

## CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania, Periodic and Additional Information of Preparation and Submission rules of Lithuanian Bank Board, we, Algirdas Šabūnas, Managing Director of Utenos trikotazas, AB, Finance Director Andrej Grobov, and Chief Accountant Daiva Mikulėnė, hereby confirm that, to the best of our knowledge, the unaudited consolidated financial statements of Utenos trikotazas, AB for the 9 months of 2017, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Utenos trikotazas, AB and the Group of undertakings.

ENCLOSURE: Unaudited consolidated financial statements for the 9 months of 2017 of Utenos trikotazas AB.

**Managing Director**



**Algirdas Šabūnas**

**Finance Director**



**Andrej Grobov**

**Chief Accountant**



**Daiva Mikulėnė**

Utena, 31 October 2017



## **UTENOS TRIKOTAŽAS, AB**

**CONSOLIDATED AND COMPANY'S INTERIM FINANCIAL STATEMENTS**  
for the 9 months period ended 30 september 2017  
(UNAUDITED)

## INFORMATION ABOUT COMPANY

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	BĮ 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	Registru 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

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## REVIEW OF ACTIVITY OF THE GROUP COMPANIES

Utenos trikotažas AB group of companies (hereinafter „the Group“) sold products and provided services for EUR 18,5 million, which is by 10,7 per cent more than in the previous year when the Group's sales accounted for EUR 16,7million. The Group exported 77,1 per cent of products.

During the nine months of 2017, the company Utenos trikotažas sold products and provided services for EUR 16,0 million. The sales volume, compared with the first quarter of 2016, grew by EUR 1,5 million, or 11,1 per cent. The company's export sales reached 81,3 per cent.

Compared with the respective period of the previous year, the sales of all business segments recorded a significant growth. The sales of the largest segment – on-demand knitwear – grew by 8,7 per cent and reached EUR 13,5 million, the own brands UTENOS and ABOUT grew by 23,4 per cent and reached EUR 2,6 million, whereas the sales of functional-technical clothing produced by its subsidiary Šatrija increased by 9,2 per cent up to EUR 2,4 million.

the Group's exports grew by 9,7 per cent and reached EUR 14,3 million, whereas the exports of the company Utenos trikotažas increased by 14,9 per cent and accounted for EUR 13,0 million. The creation of new materials and supply of innovative production resulted in the development of the target customer portfolio in all regions, which in turn further increases export volume. A significant growth (7,0 per cent) was recorded in German-speaking countries (DACH) – products for EUR 8,0 million were exported to the largest sales region . In Scandinavian countries the Group sales increases by 21,4 per cent. The company Utenos trikotažas sales increased by 37,0 per cent in this region. The Group's sales in other markets remained stable in the comparison period

The Group sold products for EUR 4,2 million in Lithuania, which is by EUR 0,5 million more than in the previous year. The sales of the company Utenos trikotažas in Lithuania amounted to EUR 3,0 million. The growth of sales in Lithuania was mainly determined by the sales of functional-technical garments manufactured by Šatrija as well as the development of the own brands UTENOS and ABOUT.

The performance in Q3 2017 was affected by the disruptions in the supply chain that urged the Company to alter order delivery dates. Orders worth more than EUR 1 million were postponed to October 2017 that will positively contribute to the Group's results in Q4.

In 2017, the Group earned a pre-tax profit of EUR 420 thousand, when in 2016 for the corresponding period earned EUR 820 thousand. During the same period, the company Utenos trikotažas earned a pre-tax profit of EUR 1 255 thousand, whereas it recorded a profit of EUR 391 thousand a year ago. The company's profit before taxes has resulted by dividends and the subsidiary's share capital reduction income.

The Group's EBITDA amounted to EUR 1 197 thousand, which is by 25,0 per cent more than in the respective period of 2016. The company's EBITDA reached EUR 687 thousand, decreased 26,0 per cent in the comparison period.

**Key performance indicators of the Group**
**Trade**

Revenue (EUR '000)	Group			Company		
	2017 9M	2016 9M	Change %	2017 9M	2016 9M	Change %
Products manufactured on demand of other clients	13 498	12 416	8,7	13 484	12 373	9,0
Own brands (ABOUT, UTENOS)	2 568	2 066	24,3	2 485	2 004	24,0
Services of functional-technical garments manufacture	2 425	2 221	9,2	-	-	-
	<b>18 491</b>	<b>16 702</b>	<b>10,7</b>	<b>15 969</b>	<b>14 377</b>	<b>11,1</b>

Revenue (EUR '000)	Group			Company		
	2017 III Q	2016 III Q	Change %	2017 III Q	2016 III Q	Change %
Products manufactured on demand of other clients	5 125	5 485	(6,6)	5 120	5 479	(6,5)
Own brands (ABOUT, UTENOS)	1 054	769	37,1	1 020	748	36,4
Services of functional-technical garments manufacture	766	714	7,3	-	-	-
	<b>6 945</b>	<b>6 967</b>	<b>(0,3)</b>	<b>6 140</b>	<b>6 227</b>	<b>(1,4)</b>

**Sales by regions**

Revenue (EUR '000)	Group			Company		
	2017 9M	2016 9M	Change %	2017 9M	2016 9M	Change %
Export	14 264	13 008	9,7	12 993	11 308	14,9
<i>DACH (Germany, Austria, Switzerland)</i>	7 973	7 451	7,0	7 153	6 692	6,9
<i>Scandinavia (Sweden, Norway, Denmark, Finland)</i>	4 657	3 836	21,4	4 351	3 176	37,0
<i>Other regions</i>	1 634	1 720	(5,0)	1 488	1 440	3,3
Domestic	4 227	3 695	14,4	2 976	3 069	(3,0)
	<b>18 491</b>	<b>16 702</b>	<b>10,7</b>	<b>15 969</b>	<b>14 377</b>	<b>11,1</b>

