



## **UTENOS TRIKOTAŽAS, AB**

**CONSOLIDATED AND COMPANY'S INTERIM FINANCIAL STATEMENTS**  
for the 3 months period ended 31 March 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

In the first quarter of 2017, the Utenos trikotažas AB group of companies (hereinafter „the Group“) sold products and provided services for EUR 6 million, which is by 20 per cent more than in the previous year when the Group's sales accounted for EUR 5 million. The Group exported 73,4 per cent of products.

During the first three months of 2017, the company Utenos trikotažas sold products and provided services for EUR 5 million. The sales volume, compared with the first quarter of 2016, grew by EUR 0,8 million, or 20,2 per cent. The company's export sales reached 79,7 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 19,6 per cent and reached EUR 4,3 million, private brands UTENOS and ABOUT grew by 21,1 per cent and reached EUR 0,8 million, whereas the sales of functional-technical garments produced by its subsidiary Šatrija increased by 21,4 per cent up to EUR 0,9 million.

During the first three months of this year, the Group's exports grew by 9,4 per cent and reached EUR 4,4 million, whereas the exports of the company Utenos trikotažas increased by 15,5 per cent and accounted for EUR 4 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 (5,1 per cent) was recorded in German-speaking countries (DACH) – products for EUR 2,8 million were exported to the largest sales region in the first quarter. A decreased demand for functional-technical garments resulted in a 5,3 per cent decrease in the Group's sales in Scandinavian countries, yet the sales of products by the company Utenos trikotažas increased by 11,9 per cent in this region. The Group's sales grew by 64,4 per cent in other markets.

In the first quarter of this year, the Group sold products for EUR 1,6 million in Lithuania, which is by EUR 0,6 million more than in the previous year. The sales of the company Utenos trikotažas in Lithuania amounted to EUR 1 million, which is by EUR 0,3 million more than during the same period a year ago. 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 private brands UTENOS and ABOUT.

In the first three months of 2017, the Group earned a pre-tax profit of EUR 256 thousand, compared with a loss of EUR 50 thousand in the first quarter of 2016. During the same period, the company Utenos trikotažas earned a pre-tax profit of EUR 98 thousand, whereas it recorded a loss of EUR 54 thousand a year ago.

The Group's EBITDA amounted to EUR 502 thousand, which is by 73,7 per cent more than in the respective period of 2016. The company's EBITDA reached EUR 276 thousand, which is an increase of 1,5 times, compared with the first quarter of 2016, when the company's EBITDA accounted for EUR 109 thousand.

The improvement of profitability indicators of Utenos trikotažas has also been influenced by increasing labour productivity. With the sales growing, production processes have been organised more efficiently. During the first quarter, the Group manufactured 32,9 per cent more, and the company – 28,2 per cent more products than in the previous year, although the number of employees grew by 2,9 per cent and 1,6 per cent respectively

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

| Revenue (EUR '000)                                    | Group        |              |             | Company      |              |             |
|---|--------------|--------------|-------------|--------------|--------------|-------------|
|   | 2017 I Q     | 2016 I Q     | Change %    | 2017 I Q     | 2016 I Q     | Change %    |
| Products manufactured on demand of other clients      | 4 268        | 3 570        | 19.6        | 4 268        | 3 551        | 20.2        |
| Own brands (ABOUT, UTENOS)                            | 793          | 655          | 21.1        | 765          | 636          | 20.3        |
| Services of functional-technical garments manufacture | 896          | 738          | 21.4        | -            | -            | -           |
|   | <b>5 957</b> | <b>4 963</b> | <b>20.0</b> | <b>5 033</b> | <b>4 187</b> | <b>20.2</b> |

**Sales by regions**

| Revenue (EUR '000)                                    | Group        |              |             | Company      |              |             |
|---|--------------|--------------|-------------|--------------|--------------|-------------|
|   | 2017 I Q     | 2016 I Q     | Change %    | 2017 I Q     | 2016 I Q     | Change %    |
| Export  | 4 374        | 3 998        | 9.4         | 4 010        | 3 472        | 15.5        |
| <i>DACH (Germany, Austria, Switzerland)</i>           | 2 761        | 2 627        | 5.1         | 2 535        | 2 399        | 5.7         |
| <i>Scandinavia (Sweden, Norway, Denmark, Finland)</i> | 870          | 919          | (5.3)       | 779          | 696          | 11.9        |
| <i>Other regions</i>                                  | 743          | 452          | 64.4        | 696          | 377          | 84.6        |
| Domestic  | 1 583        | 965          | 64.0        | 1 023        | 715          | 43.1        |
|   | <b>5 957</b> | <b>4 963</b> | <b>20.0</b> | <b>5 033</b> | <b>4 187</b> | <b>20.2</b> |

