>
Additions	-	20	-	332	289	641
Revaluation reserve	-	750	-	-	-	750
Reclassification	-	-	-	(195)	-	(195)
Disposals and write-offs	-	21	-	166	(200)	(13)
<b>Balance as at 31 December 2018</b>	<b>4</b>	<b>4 134</b>	<b>278</b>	<b>18 707</b>	<b>160</b>	<b>23 283</b>
<b>Accumulated depreciation:</b>						
<b>Balance as at 31 December 2016</b>	-	188	115	16 498	-	16 801
Charge for the year	-	74	8	500	-	582
Disposals and write-offs	-	-	-	(638)	-	(638)
<b>Balance as at 31 December 2017</b>	-	262	123	16 360	-	16 745
Charge for the year	-	34	11	498	-	543
Charge for the year revaluation reserve	-	51	-	-	-	51
Disposals and write-offs	-	-	-	(195)	-	(195)
<b>Balance as at 31 December 2018</b>	-	347	134	16 663	-	17 144
<b>Impairment:</b>						
<b>Balance as at 31 December 2016</b>	-	9	-	-	-	9
<b>Balance as at 31 December 2017</b>	-	9	-	-	-	9
<b>Balance as at 31 December 2018</b>	-	9	-	-	-	9
<b>Net book value as at 31 December 2016</b>	<b>4</b>	<b>3 086</b>	<b>2</b>	<b>2 075</b>	<b>212</b>	<b>5 379</b>
<b>Net book value as at 31 December 2017</b>	<b>4</b>	<b>3 072</b>	<b>155</b>	<b>2 044</b>	<b>71</b>	<b>5 346</b>
<b>Net book value as at 31 December 2018</b>	<b>4</b>	<b>3 778</b>	<b>144</b>	<b>2 044</b>	<b>160</b>	<b>6 130</b>

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**7. Property, plant and equipment (cont'd)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Cost of sales (Note 19)	671	632	493	477
General and administrative expenses (Note 20)	158	190	138	140
Other expenses	3	3	3	3
<b>Total</b>	<b>832</b>	<b>825</b>	<b>634</b>	<b>620</b>

Property, plant and equipment of the Group and the Company with the acquisition cost of EUR 14 079 thousand and EUR 11 686 thousand, respectively, were fully depreciated as at 31 December 2018 (as at 31 December 2017 EUR 12 451 thousand and EUR 10 526 thousand, respectively).

Property, plant and equipment and inventories of the Company with the net book value of EUR 7 724 thousand as at 31 December 2018 was pledged to the banks as a collateral for the borrowings (Note 16). (As at 31 December 2017 property, plant and equipment of the Group and the Company the net book value of these items was EUR 7 724 thousand).

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

	<b>Group</b>	<b>Company</b>
	<b>31 December 2018</b>	<b>31 December 2018</b>
Cost	3 576	1 871
Accumulated depreciation and impairment	(2 083)	(1 017)
<b>Net carrying amount</b>	<b>1 493</b>	<b>854</b>

	<b>Group</b>	<b>Company</b>
	<b>31 December 2017</b>	<b>31 December 2017</b>
Cost	3 542	1 851
Accumulated depreciation and impairment	(1 977)	(983)
<b>Net carrying amount</b>	<b>1 565</b>	<b>868</b>

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

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



**7. Property, plant and equipment (cont'd)**

Significant directly or indirectly observable valuation inputs:

	<b>Group</b>	<b>Company</b>
Price per square meter (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

Revaluation Impact on Fixed Assets as at 31 December 2018:

	<b>Group</b>	<b>Company</b>
<b>Net book value of the building as at 31 December 2017</b>	<b>4 221</b>	<b>3 072</b>
<b>Net book value of buildings revaluated amount as at 31 December 2017</b>	<b>2 377</b>	<b>1 991</b>
<b>Net book value of buildings acquisition cost as at 31 December 2017</b>	<b>1 844</b>	<b>1 081</b>
Positive impact of buildings revaluation	2 629	750
Acquisitions of buildings	55	41
Effect of exchange rate	68	-
Buildings acquisition cost depreciation charges for the year	(72)	(34)
Buildings revaluation depreciation charges for the year	(85)	(51)
<b>Net book value of buildings revaluated amount as at 31 December 2018</b>	<b>4 961</b>	<b>2 690</b>
<b>Net book value of acquisition cost model as at 31 December 2018</b>	<b>1 855</b>	<b>1 088</b>
<b>Net book value of the building as at 31 December 2018</b>	<b>6 816</b>	<b>3 778</b>

# **8. Investment property**

	Group	Company
<b>Cost:</b>		
Balance as at 31 December 2016	184	184
Balance as at 31 December 2017	184	184
Balance as at 31 December 2018	163	163
<b>Accumulated depreciation:</b>		
Balance as at 31 December 2016	75	75
Balance as at 31 December 2017	3	3
Charge for the year	78	78
Balance as at 31 December 2017	3	3
Charge for the year	(8)	(8)
Balance as at 31 December 2018	73	73
<b>Impairment</b>		
Balance as at 31 December 2016	-	-
Balance as at 31 December 2017	-	-
Balance as at 31 December 2018	-	-
<b>Net book value as at 31 December 2016</b>	<b>109</b>	<b>109</b>
<b>Net book value as at 31 December 2017</b>	<b>106</b>	<b>106</b>
<b>Net book value as at 31 December 2018</b>	<b>90</b>	<b>90</b>

Rental income and related costs have been disclosed in Note 21.

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

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

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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Net book value of investment property	90	106	90	106
Fair value of investment property	162	258	162	258

## 8. Investment property (cont'd)

### Future rental income of investment property

	Group		Company	
	2018	2017	2018	2017
Within 1 year	3	3	3	3
After 1 year but not later than 5 years	-	-	-	-
	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

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

### Investments in subsidiaries

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

	2018	2017
<b>Cost of investments:</b>		
Balance as at 1 January	3 745	3 694
Acquisitions	-	51
Balance as at 31 December	3 745	3 745
<b>Impairment:</b>		
Balance as at 1 January	2 195	2 195
Impairment	-	-
Balance as at 31 December	2 195	2 195
<b>Carrying amount of investments in subsidiaries as at 31 December</b>	<b>1 550</b>	<b>1 550</b>

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

## 10 Inventories

	Group		Company	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Raw materials	3 243	2 652	3 240	2 286
Production in progress	1 535	2 460	1 161	2 451
Finished goods	1 885	2 489	1 848	2 460
Goods for resale	58	47	-	-
	<b>6 721</b>	<b>7 648</b>	<b>6 249</b>	<b>7 197</b>
Write-down to net realisable value:				
Opening balance	(795)	(650)	(471)	(326)
Change	(99)	(145)	(100)	(145)
Closing balance	(894)	(795)	(571)	(471)
	<b>5 827</b>	<b>6 853</b>	<b>5 678</b>	<b>6 726</b>

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**10 Inventories (cont'd)**

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as at 31 December 2018 amounted to EUR 1 096 thousand and EUR 732 thousand, respectively (as at 31 December 2017, EUR 1 006 thousand and EUR 646 thousand, respectively). Changes in impairment allowance for inventories during 2018 and 2017 were recorded within the Group's and the Company's general and administrative expenses (Note 20).

The Group does not account for third-party inventories received for processing and stored in the Group's warehouse premises in the statement of financial position. The unaudited value of such inventories owned by third parties was EUR 3 233 thousand as at 31 December 2018 (EUR 3 200 thousand as at 31 December 2017). The Company does not hold third-party inventories.

**11 Trade receivables, contract assets and accrued revenue**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade receivables, gross	2 616	1 908	2 251	1 611
Allowance:	(193)	(115)	(166)	(94)
Opening balance	(4)	(78)	(4)	(72)
Written off	-	-	-	-
Closing balance	(197)	(193)	(170)	(166)
	<b>2 419</b>	<b>1 715</b>	<b>2 081</b>	<b>1 445</b>

Changes in allowance for doubtful trade receivables during 2018 and 2017 were recorded within the Group's and the Company's general and administrative expenses (Note 20).

For trade receivables ageing see Note 3.1

As at 31 December 2018, contract assets of the Company and the Group comprised of accrued revenue of, respectively, EUR 2 328 thousand and EUR 2 416 thousand, it mainly reflects the earned ordered article sewing service income that had no invoices issued at the year-end. The whole amount is not past due maturity and impairment has not been accounted for.

As at 31 December 2017, accrued revenue and other receivables of the group generally consisted of accrued revenue of EUR 2 768 thousand (equal to contract asset amount as at 1 January 2018). As at 31 December 2017 accrued revenue was accounted under other current assets accounts.

As at 31 December 2018 and 2017, the Group and the Company did not have amounts past due.