Revenue (EUR '000)	Group			Company		
	2017 III Q	2016 III Q	Change %	2017 III Q	2016 III Q	Change %
Export	5 500	5 551	(0,9)	5 086	4 932	3,1
<i>DACH (Germany, Austria, Switzerland)</i>	3 221	3 113	3,5	2 919	2 895	0,8
<i>Scandinavia (Sweden, Norway, Denmark, Finland)</i>	1 679	1 774	(5,4)	1 606	1 466	9,5
<i>Other regions</i>	600	663	(9,6)	561	571	(1,7)
Domestic	1 445	1 416	2,1	1 054	1 295	(18,6)
	<b>6 945</b>	<b>6 967</b>	<b>(0,3)</b>	<b>6 140</b>	<b>6 227</b>	<b>(1,4)</b>

### Operating figures

	Group			Company		
	2017 9M	2016 9M	Change %	2017 9M	2016 9M	Change %
Manufactured items units .	2 169	1 712	26,7	1 312	1 249	5,0
Average number of employees	1 065	1 030	2,9	715	679	5,3

### Financial ratio

	Group			Company		
	2017 9M	2016 9M	Change	2017 9M	2016 9M	Change
Revenue (EUR'000)	18 491	16 702	10,7 %	15 969	14 377	11,1%
Operating profit (loss) (EUR'000)	576	994	(42,0) %	218	469	(53,5)%
Operating profit (loss) margin (%)	3,1%	6,0%	(2,8) p.p	1,4%	3,3%	(1,9) p.p
EBITDA (EUR'000)	1 197	1 596	(25,0) %	687	928	(26,0) %
EBITDA margin (%)	6,5%	9,6%	(3,1) p.p	4,3%	6,5%	(2,2) p.p
Profit (loss) before tax (EUR'000)	420	820	(48,8) %	1255	391	221,0%
Profit (loss) before tax, margin (%)	2,3%	4,9%	(2,6) p.p	7,9%	2,7%	5,1 p.p
Net profit (loss) for the year (EUR'000)	362	827	(56,3) %	1197	396	202,3%
Net profit (loss) for the year margin (%)	2,0%	5,0%	(3,0) p.p	7,5%	2,8%	4,7 p.p
Number of shares, (thousand)	9 503	9 503	-	9 503	9 503	-

Interim Consolidated Information for the 9 months of 2017 (All amounts are in EUR thousand, unless otherwise stated)

	Group			Company		
	2017 III Q	2016 III Q	Change	2017 III Q	2016 III Q	Change
Revenue (EUR'000)	6945	6967	(0,32) %	6 140	6 227	(1,4) %
Operating profit (loss) (EUR'000)	305	709	(56,8) %	220	501	(56,1) %
Operating profit (loss) margin (%)	4,4%	10,2%	(5,8) p.p	4%	7%	(3,6) p.p
EBITDA (EUR'000)	514	919	(44,1) %	377	655	(42,0) %
EBITDA margin (%)	7%	13%	(5,8) p.p	6,12%	10,5%	(4,4) p.p
Profit (loss) before tax (EUR'000)	229	652	(64,9) %	811	476	70,2 %
Profit (loss) before tax, margin (%)	3%	9%	(6,1) p.p	13,2%	7,6%	5,5 p.p
Net profit (loss) for the year (EUR'000)	240	654	(63,3)%	823	477	72,3 %
Net profit (loss) for the year margin (%)	3%	9%	(5,9) p.p	13,4%	7,7%	5,7 p.p
Number of shares, (thousand)	9 503	9 503	-	9 503	9 503	-

**Relative ratios**

	Group			Company		
	2017 9M	2016 9M	Change p.p	2017 9M	2016 9M	Change p.p.
Return on capital employed (%)	21,4%	22,9%	(1,5)	49,7%	8,0%	41,7
Return on assets (%)	3,5%	4,1%	(0,6)	8,0%	1,4%	6,6
Return on shareholders' equity (%)	7,8%	8,7%	(0,9)	20,8%	4,1%	16,7
Debt ratio (%)	55,5%	53,1%	2,4	61,3%	65,2%	(3,9)
Debt-to-equity ratio (%)	124,8%	113,0%	11,4	158,4%	187,4%	(29,1)
Liquidity ratio (%)	153,7%	171,8%	(18,1)	140,7%	157,3%	(16,6)
Equity to assets ratio (%)	44,5%	46,9%	(2,4)	38,7%	34,8%	(3,9)

**Ratios related with the share price**

	2017 9M	2016 9M	Change p.p.
P/E	21,75	10,38	11,36
EPS	0,06	0,06	0,00
EV/EBITDA	8,29	8,69	(0,41)