**Operating figures**

|                             | Group    |          |          | Company  |          |          |
|-----------------------------|----------|----------|----------|----------|----------|----------|
|                             | 2017 I Q | 2016 I Q | Change % | 2017 I Q | 2016 I Q | Change % |
| Manufactured items units    | 877      | 660      | 32.9     | 546      | 426      | 28.2     |
| Average number of employees | 1 155    | 1 122    | 2.9      | 784      | 772      | 1.6      |

## Financial ratios

|   | Group    |          |        | Company  |          |        |
|---|----------|----------|--------|----------|----------|--------|
|   | 2017 I Q | 2016 I Q | Change | 2017 I Q | 2016 I Q | Change |
| Revenue (EUR'000)                         | 5 957    | 4 963    | 20.0%  | 5 033    | 4 187    | 20.2%  |
| Operating profit (loss) (EUR'000)         | 296      | 94       | 214.9% | 119      | (31)     | ++     |
| Operating profit (loss) margin (%)        | 5.0      | 1.9      | 3.1p.p | 2.4      | (0.7)    | 3.1p.p |
| EBITDA (EUR'000)                          | 502      | 289      | 73.7%  | 276      | 109      | 153.2% |
| EBITDA margin (%)                         | 8.4      | 5.8      | 2.6p.p | 5.5      | 2.6      | 2.9p.p |
| Profit (loss) before tax (EUR'000)        | 256      | (50)     | ++     | 98       | (54)     | ++     |
| Profit (loss) before tax, margin (%)      | 4.3      | (1.0)    | 5.3p.p | 1.9      | (1.3)    | 3.2p.p |
| Net profit (loss) for the year (EUR'000)  | 259      | (48)     | ++     | 100      | (52)     | ++     |
| Net profit (loss) for the year margin (%) | 4.3      | (1.0)    | 5.3p.p | 2.0      | (1.2)    | 3.2p.p |
| Number of shares, (thousand)              | 9 503    | 9 503    | -      | 9 503    | 9 503    | -      |

## Relative ratios

|                                    | Group    |          |            | Company  |          |             |
|------------------------------------|----------|----------|------------|----------|----------|-------------|
|                                    | 2017 I Q | 2016 I Q | Change p.p | 2017 I Q | 2016 I Q | Change p.p. |
| Return on capital employed (%)     | 49.4     | 6.2      | 43.1       | 26.1     | (1.5)    | 27.5        |
| Return on assets (%)               | 8.3      | 1.1      | 7.1        | 4.5      | (0.3)    | 4.8         |
| Return on shareholders' equity (%) | 18.1     | 2.7      | 15.4       | 13.1     | (0.8)    | 13.9        |
| Debt ratio (%)                     | 54.0     | 58.6     | (4.6)      | 65.7     | 68.1     | (2.4)       |
| Debt-to-equity ratio (%)           | 117.6    | 134.1    | (16.5)     | 191.2    | 198.6    | (7.5)       |
| Liquidity ratio (%)                | 162.6    | 156.4    | 6.1        | 149.0    | 136.8    | 12.2        |
| Equity to assets ratio (%)         | 46.0     | 42.7     | 3.2        | 34.3     | 33.5     | 0.9         |

## Ratios related with the share price

|           | 2017 I Q | 2016 I Q | Change p.p. |
|-----------|----------|----------|-------------|
| P/E       | 6.51     | 35.74    | (29.2)      |
| EPS       | 0.14     | 0.01     | 0.1         |
| EV/EBITDA | 4.24     | 7.02     | (2.8)       |

## Information regarding the price of shares and their dynamics

Utenos Trikotažas AB share price during 12 months period from 1 April 2016 to 31 March 2017:



### Price ratios

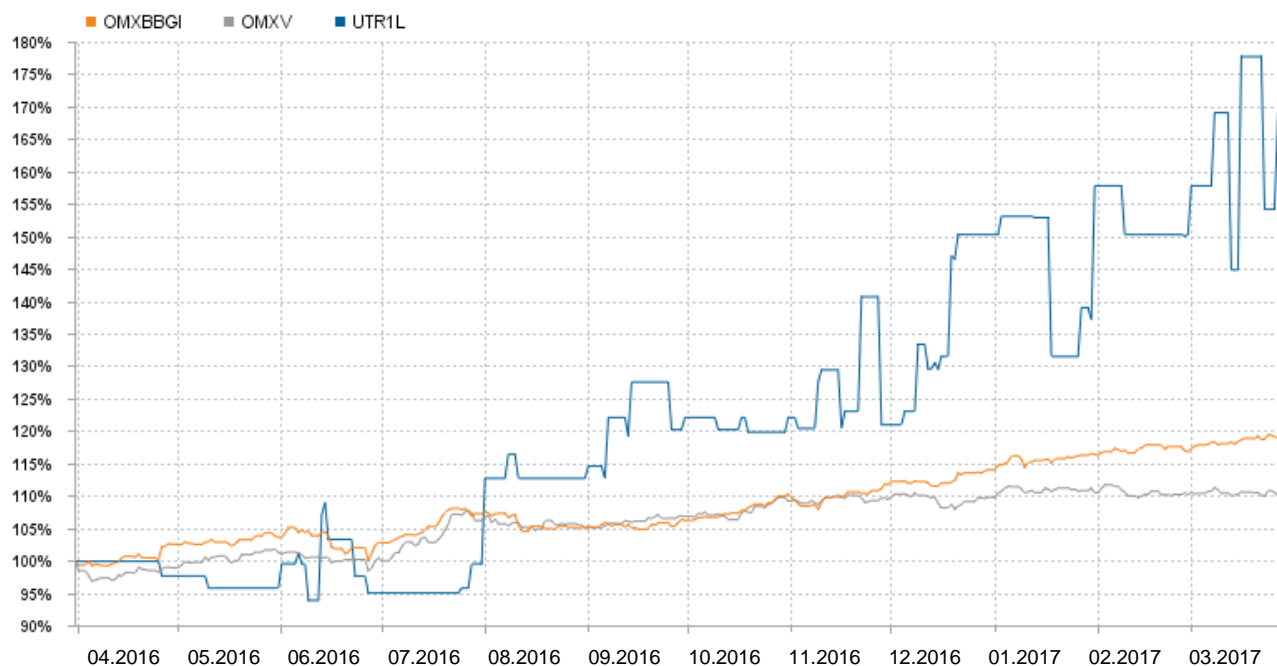
Open price, EUR  
High price, EUR  
Low price, EUR  
Last price, EUR  
Traded volume  
Turnover, million EUR  
Capitalisation, million EUR

### 2017 I Q

0.800  
0.946  
0.680  
0.900  
35 203  
0.030  
8.55

### 2016 I Q

0.400  
0.534  
0.351  
0.534  
2 833  
0.001  
5.07

**Utenos Trikotažas AB, OMX Baltic Benchmark GI and OMX Vilnius Index dynamics, during 12 months period from 1 April 2016 to 31 March 2017**


| Index/ Equity            | 2017.03.31 | 2016.03.31 | 2017.03.31/2016.03.31<br>change, % |
|--------------------------|------------|------------|------------------------------------|
| —OMX Baltic Benchmark GI | 822,47     | 685,72     | 19,94↑                             |
| —OMX Vilnius             | 565,13     | 505,45     | 11,81↑                             |
| —UTR1L                   | 0,900 EUR  | 0,534 EUR  | 68,54↑                             |