**12 Other current assets**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Other current assets</b>				
Taxes receivable, except for prepaid income tax	43	245	33	228
Prepayments	220	92	172	81
Deferred expenses	76	165	72	61
<b>Total other current assets</b>	<b>339</b>	<b>502</b>	<b>277</b>	<b>370</b>

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**13 Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Cash on hand	4	5	3	5
Cash at bank	655	594	73	124
Cash equivalents	44	76	44	76
	<b>703</b>	<b>675</b>	<b>120</b>	<b>205</b>

As at 31 December 2018 cash equivalents stands 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 management has evaluated that IFRS 9 did not made any impact, as cash is hold in low risk banks.

**14 Share capital**

As at 31 December 2018 and 2017, the share capital comprised of 9 503 000 ordinary registered shares with nominal value of EUR 0.29 each.

As at 31 December 2018 and 2017, all shares were fully paid.

The subsidiaries did not hold any shares of the Company as at 31 December 2018 and 2017. The Company did not hold its own shares as at 31 December 2018 and 2017.

**15 Other reserves**

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 % of distributable profit of the Company calculated according to the Lithuanian Company's law, are compulsory until the reserve reaches 10 % of the share capital. As at 31 December 2018 and 2017, the legal reserve is fully formed by the Company. The legal reserve cannot be distributed as dividends but can be used to cover accumulated losses.

Revaluation reserve

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

	<b>Gruop</b>	<b>Company</b>
<b>Net book value of buildings revaluation reserve as at 31 December 2017</b>	<b>3 107</b>	<b>1 709</b>
Positive impact of buildings revaluation	2 629	750
Effect of exchange rate	(877)	-
Related deferred tax liability	(435)	(112)
Non- controlling intrest	(13)	-
<b>Net book value of buildings revaluation reserve as at 31 December 2018</b>	<b>4 411</b>	<b>2 347</b>
Building revaluation depreciation charges for the year	(71)	(44)
<b>Net book value of buildings revaluation reserve as at 31 December 2018</b>	<b>4 340</b>	<b>2 303</b>

Reserve for acquisition of own shares

According to the decision of the shareholders of Šatrija AB, the reserve for acquisition of own shares amounted to EUR 100 thousand (including non-controlling interest).

Foreign currency conversion reserve

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

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**15 Other reserves (cont'd)**

As at 31 December 2018, foreign currency conversion impact on consolidated financial statements amounted to EUR 799 thousand (including non-controlling interest).

Derivative instrument reserve

The Company's loan with Lumior AB is with variable interest rate that is linked to EURIBOR (Note 16). On 26 November 2014, the Company signed interest rate swap contract with Luminor AB in order to avoid interest rate fluctuations. The agreement is valid until 25 November 2019. The fair value of interest rate swap contract used for interest rate risk hedging was EUR 13 thousand as of 31 December 2018 and was accounted under Group's/Company's current liabilities (as at 31 December 2017 was EUR 29 thousand accounted under non-current (EUR 10 thousand) and current (EUR 19 thousand) liabilities).

**16 Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Current</b>				
Current portion of non-current bank borrowings	2 871	860	2 871	860
Borrowings from subsidiaries	-	-	1	200
Other current liabilities	1 239	-	1 239	-
<b>Non-current</b>				
Borrowings from subsidiaries	-	-	1 200	1 061
Long-term bank borrowings	379	2 836	379	2 836
<b>Total borrowings</b>	<b>4 489</b>	<b>3 696</b>	<b>5 690</b>	<b>4 957</b>

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Šatrija AB, amounting to EUR 1 200 thousand with maturity as at 26 November 2021 and variable interest rate 12 month EURIBOR+1.9 %.

As of 31 December 2018 and 2017, the bank borrowings were secured by property, plant and equipment and inventory (Note 7 and 10).

The carrying amounts of borrowings were denominated in the following currencies:

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 Decem- ber 2017</b>
EUR	4 489	3 696	5 690	4 957

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**16 Borrowings (con't)**

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

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Long-term borrowings from subsidiaries	-	-	1,90	1,90
Long-term bank borrowings	1,90	1,57	1,90	1,57

The Group's and the Company's borrowings fair value was estimated based on the level 3 of fair value hierarchy.

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:

	<b>Group</b>		<b>Company</b>	
<b>Interest changes</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Every 3 months	4 489	3 696	4 489	3 696
Every 12 months	-	-	1 201	1 261
	<b>4 489</b>	<b>3 696</b>	<b>5 690</b>	<b>4 957</b>

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

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

Interest rate was set based on market interest rate, therefore, according to the management, accounting value agreed with their fair value.

As at 28 March 2019, the Company has signed a long-term credit agreement and an overdraft agreement with OP Corporate Bank plc Lithuania. The main purpose of these loans are to refinance the Company's liabilities to AB Luminor bank (27 note).

**Operating lease commitments – the Group and the Company as a lessee**

The Group and the Company has entered into operating leases on certain vehicles with Luminor AB and Swedbank Lizingas UAB, with lease terms of up to 5 years.

Future minimum rentals payable under operating leases and premises lease are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Within 1 year	76	63	76	63
After 1 year but not more than 5 years	106	196	106	186
	<b>182</b>	<b>259</b>	<b>182</b>	<b>249</b>



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**17 Provisions for employee benefits**

	<b>Group</b>	<b>Company</b>
<b>Balance as at 31 December 2016</b>	<b>380</b>	<b>335</b>
Benefits earned	88	78
Interest costs	-	-
Actuarial (gain) loss	(40)	(40)
Reduction of costs due to terminated job contracts	(34)	(34)
<b>Balance as at 31 December 2017</b>	<b>394</b>	<b>339</b>
Benefits earned	84	66
Interest costs	4	4
Actuarial (gain) loss	(88)	(77)
Reduction of costs due to cancelled job contracts	(65)	(64)
<b>Balance as at 31 December 2018</b>	<b>329</b>	<b>268</b>

	<b>Group</b>	<b>Company</b>
Long-term provisions for employee benefits as at 31 December 2018	240	188
Short-term provisions for employee benefits as at 31 December 2018	89	80
Long-term provisions for employee benefits as at 31 December 2017	309	260
Short-term provisions for employee benefits as at 31 December 2017	85	79

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 2018, provisions were calculated with the discount rate of 1.75 % and employee turnover rate of 13.19 % (in 2017, 1.52 % and 9.74 %, respectively).

<b>31 December 2018</b>					
	<b>Change in as- sumption</b>	<b>Group Positive changes in assumption</b>	<b>Group Negative changes in assumption</b>	<b>Company Positive changes in as- sumption</b>	<b>Company Negative changes in assumption</b>
Discount rate	0.5 %	Decreased by 2.61%	Increased by 2.78 %	Decreased by 2.37 %	Increased by 2.52 %
Salary growth rate	0.5 %	Increased by 2.75%	Decreased by 2.61 %	Increased by 2.50 %	Decreased by 2.38 %

<b>31 December 2017</b>					
	<b>Change in as- sumption</b>	<b>Group Positive changes in assumption</b>	<b>Group Negative changes in assumption</b>	<b>Company Positive changes in as- sumption</b>	<b>Company Negative changes in assumption</b>
Discount rate	0.5 %	Decreased by 3.43%	Increased by 3.67 %	Decreased by 3.28 %	Increased by 3.52 %
Salary growth rate	0.5 %	Increased by 3.63%	Decreased by 3.42 %	Increased by 3.49 %	Decreased by 3.28 %

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**18 Accrued expenses and other current liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Accrual for vacation reserve	1 235	1 043	778	655
Wages, salaries and social security	634	679	553	528
Amounts payable for services and non-current assets	368	329	367	319
Taxes payable (except for income tax)	204	203	176	146
Prepayments received*	-	154	-	136
Provisions for employee benefits	89	85	81	79
Other liabilities	248	257	41	2
	<b>2 778</b>	<b>2 750</b>	<b>1 996</b>	<b>1 865</b>

\*As of 2018 prepayments received was accounted under contract liabilities

**19 Cost of sales**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Materials	9 603	7 874	9 406	7 554
Wages, salaries and social security	9 680	8 250	6 973	5 999
Other additional expenses	3 666	2 583	4 148	3 154
Depreciation and amortization (Notes 6, 7 and 8)	671	593	493	437
Cost of materials sold	981	1 474	977	1 462
	<b>24 601</b>	<b>20 774</b>	<b>21 997</b>	<b>18 606</b>

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**20 Sales, general and administrative expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Sales expenses</b>				
Wages, salaries and social security	747	728	671	658
Advertising and marketing costs	413	505	408	500
Intermediation	313	275	309	272
Transportation expenses	249	204	247	204
Maintenance costs of retail outlets	99	112	79	93
Depreciation and amortization (Notes 6, 7 and 8)	80	52	71	52
Other sales expenses	136	134	131	129
<b>Total sales expenses</b>	<b>2 037</b>	<b>2 010</b>	<b>1 916</b>	<b>1 908</b>
<b>General and administrative expenses</b>				
Wages salaries and social security	1 048	910	770	636
Communication and consulting services*	389	341	319	278
Travel expenses	148	150	105	285
Depreciation and amortization (Notes 6, 7 and 8)	77	137	68	88
Security	119	113	59	56
Vehicles exploitation expenses	62	90	52	73
Services of financial institutions	64	54	58	47
Premises' exploitation expenses	47	40	45	34
Travel expenses	17	25	12	19
Representational expenses	35	27	32	25
Allowance and write-off (reversal)	289	145	138	145
Other	444	495	275	170
	<b>2 739</b>	<b>2 527</b>	<b>1 933</b>	<b>1 856</b>
	<b>4 776</b>	<b>4 537</b>	<b>3 849</b>	<b>3 764</b>

\*In 2018 fee for financial statements audit was EUR 23 thousand, other non-audit related services provided by independent auditors (translation services) amounted to EUR 1 thousand. For year 2017 financial statements audit fee was EUR 15 thousand, other non-audit related services provided by independent auditors (translation services) amounted to EUR 1 thousand.