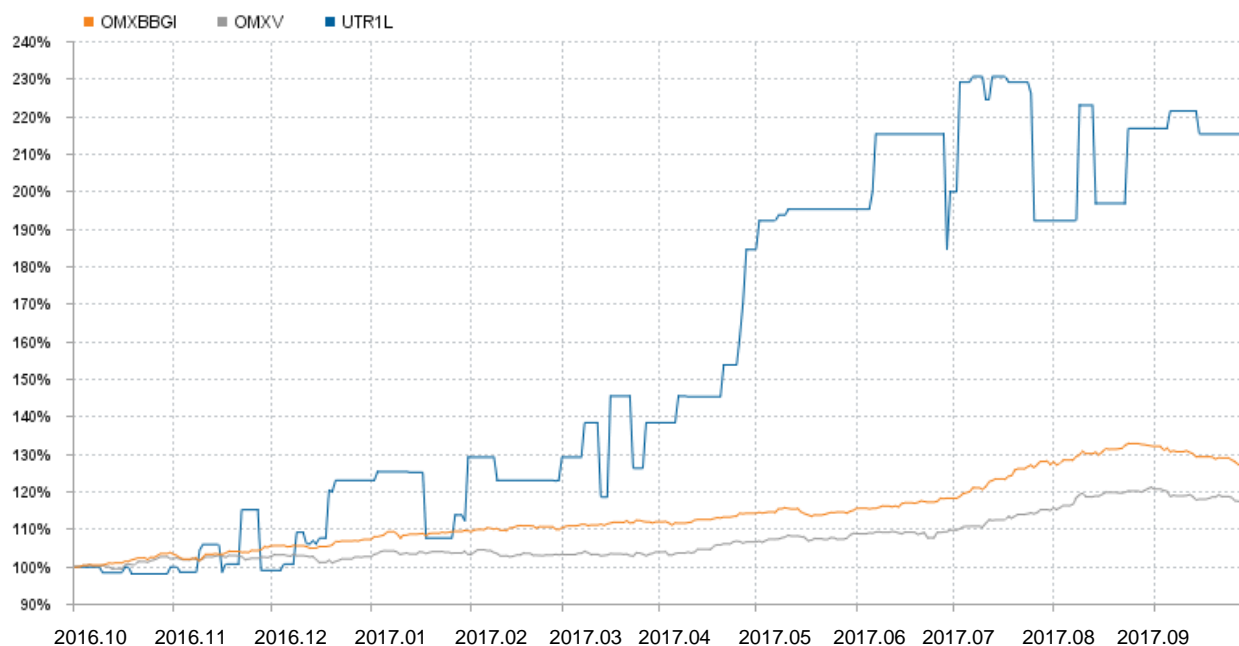
### Information regarding the price of shares and their dynamics

Utenos Trikotažas AB share price dynamics, during 12 months period from 1 October 2016 to 30 September 2017



Price ratios	2017 9M	2016 9M
Open price, EUR	0,800	0,400
High price, EUR	1,500	0,697
Low price, EUR	0,680	0,351
Last price, EUR	1,270	0,650
Traded volume	93 911	71 564
Turnover, million EUR	0,10	0,04
Capitalisation, million EUR	12,07	6,18

**Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index dynamics during 12 months period from 1 October 2016 to 30 September 2017**



Index/ Equity	2017.09.30	2016.09.30	2017.09.30 /2016.09.30 Change, %
— OMX Baltic Benchmark GI	939,54	735,69	27,71↑
— OMX Vilnius	641,84	544,02	17,98↑
— UTR1L	1,40 EUR	0,65 EUR	115,38↑

## BALANCE SHEET

	Notes	Group		Company	
		2017.09.30	2016.12.31	2017.09.30	2016.12.31
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	7	696	744	78	75
Property, plant and equipment	8	6 962	7 046	5 336	5 379
Investment property		107	109	107	109
Investments into subsidiaries		-	-	1 550	1 499
Trade and other receivables		-	1	-	-
Receivables from subsidiaries		-	-	2 112	2 140
Deferred income tax asset		58	58	-	-
		<b>7 823</b>	<b>7 958</b>	<b>9 183</b>	<b>9 202</b>
<b>Current assets</b>					
Inventories	9	6 243	4 216	6 136	4 113
Trade receivables	10	1 659	1 239	1 284	704
Other current assets		364	365	260	225
Current financial assets			600	-	600
Cash and cash equivalents	11	866	1 230	189	598
		<b>9 132</b>	<b>7 650</b>	<b>7 869</b>	<b>6 241</b>
<b>Total assets</b>		<b>16 955</b>	<b>15 608</b>	<b>17 052</b>	<b>15 443</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the shareholders of the</b>					
Share capital		2 756	2 756	2 756	2 756
Revaluation surplus	12	574	574	574	574
Legal reserve	12	3 123	3 173	1 721	1 751
Reserve for acquisition of own shares	12	90	269	-	-
Foreign currency translation reserve	12	131	119	-	-
Cash flow hedge reserve	12	(43)	(43)	(43)	(43)
Accumulated retained earnings/ (losses)	12	539	(41)	1 592	355
		<b>7 170</b>	<b>6 807</b>	<b>6 600</b>	<b>5 393</b>
<b>Non-controlling interest</b>		<b>373</b>	<b>466</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>7 543</b>	<b>7 273</b>	<b>6 600</b>	<b>5 393</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	13	2 699	3 046	2 699	3 046
Borrowings from subsidiaries	13	-	-	1 556	2 422
Deferred income tax liabilities		438	407	312	270
Non-current portion of derivative financial instruments		28	28	28	28
Provisions for employee benefits		305	310	265	271
		<b>3 470</b>	<b>3 791</b>	<b>4 860</b>	<b>6 037</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	13	738	738	738	738
Current portion of derivative financial instruments					
Trade payables		298	-	698	-
Payables to other related parties and subsidiaries		24	24	24	24
Income tax payable		2 072	1 461	2 037	1 430
Accrued expenses and other current liabilities	14	229	129	228	240
		<b>5 942</b>	<b>4 544</b>	<b>5 592</b>	<b>4 013</b>
<b>Total liabilities</b>		<b>9 412</b>	<b>8 335</b>	<b>10 452</b>	<b>10 050</b>
<b>Total equity and liabilities</b>		<b>16 955</b>	<b>15 608</b>	<b>17 052</b>	<b>15 443</b>