**21 Other income and expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Gain from disposal of non-current assets	-	13	-	11
Rent income	18	18	14	15
Other income	120	89	38	18
<b>Other income</b>	<b>138</b>	<b>120</b>	<b>52</b>	<b>44</b>
Loss from disposal of non-current assets	-	-	-	-
Rent expenses	(11)	(5)	(11)	(4)
Other expenses	(7)	(2)	-	-
<b>Other expenses</b>	<b>(18)</b>	<b>(7)</b>	<b>(11)</b>	<b>(4)</b>

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**22 Financial costs, net**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Dividends received	-	-	10	2 092
Foreign exchange gain	225	115	38	29
Interest income	-	-	60	60
Other financial income	-	1	-	11
<b>Income from financing activities</b>	<b>225</b>	<b>116</b>	<b>108</b>	<b>2 192</b>
Interest expenses	(115)	(98)	(136)	(137)
Foreign exchange loss	(159)	(291)	(32)	(32)
Impairment of loans granted	-	-	(500)	-
<b>Financial activities' expenses</b>	<b>(274)</b>	<b>(389)</b>	<b>(668)</b>	<b>(169)</b>

**23 Income tax**

Income tax expenses comprised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Current tax	(23)	(78)	(43)	(14)
Change in deferred tax	13	7	8	-
<b>Income tax (expenses) recognised in the statement of comprehensive income</b>	<b>(10)</b>	<b>(71)</b>	<b>(35)</b>	<b>(14)</b>

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:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Profit (losses) before tax	1 151	372	606	2 249
Income tax income (expense) at a rate of 15%	(173)	(56)	(91)	(337)
Effect of different tax rates applicable to subsidiary in Ukraine	18	18	-	-
Change in valuation allowances for deferred tax asset	41	(1)	-	-
Non-taxable income	-	-	-	314
Expenses not deductible for tax purposes	104	(32)	56	9
<b>Income tax income (expenses) reported in the statement of comprehensive income</b>	<b>(10)</b>	<b>(71)</b>	<b>(35)</b>	<b>(14)</b>

In 2018, deferred income tax asset and liability related to the entities operating in Lithuania were estimated using a tax rate of 15 % (15 % in 2017). Deferred income tax asset and liability relating to entity operating in Ukraine were estimated using a tax rate of 18 % (18 % in 2017).

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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23. Income tax (cont'd)

Group	As at 31 Decem- ber 2017	Recognised in profit (loss)	Recognised in other comprehen- sive income	As at 31 December 2018
<b>Deferred tax assets</b>				
Tax loss carried forward	6	3	(3)	6
Inventories	76	17	-	93
Receivables	15	(10)	-	5
Impairment of property, plant and equipment	1	-	-	1
Provisions for employee benefits	58	(10)	-	48
Goodwill	7	(4)	-	3
Investment assets	-	36	-	36
Accrued charges	77	(13)	-	64
Deferred tax assets before valuation allowance	240	19	(3)	256
Less: valuation allowance	(41)	(3)	-	(44)
<b>Deferred tax assets, net</b>	<b>199</b>	<b>16</b>	<b>(3)</b>	<b>212</b>
<b>Deferred tax liabilities</b>				
Depreciation of property, plant and equipment	(135)	32	-	(103)
Property, plant and equipment revaluation	(391)	-	(436)	(827)
Deferred tax liabilities	(526)	32	(436)	(930)
<b>Deferred tax, net</b>	<b>(327)</b>	<b>48</b>	<b>(439)</b>	<b>(718)</b>

Group

	As at 31 December 2016	Recognised in profit (loss)	Recognised in other com- prehensive income	As at 31 Decem- ber 2017
<b>Deferred tax assets</b>				
Tax loss carried forward	92	(83)	(3)	6
Inventories	54	22	-	76
Receivables	3	12	-	15
Impairment of property, plant and equipment	1	-	-	1
Provisions for employee benefits	56	2	-	58
Goodwill	11	(4)	-	7
Investment assets	-	-	-	-
Accrued charges	65	12	-	77
Deferred tax assets before valuation allowance	282	(39)	(3)	240
Less: valuation allowance	(40)	(1)	-	(41)
<b>Deferred tax assets, net</b>	<b>242</b>	<b>(40)</b>	<b>(3)</b>	<b>(199)</b>
<b>Deferred tax liabilities</b>				
Depreciation of property, plant and equipment	(174)	39	-	(135)
Property, plant and equipment revaluation	(417)	8	18	(391)
Deferred tax liabilities	(591)	47	18	(526)
<b>Deferred tax, net</b>	<b>(349)</b>	<b>7</b>	<b>15</b>	<b>(327)</b>

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**23. Income tax (cont'd)**

**Recognised in the statement of financial position\*:**

	<b>As at 31 December 2018</b>	<b>As at 31 December 2017</b>
Deferred income tax asset	104	63
Deferred income tax liabilities	822	390

\*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.

<b>Company</b>	<b>As at 31 December 2017</b>	<b>Recognised in profit (loss)</b>	<b>Recognised in other comprehensive income</b>	<b>As at 31 December 2018</b>
<b>Deferred tax assets</b>				
Tax loss carry forward	-	-	-	-
Inventories	71	15	-	86
Impairment of trade receivables	11	(11)	-	-
Impairment of property, plant and equipment	1	-	-	1
Provisions for employee benefits	51	(11)	-	40
Accrued expenses	23	(21)	-	2
<b>Deferred tax assets before valuation allowance</b>	<b>157</b>	<b>(28)</b>	<b>-</b>	<b>129</b>
Less: valuation allowance	-	-	-	-
<b>Deferred tax assets, net</b>	<b>157</b>	<b>(28)</b>	<b>-</b>	<b>129</b>
<b>Deferred tax liabilities</b>				
Depreciation of property, plant and equipment	(128)	28	-	(100)
Property, plant and equipment revaluation	(299)	-	(104)	(403)
Deferred tax liabilities	(427)	28	(104)	(503)
<b>Deferred tax, net</b>	<b>(270)</b>	<b>-</b>	<b>(104)</b>	<b>(374)</b>

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**23. Income tax (cont'd)**

Company	As at 31 December 2016	Recognised in profit (loss)	Recognised in other comprehensive income	As at 31 December 2017
<b>Deferred tax assets</b>	-	-	-	-
Tax loss carry forward	85	(85)	-	-
Inventories	49	22	-	71
Impairment of trade receivables	-	11	-	11
Impairment of property, plant and equipment	1	-	-	1
Provisions for employee benefits	50	1	-	51
Accrued expenses	18	5	-	23
<b>Deferred tax assets before valuation allowance</b>	<b>203</b>	<b>(46)</b>	-	<b>157</b>
Less: valuation allowance	-	-	-	-
<b>Deferred tax assets, net</b>	<b>203</b>	<b>(46)</b>	-	<b>157</b>
<b>Deferred tax liabilities</b>				
Depreciation of property, plant and equipment	(163)	35	-	(128)
Property, plant and equipment revaluation	(310)	11	-	(299)
<b>Deferred tax liabilities</b>	<b>(473)</b>	<b>46</b>	-	<b>(427)</b>
<b>Deferred tax, net</b>	<b>(270)</b>	-	-	<b>(270)</b>

As at 31 December 2018 the Group's company PAT MTF Mrija had tax losses amounting to EUR 3 464 thousand (EUR 3 373 thousand in 2017) for which no deferred tax assets were recognised due to uncertainties related to their realisation. These tax losses may be carried forward for an unlimited term.

The Company did not recognise deferred tax asset from investment incentive amounting to EUR 24,7 thousand as at 31 December 2018 (EUR 122 thousand as at 31 December 2017), due to uncertainties related to their realization. This investment incentive may be carried forward till 2023.

**24 Profit per share**

Profit per share reflects 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:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
Profit attributable to the equity holders of the Group	1 107	274
Weighted average number of shares in issue (thousand)	9 503	9 503
Basic/dilutive earnings per share (in EUR)	0,12	0,03

## 25 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
UAB Koncernas SBA	Ultimate parent company, exercising control through majority of Board members
SBA group companies	UAB Koncernas SBA subsidiaries
Company's management	Directors, Board members and their family members

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

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

As at 31 December 2018 and 31 December 2017, the management of the Group and the Company had 0.002 % of shares of PAT MTF Mrija.

### Less than 100% owned subsidiaries

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

### Proportion of equity interest held by non-controlling interests:

Country of incorporation and operation:		2018	2017
Gotija, UAB	Lietuva	-	-
Šatrija, AB	Lietuva	10.22%	10.22%
PAT MTF Mrija	Ukraina	1.05%	1.05%

Accumulated balances of non-controlling interest:		2018	2017
Gotija, UAB		-	-
Šatrija, AB		212	216
PAT MTF Mrija		(24)	(39)



**25 Related party transactions (cont'd)**

**Summarised statement of comprehensive income for 2018:**

	<b>Gotija, UAB</b>	<b>Šatrija, AB</b>	<b>PAT MTF Mrija</b>
Revenue	320	3 378	710
Cost of sales	(214)	(2 648)	(684)
Administrative expenses	(76)	(517)	(208)
Other operating income (expenses)	-	80	7
Financial income (expenses)	-	22	130
<b>Profit before tax</b>	<b>30</b>	<b>315</b>	<b>(45)</b>
Income tax	(4)	24	5
Profit for the year from continuing operations	26	339	(40)
<b>Total comprehensive income</b>	<b>26</b>	<b>339</b>	<b>(40)</b>
Attributable to non-controlling interests		34	-
Dividends paid to non-controlling interests	-	-	-

**Summarised statement of comprehensive income for 2017:**

	<b>Gotija, UAB</b>	<b>Šatrija, AB</b>	<b>PAT MTF Mrija</b>
Revenue	278	3 172	787
Cost of sales	(174)	(2 401)	(611)
Administrative expenses	(70)	(540)	(168)
Other operating income (expenses)	-	83	-
<b>Financial costs</b>	<b>2</b>	<b>36</b>	<b>(702)</b>
<b>Profit before tax</b>	<b>36</b>	<b>350</b>	<b>(694)</b>
Income tax	(6)	(54)	-
<b>Profit for the year from continuing operations</b>	<b>30</b>	<b>296</b>	<b>(694)</b>
<b>Total comprehensive income</b>	<b>30</b>	<b>296</b>	<b>(694)</b>
Attributable to non-controlling interests	5	29	(7)
Dividends paid to non-controlling interests	-	114	-

**25 Related party transactions (cont'd)**

**Summarised statement of financial position as at 31 December 2018:**

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories, cash at hand and cash at bank (current assets)	85	1 088	69
Property, plant and equipment and other non-current financial assets (non-current assets)	-	2 193	2 473
Trade and other payables (current)	(21)	(1 202)	(3 480)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	-	-	(1 385)
<b>Total equity</b>	<b>64</b>	<b>2 079</b>	<b>(2 323)</b>
Attributable to:			
Parent company	64	1 867	(2 299)
Non-controlling interest	-	212	(24)

**Summarised statement of financial position as at 31 December 2017:**

	Gotija, UAB	Šatrija, AB	PAT MTF Mrija
Inventories, cash at hand and cash at bank (current assets)	86	1 045	75
Property, plant and equipment and other non-current financial assets (non-current assets)	-	2 003	727
Trade and other payables (current)	(21)	(877)	(3 482)
Interest-bearing loans and borrowings and deferred tax liabilities (non-current)	-	(49)	(1 066)
<b>Total equity</b>	<b>65</b>	<b>2 122</b>	<b>(3 746)</b>
Attributable to:			
Parent company	65	1 906	(3 707)
Non-controlling interest	-	216	(39)

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**25 Related party transactions (cont'd)**

Related party transactions are disclosed below:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b><i>Sales of goods and services</i></b>				
Subsidiaries of the Company	-	-	227	189
SBA group companies	4	12	4	12
Ultimate parent company	-	2	-	2
	<b>4</b>	<b>14</b>	<b>231</b>	<b>203</b>

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b><i>Interest income</i></b>				
Subsidiaries of the Company	-	-	60	60
	<b>-</b>	<b>-</b>	<b>60</b>	<b>60</b>

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b><i>Interest expenses</i></b>				
Subsidiaries of the Company	-	-	28	39
	<b>-</b>	<b>-</b>	<b>28</b>	<b>39</b>

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b><i>Purchases of goods and services</i></b>				
Subsidiaries of the Company	-	-	750	934
Ultimate parent company	212	215	212	215
Other related parties	13	11	13	11
	<b>225</b>	<b>226</b>	<b>975</b>	<b>1 160</b>

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b><i>Dividend income</i></b>				
Subsidiaries of the Company	-	-	10	2 093
	<b>-</b>	<b>-</b>	<b>10</b>	<b>2 093</b>

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**26 Related party transactions (cont'd)**

	Group 31 Decem- ber 2018	31 De- cember 2017	Company 31 Decem- ber 2018	31 December 2017
<b>Amounts receivable (including prepayments and loans)</b>				
Amounts receivable from subsidiaries, gross*	-	-	2 256	2 256
Impairment allowances	-	-	(1 958)	(1 958)
<b>Amounts receivable from subsidiaries, net</b>	-	-	<b>298</b>	<b>298</b>
Prepayments to subsidiaries	-	-	753	642
Loans granted including interest receivables from sub- sidiaries, gross**	-	-	1 685	1 625
Impairment allowances	-	-	(928)	(428)
<b>Loans granted including interest receivables from subsidiaries, net</b>	-	-	<b>1 490</b>	<b>1 839</b>
	-	-	<b>1 788</b>	<b>2 137</b>

\*As at 31 December 2018 and 2017, accounts receivable consisted only of accounts receivable from PAT MTF Mrija.

\*\*As at 31 December 2018 and 2017, the amount stands for loan granted to (including interest receivables) PAT MTF Mrija with fixed annual interest rate of 6 %.

As at 31 December 2018 not past due receivables and loans granted was EUR 1 495 thousand, a portion of receivable payments from subsidiaries EUR 5 thousand is more than 30 days past due, another portion of receivable payments from subsidiaries EUR 15 thousand is 31-120 days past due. The rest of the payments EUR 273 thousand are more than 120 days past due. As at 31 December 2017 not past due receivables and loans granted was EUR 1 830 thousand, a portion of receivable payments from subsidiaries EUR 5 thousand is more than 30 days past due, another portion of receivable payments from subsidiaries EUR 16 thousand is 31-120 days past due. The rest of the payments EUR 286 thousand are more than 120 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	
	2018	2017	2018	2017
<b>Current and non-current payables</b>				
<b>Subsidiaries of the Company:</b>				
Borrowings	-	-	1 201	1 261
Other payables	-	-	21	4
<b>SBA group companies:</b>				
Other related parties	3	25	3	3
Ultimate parent company	33	214	33	214
	<b>36</b>	<b>239</b>	<b>1 258</b>	<b>1 482</b>

## **25 Related party transactions (cont'd)**

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

Payables to or receivables from related parties have no interest. Maturities of payable or receivable offsetting between related parties are from 15 to 30 days, except for dividends and borrowings that are paid off or borrowings paid under legal or contractual requirements.

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.

In 2018, the amount of loan from subsidiary Šatrija AB increased to EUR 1 200 thousand and as at 31 December 2017 it was EUR 1 061 thousand.

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Key management compensation including social security costs</b>				
Remuneration to management	657	650	434	431
Defined benefit and jubilee payments to management	6	5	3	2
	<b>663</b>	<b>655</b>	<b>437</b>	<b>433</b>

Management includes general director, functional directors and chief accountant.

In 2018, and 2017, 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 2018 and 2017.

## **26 Other commitments**

As at 31 December 2018 and 2017, the Group and the Company had no material commitments for acquisition of property, plant and equipment or intangible assets.

From 2003 to 2018, the State Tax Inspectorate did not perform a full tax assessment of the Company and the Group (performed a partial Company's tax assessment in 2017). According to the laws, State Tax Inspectorate can at any time assess the Company's accounting archive and registers within 5 years before the reporting taxable period and can calculate additional taxes and sanctions. Analogically similar risk exists due to the existence of entity PAT MTF Mrija registered in Ukraine as the local state tax authority has not yet performed a full tax inspection.

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

## **27 Subsequent sheet events**

As at 28 March 2019, the Company has signed a long-term credit agreement and an overdraft agreement with OP Corporate Bank plc Lithuania. The main purpose of these loans of EUR 5 000 thousand is to refinance the Company's liabilities to AB Luminor bank. The amount of the long-term credit is EUR 3 400 thousand with the maturity term effective until 29 February 2024.

There were no other material subsequent events, that could make a significant impact on the financial statements of the Group and the Company.