## STATEMENT OF COMPREHENSIVE INCOME

Group	Notes	January-September		July-September	
		2017	2016	2017	2016
Sales	6,15	18 491	16 702	6 945	6 967
Cost of sales	16	(14 777)	(13 402)	(5 526)	(5 420)
<b>Gross profit</b>		<b>3 714</b>	<b>3 300</b>	<b>1 419</b>	<b>1 547</b>
Selling expenses	17	(1 504)	(1 137)	(527)	(454)
General and administrative expenses	17	(1 720)	(1 285)	(616)	(413)
Other operating income	18	93	134	31	32
Other operating expenses	18	(7)	(18)	(2)	(3)
<b>Operating profit (losses)</b>		<b>576</b>	<b>994</b>	<b>305</b>	<b>709</b>
Finance income	19	118	40	8	6
Finance costs	19	(274)	(214)	(84)	(63)
<b>Profit (losses) before tax</b>		<b>420</b>	<b>820</b>	<b>229</b>	<b>652</b>
Income tax		(58)	7	11	2
<b>Net profit (losses)</b>		<b>362</b>	<b>827</b>	<b>240</b>	<b>654</b>
<b>Net profit (losses) attributable to:</b>					
Equity shareholders of the Company	20	334	794	235	641
Non-controlling interest		28	33	5	13
		<b>362</b>	<b>827</b>	<b>240</b>	<b>654</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>					
Foreign currency translation gain (loss)		12	(16)	12	(19)
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>12</b>	<b>(16)</b>	<b>12</b>	<b>(19)</b>
<b>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>					
Other comprehensive income (loss)		(83)	-	(63)	-
<b>Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>		<b>(83)</b>	<b>-</b>	<b>(63)</b>	<b>-</b>
<b>Other comprehensive income (loss)</b>		<b>(71)</b>	<b>(16)</b>	<b>(51)</b>	<b>(19)</b>
<b>Total comprehensive income (loss) for the period</b>		<b>291</b>	<b>811</b>	<b>189</b>	<b>635</b>
<b>Basic/dilutive earnings per share</b>	20	<b>0,04</b>	<b>0,09</b>	<b>0,03</b>	<b>0,07</b>

## Statements of comprehensive income (cont'd)

### Company

	Notes	January-September		July-September	
		2017	2016	2017	2016
Sales	15	15 969	14 377	6 140	6 227
Cost of sales	16	(13 120)	(12 043)	(4 964)	(5032)
<b>Gross profit</b>		<b>2 849</b>	<b>2 334</b>	<b>1 176</b>	<b>1 195</b>
					0
Selling expenses	17	(1 430)	(1 067)	(503)	(396)
General and administrative expenses	17	(1 233)	(861)	(462)	(310)
Other operating income	18	37	72	10	12
Other operating expenses	18	(5)	(9)	(1)	0
<b>Operating profit (losses)</b>		<b>218</b>	<b>469</b>	<b>220</b>	<b>501</b>
					0
Finance income	19	1 166	60	633	21
Finance costs	19	(129)	(138)	(42)	(46)
<b>Profit (losses) before tax</b>		<b>1 255</b>	<b>391</b>	<b>811</b>	<b>476</b>
					0
Income tax		(58)	5	12	1
	20	<b>1 197</b>	<b>396</b>	<b>823</b>	<b>477</b>

**STATEMENTS OF CHANGES IN EQUITY**

Group	Share capital	Foreign currency translation reserve	Reserve for acquisition of own shares	Other reserve	Legal reserve	Revaluation surplus	Accumulated retained earnings/ (losses)	Total	Non-controlling interest	Total equity
	<b>Balance as of 30 June 2016</b>	<b>2 756</b>	<b>97</b>	<b>269</b>	<b>(42)</b>	<b>574</b>	<b>3 190</b>	<b>(93)</b>	<b>6 751</b>	<b>461</b>
Net profit (loss) for the year	-	-	-	-	-	-	221	221	5	226
Other comprehensive income	-	22	-	(1)	-	-	(186)	(165)		(165)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>56</b>	<b>5</b>	<b>61</b>
Transfer of revaluation surplus to retained earnings	-	-	-	-	-	(17)	17			
<b>Balance as of 31 December 2016</b>	<b>2 756</b>	<b>119</b>	<b>269</b>	<b>(43)</b>	<b>574</b>	<b>3 173</b>	<b>(41)</b>	<b>6 807</b>	<b>466</b>	<b>7 273</b>
Net profit (loss) for the year	-	-	-	-	-	-	334	334	28	362
Other comprehensive income	-	12	-	-	-	-	17	29	(100)	(71)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>363</b>	<b>(72)</b>	<b>291</b>
Other comprehensive income	-	-	-	-	-	(50)	50			
Reserve for acquisition of own shares			(179)				179		(21)	(21)
<b>Balance as of 30 September 2017</b>	<b>2 756</b>	<b>131</b>	<b>90</b>	<b>(43)</b>	<b>574</b>	<b>3 123</b>	<b>539</b>	<b>7 170</b>	<b>373</b>	<b>7 543</b>