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For the year ended 31 DECEMBER 2018

## 1. Reporting period covered by the Annual Report

The Annual Report covers the period from 1 January 2018 to 31 December 2018. All amounts in the Annual Report presented as at 31 December 2018, 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 <sup>st</sup> December 1994; reregistered with the Ministry of Economy of the Republic of Lithuania on 18 <sup>st</sup> September 1998.
Registration code	BJ 98-257
Code of the Register of Legal Entities	183709468
Authorised share capital	EUR 2 755 870
Address	J. Basanavičiaus g. 122, LT-28214, Utena, Lithuania
Name of Register of Legal Entities	Registrų centras VĮ
Telephone	+370 389 51445
Fax	+370 389 69358
E-mail	<a href="mailto:utenos.trikotazas@ut.lt">utenos.trikotazas@ut.lt</a>
Website	<a href="http://www.ut.lt">www.ut.lt</a>
Main activities	Production of knit-wear and textile articles
Auditors	ERNST&YOUNG BALTIC UAB

## 3. Nature of the Issuer's operations

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

Utenos trikotažas AB types of activities:

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

Šatrija AB activity type:

- sewing of clothes;

MTF Mrija PAT activity type:

- sewing of knitwear;

Gotija UAB activity type:

- retail trade;

## 4. Company and group companies

The Company and 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 of the Issuer's securities is handled in Šiaulių bankas AB.

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

Utenos trikotažas AB Group, the largest textile company in Central and Eastern Europe, grew rapidly in 2018 – sales increased in all business segments. Revenue growth was driven by newly developed fabrics, orientation towards sustainable and flexible production practices.

Despite shortage of skilled labor and raising costs of labor putting pressure on our profitability we managed to improve bottom line results by significantly growing sales and managing our product and customer portfolio.

Long term investments in sustainable production processes, continuous R&D developments of new fabrics and garments enable us to continuously acquire new customers in our target markets Scandonavia and DACH (Germany, Austria, Switzerland).

The sales of own brands – UTENOS and ABOUT – also increased sales. E-shop sales more than doubled last year and was the most significant growth driver for the brands segment. Retail presence of UTENOS brand at the end of 2018 expanded to 17 branded stores across Lithuania, majority operated by franchisees.

Rapid growth that the company has enjoyed over past few years requires to upgrade and add new technologies to serve markets. In 2018 the Group actively invested into new technologies and equipment, upgrade of machine control systems

## 7. Key performance indicators of the Group

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

	2018	2017	2016	2015	2014
Revenue (EUR'000)	30 457	25 843	22 790	18 922	19 766
Profit for the year (loss) (EUR'000)	1 141	301	1 053	(261)	51
Price per share	0.820	0.950	0.800	0.400	0.609

### Trade

	Group			Company		
	2018 12 months	2017 12 months	Change, per cent	2018 12 months	2017 12 months	Change, per cent
Revenue (EUR '000)						
Products manufactured on demand of other clients	23 267	19 146	21.5	23 159	19 031	21.7
Own brands (ABOUT, UTENOS)	3 812	3 525	8.1	3 812	3 525	8.1
Services of specialized clothing manufacture	3 378	3 172	6.5	-	-	-
	<b>30 457</b>	<b>25 843</b>	<b>17.9</b>	<b>26 971</b>	<b>22 556</b>	<b>19.6</b>



**Revenue (EUR '000)**

	2018	2017	Change, per cent	2016
Utenos Trikotažas AB	26 971	22 556	19.6	19 622
Šatrija AB	3 378	3 172	6.5	3 032
MTF Mrija PAT	710	787	(9.8)	436
Gotija UAB	320	278	15.2	229
Elimination of intercompany transactions	(922)	(950)	(2.9)	(529)
	<b>30 457</b>	<b>25 843</b>	<b>17.9</b>	<b>22 790</b>

**Sales by regions**

In 2018, Company has sold goods and services of total amount of EUR 27,0 million. Trade volume increased by EUR 4.4 million or by 19,6 per cent as compared to 2017. The Company exported to Western Europe and other countries 83.3 per cent, whereas sold in Lithuania 16.7 per cent of total production.

In 2018, total sales of goods and services of Utenos Trikotažas AB group (hereinafter "the Group") amounted to EUR 30,5 million. The Group exported 81,1 per cent, whereas sold in Lithuania 18.9 per cent of total production.

**Lithuania**

In 2018, the Company sold in Lithuania total amount of EUR 4.5 million of knitwear production. The sales in Lithuania increased by EUR 0.5 million or 12,5 per cent.

In 2018, the Group sold in Lithuania amounted to EUR 5.8 million of production, the export sales increased by EUR 3,9 million or 21.1 per cent compared to 2017.

**Export**

In 2018, the Company exports to Western Europe and other regions amounted to EUR 22.5 million, which is more by EUR 2.1 million compared to 2017.

In 2018, the Group's exports to Western Europe and other regions amounted to EUR 24.7 million, which is more by EUR 4.4 million compared to 2017.

Trade by regions is disclosed in Note per financial statements.

**Operating figures**

	Group			Company *		
	2018	2017	2016	2018	2017	2016
Manufactured items, units '000	3 132	3 231	2 861	3 008	3 099	2 700
Average number of employees	997	1 061	1 025	659	714	679

\*- The production is shown in conjunction with the subsidiary's production according to the company's orders.

**Production**

In 2018, the Company produced 1.5 million knit-wear items. The Company's subcontractors (including subcontractors in Ukraine) produced 1.5 million knit-wear items or 48.2 per cent of total production volumes. In 2018, Šatrija AB produced 118 thousand sewn items. In 2018, MTF Mrija PAT produced 0.8 million items.

**Production (units '000)**

	2018	2017	Change, per cent
Utenos Trikotažas AB	2 197	2 104	4.4
Šatrija AB	118	125	(5.5)
MTF Mrija PAT	817	1 002	(18.4)
Gotija UAB	-	-	-
	<b>3 132</b>	<b>3 231</b>	<b>(3.0)</b>

**Financial ratios**

	Group			Company		
	2018	2017	2016	2018	2017	2016
Revenue (EUR'000)	30 457	25 843	22 790	26 971	22 556	19 622
Operating profit (loss) (EUR'000)	1 200	645	1 417	1 166	226	773
Operating profit (loss) margin (per cent)	3.9	2.5	6.2	4.3	1.0	3.9
EBITDA	2 032	1 470	2 205	1 785	846	1 397
EBITDA margin (per cent)	6.7	5.7	9.7	6.6	3.7	7.1
Profit (loss) before tax (EUR'000)	1 151	372	1 220	606	2 249	674
Profit (loss) before tax, margin (per cent)	3.8	1.4	5.4	2.2	10.0	3.4
Net profit (loss) for the year (EUR'000)	1 141	301	1 053	571	2 235	569
Net profit (loss) for the year margin (per cent)	3.7	1.2	4.6	2.1	9.9	2.9
Number of shares, (thousand)	9 503	9 503	9 503	9 503	9 503	9 503

**Relative ratios**

	Group			Company		
	2018. 12.31	2017. 12.31	2016. 12.31	2018. 12.31	2017. 12.31	2016. 12.31
Return on capital employed ( per cent )	41.4	10.9	38.2	20.7	81.1	20.6
Return on assets ( per cent )	5.1	1.7	6.7	2.8	12.4	3.7
Return on shareholders' equity ( per cent )	10.2	4.0	14.5	6.1	29.1	10.6
Debt ratio (per cent)	49.8	57.6	53.4	53.9	57.2	65.1
Debt-to-equity ratio ( per cent )	99.0	136.1	114.6	116.8	133.5	186.4
Liquidity ratio ( per cent )	121.8	148.3	168.4	119.3	150.1	155.5
Equity to assets ratio ( per cent )	50.2	42.4	46.6	46.1	42.8	34.9

**Ratios related with the share price**

	2018	2017	2016
P/E	7.04	32.95	7.49
EPS	0.12	0.03	0.11
EV/EBITDA	5.70	8.22	4.63
EV/EBIT	9.16	25.70	7.63

**Investments**

In 2018, the Group's investments in new equipment and new technologies amounted to EUR 1 054 thousand;  
 In 2018, the Company's investments in new equipment and technologies amounted to EUR 1 040 thousand, including transactions between Group companies.

In 2018, Šatrija AB invested EUR 139 thousand.