Company	Share capital	Legal reserve	Revaluation surplus	Other reserve	Accumulated retained earnings/ (losses)	Total
	<b>Balance as of 30 September 2016</b>	<b>2 756</b>	<b>574</b>	<b>1 762</b>	<b>(42)</b>	<b>357</b>
Net profit (loss) for the year	-	-	-	-	173	173
Other comprehensive income (loss)	-	-	-	(1)	(186)	(187)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(13)</b>	<b>(14)</b>
Transfer of revaluation surplus to retained earnings	-	-	(11)		11	
<b>Balance as of 31 December 2016</b>	<b>2 756</b>	<b>574</b>	<b>1 751</b>	<b>(43)</b>	<b>355</b>	<b>5 393</b>
Net profit (loss) for the year	-	-	-	-	1 197	1 197
Other comprehensive income (loss)	-	-	-	-	10	10
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 207</b>	<b>1 207</b>
Transfer of revaluation surplus to retained earnings	-	-	(30)		30	
<b>Balance as of 30 September 2017</b>	<b>2 756</b>	<b>574</b>	<b>1 721</b>	<b>(43)</b>	<b>1 592</b>	<b>6 600</b>

## STATEMENTS OF CASH FLOWS

	Group		Company	
	30 September 2017	2016	30 September 2017	2016
<b>Cash flows from operating activities</b>				
Profit (loss) for the period	362	827	1 197	396
<b>Adjustments for non-cash items:</b>				
Depreciation and amortization	620	602	469	458
(Gain) on disposal of property, plant and equipment and investment property	(13)	(23)	(11)	(22)
Impairment and write-off of i accounts receivable	4	-	-	-
Impairment and write-off of inventories	8	-	8	-
Interest expense, net of interest income	73	92	60	78
Income tax (income) expense	68	(7)	68	(5)
<b>Changes in working capital:</b>				
(Increase) decrease in inventories	(2 036)	(323)	(2 031)	(298)
(Increase) decrease in trade receivables	(424)	(351)	(580)	(236)
Decrease (increase) in receivables from subsidiaries	-	-	(1 062)	242
(Increase) decrease in other receivables and other current assets	607	(500)	565	(619)
(Increase) decrease in trade and other accounts payable	1 104	524	886	572
Increase (decrease) in taxes payable and other current liabilities	(24)	(62)	(13)	(47)
Income tax (paid)	(22)	(25)	(10)	(25)
<b>Net cash generated from operating activities</b>	<b>328</b>	<b>754</b>	<b>(455)</b>	<b>494</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(551)	(211)	(398)	(190)
Acquisition of intangible assets	(32)	(10)	(31)	(10)
Proceeds from sale of property, plant and equipment	13	26	11	26
Investments in subsidiaries (acquisition)	-	-	(51)	-
Interest received	-	-	44	45
<b>Net cash flows generated from (to) investing activities</b>	<b>(570)</b>	<b>(195)</b>	<b>(425)</b>	<b>(129)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	504	201	904	701
Repayment of borrowings and financial lease payments	(554)	(540)	(1 420)	(540)
Dividends	-	-	479	-
Share capital reduction income	-	-	611	-
Interest paid	(73)	(92)	(104)	(123)
<b>Net cash flows from financing activities</b>	<b>(122)</b>	<b>(431)</b>	<b>470</b>	<b>38</b>
<b>Net increase in cash and cash equivalents</b>	<b>(364)</b>	<b>128</b>	<b>(410)</b>	<b>403</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1 230</b>	<b>1 079</b>	<b>599</b>	<b>265</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>866</b>	<b>1 207</b>	<b>189</b>	<b>668</b>

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

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

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

As of 30 September 2017 and 31 December 2016 the shareholders of the Company were as follows:

	As of 30 September 2017		As of 31 December 2016	
	Number of shares held	Interest held(%)	Number of shares held	Interest held(%)
Koncernas SBA UAB	7 294	76.76	7 294	76.76
Algirdas Šabūnas	950	10.00	950	10.00
Investment Fund East Capital Asset	527	5.55	527	5.55
Other shareholders	732	7.69	732	7.69
	<b>9 503</b>	<b>100.00</b>	<b>9 503</b>	<b>100.00</b>

All the shares are registered ordinary shares with a par value of EUR 0.29 each. As of 30 September 2017 and 31 December 2016 subsidiaries did not hold any shares of the Company. The Company did not hold its own shares within this period.

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

	Registered address	Group's share (%)		Profile
		30 September 2017	31 December 2016	
Šatrija AB	Šatrijos str. 3, Raseiniai	89,78	89,78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	100,00	90,50	Retail trade
PAT MTF Mrija	Matrosovo Str. 13, Mukachev, Ukraine	98,95	98,95	Production of knitted articles

Utenos Trikotažas AB on 11 April 2017 concluded Shares Sale-Purchase Agreement for 1 805 units of Uždaroji akcinė bendrovė "Gotija", legal entity code 134181619, shares. The Company's acquired shares of Uždaroji akcinė bendrovė "Gotija" comprise 9,5% of all issued shares and together with the Company's currently owned 90,5% shares' package constitute 100% of the authorized capital of Uždaroji akcinė bendrovė "Gotija" and grant all 19 000 votes at the General Shareholders Meetings.



## 2. Form and contents of the financial statements

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

## 3. Change in the accounting method of the Companies' and the Group's Non-current assets Buildings group

In order to achieve a more accurate accounting of the financial results in March 31, 2013 the Non-current assets Buildings group accounting method was changed to the fair value method, as the book value of the Companies' and the Group's Non-current assets Buildings group, which was carried at historical cost, less subsequent accumulated depreciation, had not corresponded with the buildings market value.

## 4. Consolidation

The consolidated financial statements of the Group include Utenos trikotažas AB and its subsidiaries as well as associated companies. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

## 5. Financial risk factors

Due to the geo-political situation in Ukraine and significant drop in the value of UAH against EUR, the Management of the Group and the Company re-designated loan granted, related interests and other long term receivables as a part of net investment in Mrija PAT MTF. Accordingly gains (losses) arising from foreign exchange related to the monetary items considered to be part of net investment into foreign operation is accounted in Group's consolidated financial statements through other comprehensive income (loss).