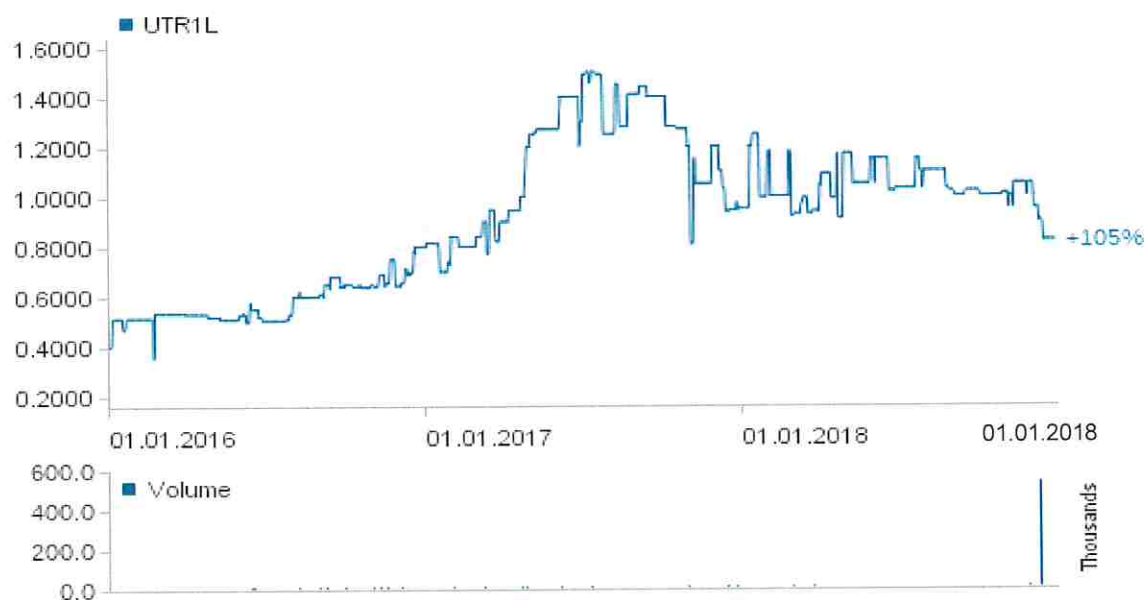
In 2018, MTF Mrija PAT invested EUR 21 thousand.

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

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

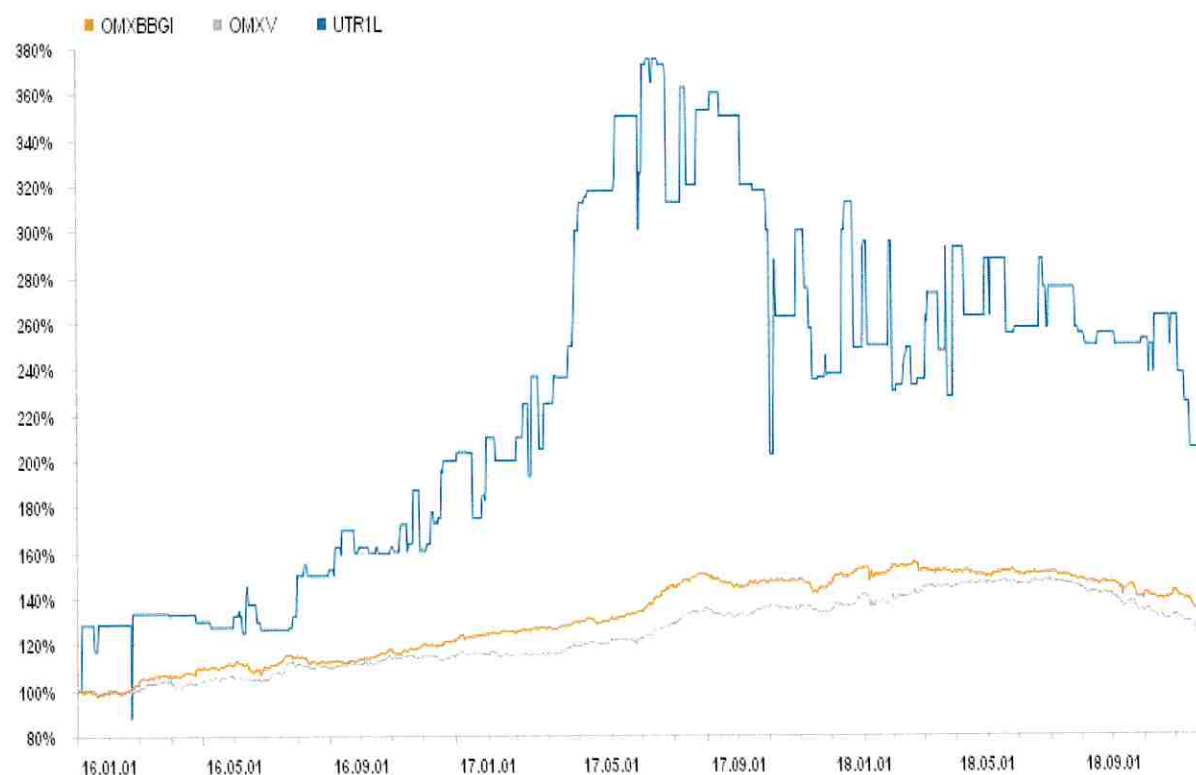
## 9. Information regarding the price of shares and their dynamics

Utenos Trikotažas AB share price dynamics, 2016-2018 (EUR):



Price ratios	2018	2017	2016
Open price, EUR	0.950	0.800	0.400
High price, EUR	1.250	1.500	0.800
Low price, EUR	0.820	0.680	0.351
Last price, EUR	0.820	0.950	0.800
Turnover, units	602 135	134 721	130 110
Turnover, million EUR	0.50	0.14	0.08
Capitalisation, million EUR	7.79	9.03	7.60

### Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index dynamics, 2016-2018



Index/ Equity	2018.12.31	2017.12.31	2016.12.31	2018/2017 change, %
— OMX Baltic Benchmark GI	873.81	944.09	788.17	(7.44)
— OMX Vilnius	616.9	653.29	558.5	(5.57)
— UTR1L	0.820 EUR	0.950 EUR	0.800 EUR	(13.38)

#### 10. Dividend policy

The decision on dividends payment for 2018 will be made by the General Meeting of Shareholders, based on the proposal of the Board.

#### 11. Description of key risks and contingencies of the Company

Risk factors related to the Issuer's operations.

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

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

**Economic factors.** The Company's operations depend on government policy and other political and economical changes in Lithuania and the World (which affect Lithuania). The Company and the Group use instruments ensuring that production is sold to reliable customers. The Company's and the Group's policy focuses on maintaining adequate amount of cash and



cash equivalents or maintaining funding by keeping adequate credit lines available with the purpose of implementing commitments provided 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 datas of 2018 and 2017 presented in this Annual Report is calculated based on the financial information presented in the Group's and the Company's financial statements for the year 2018, 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 of 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

AB Utenos trikotažas 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.

AB Utenos trikotažas in 2017 officially joined the Greenpeace project "Detox". Entity by 2020 year is committed to eliminate raw materials that could have a negative impact to people or the environment in all stages of the product life, from the start of production and packaging to wearing, washing, sorting and recycling of the product, thus producing products that are safe for the consumer without harming the environment and workers. This is guaranteed by the available certificates and 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 favor 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.

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, labor safety and other fields.

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 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.

Utenos Trikotažas AB in order to implement the development of corporate social responsibility in partnership with business, social and international partners in 23 May 2006 certified for international social responsibility standard SA 8000 (recertified on 23 June 2017).

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 practiced;
- 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, age or disability must be prevented; employing, dismissing or retiring must not become a cause to work successfully, feel happy and needed.
- Equal pay for equal work and same opportunities for learning and promotions for men and women;
- People should work under well-defined working time schedules (work start, work end, lunch break and rest breaks); overtime work or work on rest days or holidays must be provided in the collective agreement or harmonized with workers' representatives – Council of Trade Unions.
- Payment and additions for work done must be clear to employees and all this must be harmonized in the collective agreement or with workers' representatives – Council of Trade Unions.

The Company and the Group companies comply with the requirements of SA 8000: do not use child labor, 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 labor, adhere to working time regulations, correctly remunerates for work.

The Company and its subsidiary Šatrija AB comply with the provisions of the SA 8000 standard and the subsidiary MTF Mrija has performed a pre-certification SA 8000 standard audit.

## 15. Information about the Company's own share acquisitions

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



## 16. Significant events subsequent to the end of the previous financial year

On 28 February 2018, announcement of unaudited interim consolidated financial statements of 2017.  
 On 30 March 2018, the general meeting of shareholders of Utenos Trikotažas AB was convened. Draft decisions of the Annual General Meeting of Shareholders.  
 On 30 March 2018, supplemented agenda of the Annual Shareholders Meeting of AB "Utenos trikotažas" that is to be held on 25 April 2018.  
 On 25 April 2018, decisions of the general shareholder meeting were announced.  
 On 25 April 2018, annual information 2017.  
 On 30 April 2018, announcement of the performance results for the first quarter of 2018.  
 On 31 July 2018, announcement of the consolidated interim report and the financial statements for a six-month period of 2018.  
 On 31 October 2018, announcement of the financial statements for the 9-month period.  
 On 18 of December 2018, notification on the Acquisition of Voting Rights  
 On 18 of December 2018, notification on the disposal of voting rights  
 On 21 December 2018, announcement of preliminary dates of activity results for 2019.  
 On 21 December 2018 Utenos trikotazas AB Group sales for 2018.  
 On 28 February 2019, announcement of unaudited interim consolidated financial statements of 2018.