Amount of monetary items attributed to net investment amounts to EUR 3.5 million and foreign currency exchange difference related to this amount for the 9 months of 2017 comprises EUR 324 thousand, which is accounted in the Group's consolidated financial statements through other comprehensive income.

### **Other comprehensive income (loss) from foreign currency translation included in the consolidated statements of changes in equity in other comprehensive income attributable to the equity holders of the Company:**

Foreign currency exchange difference on monetary items attributed to net investments, EUR	323 735
Foreign currency translation reserve on other items, EUR	(311 823)
<b>Other comprehensive income EUR, net</b>	<b>11 912</b>

## 6. Segment information

The Group has two main business segments: production of knitted articles and production of functional-technical garments

In assessing operational performance of segments the Group's Board takes into account the sales revenue, gross profit, EBITDA (earnings before financial activity result, taxes, depreciation and amortization), 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.

Below, there is a summary of major indicators for the main business segments of the Group included in the statement of comprehensive income for the 9 months of 2017 and for the 9 months of 2016:

	Production of knitted articles	Production of functional-technical garments	Eliminations	Total
<b>of 30 September 2017</b>				
External sales	16 066	2 425	-	18 491
Internal sales	726	-	(726)	-
<b>Total revenue</b>	<b>16 792</b>	<b>2 425</b>	<b>(726)</b>	<b>18 491</b>
<b>Gross profit</b>	<b>3 047</b>	<b>667</b>	<b>-</b>	<b>3 714</b>
<b>EBITDA</b>	<b>827</b>	<b>370</b>	<b>-</b>	<b>1 197</b>
<b>Profit (loss)</b>	<b>75</b>	<b>287</b>	<b>-</b>	<b>362</b>
	Production of knitted articles	Production of functional-technical garments	Eliminations	Total
<b>of 30 September 2016</b>				
External sales	14 481	2 221	-	16 702
Internal sales	365	-	(365)	-
<b>Total revenue</b>	<b>14 846</b>	<b>2 221</b>	<b>(365)</b>	<b>16 702</b>
<b>Gross profit</b>	<b>2 734</b>	<b>566</b>	<b>-</b>	<b>3 300</b>
<b>EBITDA</b>	<b>1 210</b>	<b>386</b>	<b>-</b>	<b>1 596</b>
<b>Profit (loss)</b>	<b>529</b>	<b>298</b>	<b>-</b>	<b>827</b>

## 7. Non-current intangible assets

Amortization expenses of intangible assets are included within general and administrative expenses in profit and loss statement.

## 8. Non-current tangible assets

Depreciation of non-current tangible property amounted to EUR 620 thousand as of 30 September 2017, EUR 471 thousand are included into cost of sales in the Group's Profit (loss) statement. The remaining amounts were included in general and administrative expenses and inventories in the statement of financial position.

As of 30 September 2017 and 31 December 2016 the Companies' and the Group's Non-current assets Buildings group is recognized at fair value.

## 9. Inventories

	Group		Company	
	2017.09.30	2016.12.31	2017.09.30	2016.12.31
Raw materials	2 183	1 759	1 831	1 416
Work in progress	2 341	1 734	2 334	1 724
Finished goods	2 315	1 321	2 289	1 299
Goods for resale	45	52	-	-
	<b>6 884</b>	<b>4 866</b>	<b>6 453</b>	<b>4 439</b>
Write-down to net realisable value:				
Opening balance	(650)	(724)	(326)	(381)
Change	9	74	8	55
Closing balance	(641)	(650)	(318)	(326)
	<b>6 243</b>	<b>4 216</b>	<b>6 136</b>	<b>4 113</b>

## 10. Trade receivables

	Group		Company	
	2017.09.30	2016.12.31	2017.09.30	2016.12.31
Trade receivables, gross	1 774	1 354	1 378	798
Allowance for trade receivables:				
Opening balance	(115)	(115)	(94)	(94)
Change	-	-	-	-
Closing balance	(115)	(115)	(94)	(94)
	<b>1 659</b>	<b>1 239</b>	<b>1 284</b>	<b>704</b>

Changes in impairment allowance for doubtful trade receivables as of 30 September 2017 and 31 December 2016 were recorded within the Group's and Company's general and administrative expenses.

## 11. Cash and cash equivalents

	Group		Company	
	2017.09.30	2016.12.31	2017.09.30	2016.12.31
Cash at bank and on hand	866	1 230	189	598
	<b>866</b>	<b>1 230</b>	<b>189</b>	<b>598</b>

## 12. Other reserves and retained earnings (deficit)

### Revaluation surplus

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

### Legal reserve

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

### Foreign currency translation reserve

The foreign currency translation reserve represents translation differences arising on consolidation of financial statements of foreign subsidiaries.

### Reserve for acquisition of own shares

In 2015 according to the decision of the shareholders of Šatrija AB the reserve for acquisition of own shares of EUR 300 thousand was formed. In 2017 according to the decision of the shareholders of Šatrija AB the reserve for acquisition of own shares was reduced to EUR 100 thousand.

### Cash flow hedge reserve

The Company's loan with DNB Bankas AB is with floating interest rate that is linked to EURIBOR. On 26 November 2014 the Company signed interest rate swap contract with DNB Bankas AB in order to avoid the 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 52 thousand as of 30 September 2017 (EUR 52 thousand as of 31 December 2016) and was accounted for under current amounting EUR 28 thousand (EUR 28 thousand as of 31 December 2016) and non-current liabilities amounting EUR 24 thousand (EUR 24 thousand as of 31 December 2016).

### Accumulated retained earnings (losses)

Pursuant to the provisions of the Law on Limited Liability Companies of the Republic of Lithuania, if the total of retained earnings at the beginning of the financial year and net profit (loss) for the year is negative, the General Shareholders' Meeting has to make a decision to cover these losses. Transfers to distributable results should be made in the following sequence:

transfer from reserves not used in the reporting financial year;  
 transfer from the compulsory legal reserve;  
 transfer from the share premium.

At the date of these financial statements the Company was not informed about any actions of the shareholders of the Co. regarding retained deficit.

The balances of other reserves as of 30 September 2017 and 31 December 2016 were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017.09.30</b>	<b>2016.12.31</b>	<b>2017.09.30</b>	<b>2016.12.31</b>
Revaluation surplus	3 123	3 173	1 721	1 751
Legal reserve	574	574	574	574
Reserve for acquisition of own shares	90	269	-	-
Foreign currency translation reserve	131	119	-	-
Cash flow hedge reserve	(43)	(43)	(43)	(43)
Accumulated retained earnings/ (losses)	539	(41)	1 592	355
	<b>4 414</b>	<b>4 051</b>	<b>3 844</b>	<b>2 637</b>

### 13. Borrowings

	Group		Company	
	2017.09.30	2016.12.31	2017.09.30	2016.12.31
<b>Current</b>				
Current portion of non-current bank borrowings	738	738	738	738
Other short term liabilities	298	-	698	-
	<b>1036</b>	<b>738</b>	<b>1436</b>	<b>738</b>
<b>Non-current</b>	-	-	-	-
Borrowings from subsidiaries	2 699	3 046	1 556	2 422
Long-term bank borrowings	<b>2 699</b>	<b>3 046</b>	2 699	3 046
	<b>3 735</b>	<b>3 784</b>	<b>4 254</b>	<b>5 468</b>
<b>Total borrowings</b>	<b>3 415</b>	<b>3 784</b>	<b>5 691</b>	<b>6 206</b>

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Satrija AB, amounting EUR 1 556 thousand with maturity as at 26 November 2019 and variable interest rate 12 month Euribor + 1.9 %.

As at 30 September 2017 and at 31 December 2016 the bank borrowings were secured by property plant and equipment.

On 22 March 2016 the Company has signed the amendment with DNB Bankas AB, based on which the additionally granted amount of the loan was decreased to EUR 423 thousand and the interest rate determination principle was changed.

Agreements signed on 12 April 2017:

Agreement with DNB bank to increase loan up to EUR 4 250 thousand (additional amount of EUR 650 thousand with termination on 31 March 2022).

Agreement with DNB bank regarding credit line up to EUR 500 thousand for the term of one year.

On 1 June 2017 a zero balance service agreement was signed between AB DNB Bankas, AB Utenos Trikotažas and AB Šatrija. Under this contract, on 30 September 2017, AB "Utenos trikotažas" was owed EUR 200 thousand to AB Šatrija and EUR 298 thousand to AB DNB Bank.

The interest rate for the borrowings is based on variable interest rate, therefore, in the opinion of management, the carrying amount of borrowings approximates their fair value.

### 14. Accrued expenses and other current liabilities

	Group		Company	
	2017.09.30	2016.12.31	2017.09.30	2016.12.31
Accrual for vacation reserve	939	849	569	513
Wages, salaries and social security	661	577	503	461
Amounts payable for services and non-current assets	453	228	440	226
Taxes payable, except for income tax	234	150	119	128
Prepayments received	142	141	234	116
Other liabilities	365	225	218	130
	<b>2 794</b>	<b>2 170</b>	<b>2 083</b>	<b>1 574</b>

**15. Revenue**

	<b>Group</b>			<b>Company</b>		
	2017	2016	Change	2017	2016	Change
Revenue (EUR '000)	9M	9M	%	9M	9M	%
Products manufactured on demand of other clients	13 498	12 416	8,7	13 484	12 373	9,0
Own brands (ABOUT, UTENOS)	2 568	2 066	24,3	2 485	2 004	24,0
Services of functional-technical garments manufacture	2 425	2 221	9,2	-	-	-
	<b>18 491</b>	<b>16 702</b>	<b>10,7</b>	<b>15 969</b>	<b>14 377</b>	<b>11,1</b>

	<b>Group</b>			<b>Company</b>		
	2017	2016	Change	2017	2016	Change
Revenue (EUR '000)	III Q	III Q	%	III Q	III Q	%
Products manufactured on demand of other clients	5 125	5 485	(6,6)	5 120	5 479	(6,5)
Own brands (ABOUT, UTENOS)	1 054	769	37,1	1 020	748	36,4
Services of functional-technical garments manufacture	766	714	7,3	-	-	-
	<b>6 945</b>	<b>6 967</b>	<b>(0,3)</b>	<b>6 140</b>	<b>6 227</b>	<b>(1,4)</b>

**16. Cost of sales**

<b>Group</b>	<b>January-September</b>		<b>July-September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Wages and salaries and social security	6 762	5 754	2 928	2 160
Materials	5 357	5 589	1 403	2 707
Other overhead expenses	2 187	1 555	1 022	361
Depreciation and amortisation	471	504	174	192
	<b>14 777</b>	<b>13 402</b>	<b>5 526</b>	<b>5 420</b>

<b>Company</b>	<b>January-September</b>		<b>July-September</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Wages and salaries and social security	5 119	4 420	2 354	1 729
Materials	5 019	5 035	1 268	2 357
Other overhead expenses	2 625	2 189	1 202	790
Depreciation and amortisation	357	399	140	156
	<b>13 120</b>	<b>12 043</b>	<b>4 964</b>	<b>5 032</b>