## 17. The Company's operating plans and objectives

Our strategy towards high quality production combined with socially responsible and environmentally friendly operations addresses well current consumer trends. As a result the company enjoys strong demand from both existing and newly acquired customers. Current sales pipeline and healthy market demand support further growth expectations.

To further strengthen our position in the markets we continue to focus on operating efficiency, acquisition of qualified employees, and nurturing of empowering culture in the Company.

The greatest challenge we currently face are coping with increased demand in production and significantly raising wages and salaries.

We follow our strategy to invest into sustainable and innovative technologies as well as improve operational efficiency. Extra efforts are directed towards development of competencies, especially in the field of R&D. The demand for modern and sustainable manufacturing is high in Europe and across the globe, therefore we keep building our position in this segment.

## 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 2018, the Company's authorised share capital was comprised of 9 503 000 ordinary registered shares with a nominal value of EUR 0.29 each.

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

Type of shares	Number of shares	Nominal value (EUR)	Total nominal value (EUR)	Percentage in the authorised share capital (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 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 Securities Market;
8. other property rights established by laws.

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

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

## 20. Restrictions on disposal of securities

There are no restrictions.

## 21. Shareholders

As at 31 December 2018, the total number of shareholders of Utenos Trikotažas AB was 1 153.

Information about shareholders is disclosed in Note 1 per financial statements

## 22. Shareholders holding special control rights and descriptions of these rights

There are no such shareholders.

## 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

There are no such agreements.

## 25. Employees

Average number of employees of the Group, by companies:

	2018.12.31	2017.12.31	Change, +/-
Utenos Trikotažas AB	793	791	0.3
Šatrija AB	201	200	0.5
MTF Mrija PAT	162	166	(2.4)
Gotija UAB	3	4	(25.0)
	<b>1 159</b>	<b>1 161</b>	<b>(0.2)</b>



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

	2018	2017	Change (%)
Utenos Trikotažas AB	8 414	7 293	15.4
Šatrija AB	2 403	2 039	17.9
MTF Mrija PAT	624	479	30.3
Gotija UAB	34	38	(10.5)
	<b>11 475</b>	<b>9 849</b>	<b>16.5</b>

The average monthly wages of employees before taxes:

	Group			Company		
	2018	2017	Change, %	2018	2017	Change, %
Workers group						
Managers	1 618	1 566	3.3	1 533	1 335	14.8
Specialists	802	796	0.8	821	675	21.6
Workers	516	489	5.5	523	463	13.1
	<b>610</b>	<b>588</b>	<b>3.7</b>	<b>639</b>	<b>549</b>	<b>16.4</b>

The Company's employee distribution by education (according to 31 December, 2018):

Group of employees	Employee distribution by education						
	Total	Higher education	Non-higher professional education	Vocational education	Secondary	Basic	Higher non-university
Managers	47	23	15	1	1	0	7
Specialists	148	69	21	4	9	2	43
Workers	598	11	165	158	182	34	48
	<b>793</b>	<b>103</b>	<b>201</b>	<b>163</b>	<b>192</b>	<b>36</b>	<b>91</b>

## 26. Management of the Group companies

Company name	Managers
Utenos Trikotažas AB	Algirdas Šabūnas
Šatrija AB	Giedrius Grondskis
MTF Mrija PAT	Tatjana Roshchina
Gotija UAB	Kristina Šašilaite

## 27. Management incentives

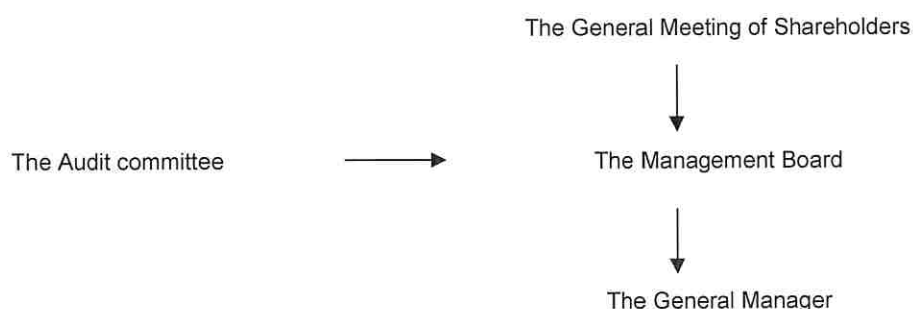
Management incentives are assigned by the decision of the Board taking into account the objectives met.

## 28. Amendment procedure of the Issuer's Articles of Association

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

## 29. Issuer's management bodies

The management bodies of the Company are listed below:



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

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

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

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

In 2018 the Audit committee held 2 meetings (on 25 January 2018) and 1 meeting after the end of 2017 financial year (on 30 March 2018). 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 Utenos Trikotažas AB audit committee and operating policies. The shareholders meeting held on 26 April 2017 elected Audit committee members: Arvydas Dalikas and Genadijus Makušėvas.

### Genadijus Makušėvas (b. 1959)

Utenos Trikotažas AB independent auditor from 26 April 2017, re-elected 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.

#### Participation in the management of other companies:

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

**Arvydas Dalikas (b. 1954)**

AB Utenos trikotažas has an independent auditor since 2017. April 26, for a four-year 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 Nr. 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 international audit network "MGI Worldwide" UAB MGI In salvo since 2004;
- Member of the Lithuanian Audit Chamber's Quality Control Committee since 2009;
- Member of the Court of Auditors of the Republic of Lithuania, President 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:**

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

**Audit committee rights:**

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

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

**30. Members of the collegial bodies, the Company Manager, the Finance Manager**

As at 31 December 2018:

Position	Name, surname	Number of the Issuer's shares held	Beginning of the term of office	End of the term of office
<b>Board</b>				
Chairman of the Board	Gintautas Rudis	28	2016.09.05	2021.04.30
Member of the Board	Algirdas Šabūnas	950 300	2016.09.05	2021.04.30
Member of the Board	Vytautas Vaškys	3	2013.04.30	2021.04.30
Member of the Board	Giedrius Grondskis	-	2017.04.26	2021.04.30



### Head of Administration and the Chief Financial Officer

General Manager	Algirdas Šabūnas	950 300	2016.09.06	-
Finance Director	Andrej Grobov	-	2015.02.03	-

### The Audit committee

The independent auditor	Genadijus Makušėvas	-	2013.04.30	2021.04.30
The independent auditor	Arvydas Dalikas	-	2017.04.26	2021.04.30

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

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

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

### Information about board members:

#### Gintautas Rudis (b. 1963)

Utenos trikotažas AB board member from 29 January 2008, re-elected for four years term on 26 April 2017. As the chairman of the Board was re-elected on 2 March 2017.

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

#### Working place:

- Enteco Baltic UAB, CEO.
- Euromodus UAB, CEO.
- Association "Pramonės ir rinkodaros verslo centras" CEO
- Evenmor UAB, CEO.

#### Participation in the management of other companies:

- Utenos trikotažas AB the chairman of the board
- Koncernas SBA UAB, the board member
- Urban Inventors UAB, the board member
- Šatrija AB, the board member
- Kauno baldai AB, the chairman of the supervisory board
- Šilutės baldai AB, the supervisory board
- Euromodus UAB the chairman of the board
- Enteco Baltic UAB the general manager
- Euromodus UAB the general manager
- Association "Pramonės ir rinkodaros verslo centras" the general manager
- Kempingo slėnyje, UAB the chairman of the board

#### Algirdas Šabūnas (b. 1974)

Member of the board of Utenos trikotažas AB is from 26 April 2017, for a four-year term.

#### Education:

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

#### Working place:

- Utenos trikotažas AB, CEO

#### Participation in the management of other companies:

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

- Utenos trikotažas AB, the board member

#### **Vytautas Vaškys (b. 1967)**

Utenos Trikotažas AB board member from 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).

##### Working place:

- Koncernas SBA UAB, business risks director.

##### Participation in the management of other companies:

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

#### **Giedrius Gromskis (b. 1973)**

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

##### Education:

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

##### Workplace:

- Šatrija AB, general manager

##### Participation in the management of other companies:

- Kauno Baldai UAB Member of the Board

In 2018, no loans, guarantees, sponsorships were issued and no assets were disposed to members of the Company's Board and Administration. In 2018, the aggregate remuneration of the Company General Manager and the Finance Director amounted to EUR 197.3 thousand.

### **31. Information about significant agreements**

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

### **32. Information about the compliance with the Governance Code**

The Companies are guided in accordance with Paragraph 3 of Article 21 of the Law on Securities of the Republic of Lithuania and Paragraph 20.5 of the Trading Rules of the Vilnius Stock Exchange of the Public Company "Vilnius Stock Exchange"; this report discloses compliance with the management code of the companies regulated by the Vilnius Stock Exchange and the specific codes of the companies regulated on the regulated market. its provisions (annex to the annual report).