## 17. Selling general and administrative expenses

### Group

	January-September		July-September	
	2017	2016	2017	2016
<b>Selling expenses</b>				
Wages and salaries and social security	547	423	175	151
Advertising and marketing costs	393	181	162	67
Other selling expenses	564	533	190	236
	<b>1 504</b>	<b>1 137</b>	<b>527</b>	<b>454</b>
<b>General and administrative expenses</b>				
Wages and salaries and social security	724	654	238	250
Communications and consulting services	266	199	87	62
Taxes other than income tax	102	80	39	36
Depreciation and amortization	109	81	35	27
Security	85	78	28	27
Vehicles exploitation expenses	66	48	21	18
Services of financial institutions	41	45	15	18
Premises exploitation expenses	29	26	9	6
Travel expenses	22	19	4	9
Representation expenses	18	10	10	4
Impairment and write-off (reversal) of inventories	8	(134)	30	(60)
Other	250	179	99	16
	<b>1 720</b>	<b>1 285</b>	<b>616</b>	<b>413</b>
	<b>3 224</b>	<b>2 422</b>	<b>1 143</b>	<b>867</b>

### Company

	January-September		July-September	
	2017	2016	2017	2016
<b>Selling expenses</b>				
Wages and salaries and social security	494	373	158	134
Advertising and marketing costs	390	181	161	68
Other selling expenses	546	513	184	194
	<b>1 430</b>	<b>1 067</b>	<b>503</b>	<b>396</b>
<b>General and administrative expenses</b>				
Wages and salaries and social security	524	497	175	196
Communications and consulting services	221	145	74	35
Taxes other than income tax	64	44	27	23
Depreciation and amortization	72	43	23	15
Security	42	40	14	14
Vehicles exploitation expenses	53	38	18	15
Services of financial institutions	36	41	14	17
Premises exploitation expenses	25	24	8	6
Travel expenses	16	16	4	7
Representation expenses	16	9	10	4
Impairment and write-off (reversal) of inventories	8	(129)	30	(51)
Other	157	93	65	29
	<b>1 233</b>	<b>861</b>	<b>462</b>	<b>310</b>
	<b>2 662</b>	<b>1 928</b>	<b>965</b>	<b>706</b>

**18. Other income and expenses**
**Group**

	January-September		July-September	
	2017	2016	2017	2016
Gain from disposal of non-current assets	13	23	6	1
Rent income	13	16	4	5
Other income	67	95	21	26
<b>Other income</b>	<b>93</b>	<b>134</b>	<b>31</b>	<b>32</b>
Rent costs	(4)	(8)	(1)	1
Other expenses	(3)	(10)	(1)	(4)
<b>Other expenses</b>	<b>(7)</b>	<b>(18)</b>	<b>(2)</b>	<b>(3)</b>

**Company**

	January-September		July-September	
	2017	2016	2017	2016
Gain from disposal of non-current assets	11	22	3	
Rent income	11	13	3	4
Other income	14	37	3	8
<b>Other income</b>	<b>36</b>	<b>72</b>	<b>10</b>	<b>12</b>
Rent costs	(2)	(7)	(1)	1
Other expenses	(2)	(2)	(1)	(1)
<b>Other expenses</b>	<b>(5)</b>	<b>(9)</b>	<b>(1)</b>	<b>-</b>

**19. Finance costs, net**
**Group**

	January-September		July-September	
	2017	2016	2017	2016
Foreign exchange gain (loss)	(93)	(82)	(52)	(29)
Interest expenses	(73)	(92)	(24)	(28)
Interest income	-	-	-	-
Other	10	-	-	-
	<b>(156)</b>	<b>(174)</b>	<b>(76)</b>	<b>(57)</b>

**Company**

	January-September		July-September	
	2017	2016	2017	2016
Foreign exchange gain (loss)	(4)	-	(1 962)	1
Interest expenses	(104)	(123)	(34)	(41)
Interest income	44	45	16	15
Dividends	479	-	-	-
Share capital reduction income	611	-	611	-
Other	11	-	-	-
	<b>1 037</b>	<b>(78)</b>	<b>591</b>	<b>(25)</b>

On 2 May 2017 the sole shareholder of Gotija UAB (AB Utenos trikotažas) decided to pay dividends of EUR 479 thousand. The company's dividend amount was paid in part to cover the Company's liabilities to Gotija UAB (under the



loan agreement - EUR 382 thousand, under the contract of sale - EUR 60 thousand), the remaining part - EUR 37 thousand - by transferring to the Company's bank account.

On 26 April 2017 by decision of the General Meeting of Shareholders of Šatrija the authorized capital was reduced to pay funds to shareholders. AB Utenos Trikotažas was credited receivable amount of EUR 611 thousand. On 29 September 2017 a netting agreement was signed for netting of liabilities in the amount of EUR 611 thousand., including EUR 504 thousand loans and EUR 107 thousand interest.

## 20. Basic/dilutive earnings per share

Profit (loss) per share reflect the Group's net profit/(loss), divided by the outstanding number of shares. Calculation of the profit/(loss) per share is presented below:

### Group

	January-September		July-September	
	2017	2016	2017	2016
Profit/ (loss) attributable to the equity holders of the Group	334	794	235	641
Weighted average number of shares in issue (thousand)	9 503	9 503	9 503	9 503
<b>Basic/dilutive earnings per share (in EUR)</b>	<b>0,04</b>	<b>0,08</b>	<b>0,02</b>	<b>0,07</b>

## 21. Post balance sheet events

There were no material post balance sheet events, that could make a significant impact for the financial statement of the Group and the Company.