### 33. Information about transactions with related parties

Results of transactions with related parties performed in 2018 are disclosed in the notes to the financial statements of AB Utenos Trikotažas for the period ended as at 31 December 2018.

### 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](http://www.ut.lt) and on the website of the Vilnius Stock Exchange at [www.baltic.omxgroup.com](http://www.baltic.omxgroup.com).

### 35. Company's auditor

AB Utenos Trikotažas Audit of the Financial Statements for 2018 agreement is signed up with ERNST & YOUNG BALTIC UAB (identification code 110878442, the registered address: Subačiaus str. 7, Vilnius). The annual remuneration for the audit services EUR is 23.300 (twenty free thousand three hundred euros) 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	<b>Šatrija AB</b>
Legal form	Public company
Date and place of incorporation	1955m. Vilniaus 5, 4400 Raseiniai
Company code	172285032
Address	Vilniaus 5, 4400 Raseiniai
Telephone	8 (428) 70611
Fax	8 (428) 70611
E-mail	<a href="mailto:raseiniai@satrija.lt">raseiniai@satrija.lt</a>
Website	<a href="http://www.satrija.lt">www.satrija.lt</a>
Principal activities	Sewing of clothes
Company name	<b>Mukačevska Trikotažnaja Fabrika Mrija PAT</b>
Legal form	Open public company
Date and place of incorporation	1971m. Matrosova 13, 89600 Mukačevo, Ukraine
Company code	00307253
Address	Matrosova 13, 89600 Mukačevo, Ukraine
Telephone	+ 380 (3131) 52780
Fax	+380 (3131) 52780
E-mail	<a href="mailto:mriya@mk.ukrtel.net">mriya@mk.ukrtel.net</a>
Website	<a href="http://www.mriyamukachevo.com">www.mriyamukachevo.com</a>
Principal activities	Production of knit-wear articles
Company name	<b>Gotija UAB</b>
Legal form	Private company
Date and place of incorporation	1994m. Laisvės al. 33, Kaunas
Company code	134181619
Address	Laisvės al. 33, Kaunas
Telephone	8 (37) 205879
Fax	8 (37) 205879
E-mail	<a href="mailto:gotija@ut.lt">gotija@ut.lt</a>
Website	None
Principal activities	Retail trade in knitwear products



### 36.2. Trade in securities of the Group companies in regulated markets

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

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

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

### 38. Diversity policy

Diversity policy applies to the election of members of the company's management, 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 29.11.2017, applicable to annual reports of companies reporting periods beginning on or after 1<sup>st</sup> 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 2018. in the annex to the consolidated annual report. The company publishes its annual reports on the webpage 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 2018. in the Appendix to the consolidated report to the 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 (IFRS) to ensure timely implementation of all IFRS developments in the financial statements, analyze transactions that are significant to the Company's 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 of 2018 financial statements of the Groups and the Company

#### 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 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 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 Company's

**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 2018. in the annex of the consolidated annual report.

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

The company provides information on the members of the company's board, the director in 2018. In the notes 26, 29, 30 of the consolidated annual report, which outline the scope of the management's activities, mention is made of other important information related to the positions held.

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

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

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

The members of the Board of the Company for the four-year term are elected at the shareholders' meeting 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 fulfillment 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 of the financial statements of the Company and the Group.

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

The shareholders of the company have no mutual agreements.



#### 40. Subsequent sheet events

There were no significant subsequent events that could have a significant effect.

General Manager Algirdas Šabūnas



28 March 2019

# Article I. APPENDIX TO THE ANNUAL REPORT

## Article II. UTENOS TRIKOTAŽAS AB DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE FOR THE COMPANIES LISTED ON THE REGULATED MARKET IN 2018

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
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 <a href="http://www.ut.lt">www.ut.lt</a> and on the website of the Stock Exchange.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Every year the Company's board approves the plans of operation containing the description of the Company's development strategy for 2-3 upcoming years. All bodies of the Company are familiarised with the strategic objectives and the ways of their implementation as set forth in the plans of operation. The Company has implemented a motivation system, which ensures direct link between the strategic objectives and personal performance of individual employees.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	This recommendation is implemented by the board, audit committee and chief executive officer (the supervisory board has not been set up).
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company has a collective employment contract in place. The board every quarter review employee related social questions.

### Principle II: The corporate governance framework

**The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The supervisory board has not been set up, however, the general meeting of shareholders has elected the board. The Company's chief executive officer and the chairman of the board is not one and the same person.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions described in the recommendation are fulfilled at the Company by a collegial management body – the board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	Only one collegial body has been set up the Board.



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

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

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

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

<p>3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.</p>	Yes	<p>The members of the Company's management bodies are actively involved in a wide range of areas in other companies, which enables them to ensure an adequate competence in respect of their current functions.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	Yes	<p>Newly appointed members by collegial body are acquainted with their duties, the company's organization and operations.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.</p>	No	<p>During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>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;</li> <li>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);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1Part 1);</li> </ol>	No	<p>All members of the Management Board work in the companies related with the controlling shareholder.</p>



<p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>	No	
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	No	<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>	No	<p>During the whole practice of the Company, the independence of the board members has not been subject to any assessments so far.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	No	<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 the company's funds. The general shareholders' meeting should approve the amount of such remuneration.</p>	No	<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>

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



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

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>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;</li> <li>3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) Properly consider issues related to succession planning;</li> <li>5) Review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	No	There is no Nomination Committee.
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>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);</li> <li>5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ol> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ol style="list-style-type: none"> <li>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;</li> </ol>	No	There is no Remuneration Committee.



<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 chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> <li>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);</li> <li>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;</li> <li>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;</li> <li>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>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;</li> <li>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ol> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p>	Yes	The Audit Committee performs functions that are stipulated in the regulations of the Audit Committee.

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

**Principle V: The working procedure of the company's collegial bodies**

**The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	No comments.
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.</p>	Yes	The board meetings are held at least once in a quarter or more often, if necessary.



5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	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.
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>		
<b>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.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	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 shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Company is in compliance with the Law on Companies and its Articles of Association.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholders' meeting and receive answers to them.	Yes	No comments.
6.5. It is recommended that documents on the course of the general shareholders' meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The Company is in compliance with the Law on Companies and its Articles of Association.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	No comments.

6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company has no technical possibilities to use modern technologies in voting process during the general meetings of shareholders, and the shareholders have never requested so far to use modern technologies in voting process during the general meetings of shareholders.
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**Principle VII: The avoidance of conflicts of interest and their disclosure**

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

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	No comments.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	No comments.

**Principle VIII: Company's remuneration policy**

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

8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The Company's remuneration policy is approved by the board.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.



<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) Sufficient information on the linkage between the remuneration and performance;</li> <li>4) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>5) A description of the main characteristics of supplementary pension or early retirement schemes for directors.</li> </ol>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<p>8.5. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.</p>	No	Information is not disclosed.
<p>8.6. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.
<p>8.7. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.7.1 to 8.7.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.7.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>2) The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>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;</li> <li>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;</li> <li>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;</li> <li>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <p>8.7.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> </ol>	No	The remuneration statement is neither prepared nor made public in a form as set forth herein.

<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>		
<p>8.8. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	Not applicable	
<p>8.9. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <p>1) Grant of share-based schemes, including share options, to directors;</p> <p>2) Determination of maximum number of shares and main conditions of share granting;</p> <p>3) The term within which options can be exercised;</p> <p>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</p> <p>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>	Not applicable	The Company neither has nor applies any share-based schemes anticipating remuneration of directors in shares, share options, etc.
<p>8.10. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	Not applicable	
<p>8.11. Provisions of Articles 8.8 and 8.9 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Not applicable	



<p>8.12. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	<p>Not applicable</p>	
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**Principle IX: The role of stakeholders in corporate governance**

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company has a collective employment contract in place. The chairman of the workers Trade union is invited to join monthly production meetings and other major management discussions of the Company.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>		
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>		

**Principle X: Information disclosure and transparency**

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) The financial and operating results of the company;</li> <li>2) Company objectives;</li> <li>3) Persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li> <li>5) Material foreseeable risk factors;</li> <li>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) Material issues regarding employees and other stakeholders;</li> <li>8) Governance structures and strategy.</li> </ol> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	Yes	<p>All information, except for certain items (see the note below), is disclosed in the Company's annual prospectus-reports, and posted on the websites of the Company and the Vilnius Stock Exchange.</p> <p>Note:</p> <p>The following information mentioned in paragraph 4 of recommendation item 10.1 is disclosed: members of the Company's supervisory and management bodies, chief executive officer of the Company (remuneration is not disclosed).</p> <p>Information mentioned in recommendation item 10.3 and 10.4 are not disclosed.</p>
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	Yes	<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>	Yes	<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>	Yes	<p>This information is available on the websites of the Stock Exchange and the Company.</p>



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

**The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**

11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The Company is in compliance with this recommendation, where the Company's board proposes a candidate firm of auditors to the general meeting of shareholders.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	