**BALANCE SHEET**

|   | Notes | Group         |               | Company       |               |
|---|-------|---------------|---------------|---------------|---------------|
|   |       | 2017.03.31    | 2016.12.31    | 2017.03.31    | 2016.12.31    |
| <b>ASSETS</b>   |       |               |               |               |               |
| <b>Non-current assets</b>                                     |       |               |               |               |               |
| Intangible assets   | 7     | 722           | 744           | 67            | 75            |
| Property, plant and equipment                                 | 8     | 6 959         | 7 046         | 5 291         | 5 379         |
| Investment property   |       | 108           | 109           | 108           | 109           |
| Investments into subsidiaries                                 |       | -             | -             | 1 499         | 1 499         |
| Trade and other receivables                                   |       | -             | 1             | -             | -             |
| Receivables from subsidiaries                                 |       | -             | -             | 2 099         | 2 140         |
| Deferred income tax asset                                     |       | 58            | 58            | -             | -             |
|   |       | <b>7 847</b>  | <b>7 958</b>  | <b>9 064</b>  | <b>9 202</b>  |
| <b>Current assets</b>   |       |               |               |               |               |
| Inventories   | 9     | 5 115         | 4 216         | 4 975         | 4 113         |
| Trade receivables   | 10    | 1 208         | 1 239         | 946           | 704           |
| Other current assets  |       | 264           | 365           | 206           | 226           |
| Current financial assets                                      |       | -             | 600           | -             | 600           |
| Cash and cash equivalents                                     | 11    | 1 961         | 1 230         | 806           | 598           |
|   |       | <b>8 548</b>  | <b>7 650</b>  | <b>6 933</b>  | <b>6 241</b>  |
| <b>Total assets</b>   |       | <b>16 395</b> | <b>15 608</b> | <b>15 997</b> | <b>15 443</b> |
| <b>EQUITY AND LIABILITIES</b>                                 |       |               |               |               |               |
| <b>Equity attributable to the shareholders of the Company</b> |       |               |               |               |               |
| Share capital   |       | 2 756         | 2 756         | 2 756         | 2 756         |
| Revaluation surplus   | 12    | 3 156         | 3 173         | 1 741         | 1 751         |
| Legal reserve   | 12    | 574           | 574           | 574           | 574           |
| Reserve for acquisition of own shares                         | 12    | 269           | 269           | -             | -             |
| Foreign currency translation reserve                          | 12    | 115           | 119           | -             | -             |
| Cash flow hedge reserve                                       | 12    | (43)          | (43)          | (43)          | (43)          |
| Accumulated retained earnings/ (losses)                       | 12    | 226           | (41)          | 465           | 355           |
|   |       | <b>7 053</b>  | <b>6 807</b>  | <b>5 493</b>  | <b>5 393</b>  |
| <b>Non-controlling interest</b>                               |       | <b>481</b>    | <b>466</b>    | <b>-</b>      | <b>-</b>      |
| <b>Total equity</b>   |       | <b>7 534</b>  | <b>7 273</b>  | <b>5 493</b>  | <b>5 393</b>  |
| <b>LIABILITIES</b>  |       |               |               |               |               |
| <b>Non-current liabilities</b>                                |       |               |               |               |               |
| Borrowings  | 13    | 2 862         | 3 046         | 2 862         | 3 046         |
| Borrowings from subsidiaries                                  | 13    | -             | -             | 2 422         | 2 422         |
| Deferred income tax liabilities                               |       | 403           | 407           | 268           | 270           |
| Non-current portion of derivative financial instruments       |       | 28            | 28            | 28            | 28            |
| Provisions for employee benefits                              |       | 310           | 310           | 271           | 271           |
|   |       | <b>3 603</b>  | <b>3 791</b>  | <b>5 851</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           |       | 24            | 24            | 24            | 24            |
| Trade payables  |       | 2 028         | 1 461         | 1 928         | 1 430         |
| Payables to other related parties and subsidiaries            |       | 119           | 129           | 266           | 240           |
| Income tax payable  |       | 23            | 22            | 7             | 7             |
| Accrued expenses and other current liabilities                | 14    | 2 326         | 2 170         | 1 690         | 1 574         |
|   |       | <b>5 258</b>  | <b>4 544</b>  | <b>4 653</b>  | <b>4 013</b>  |
| <b>Total liabilities</b>                                      |       | <b>8 861</b>  | <b>8 335</b>  | <b>10 504</b> | <b>10 050</b> |
| <b>Total equity and liabilities</b>                           |       | <b>16 395</b> | <b>15 608</b> | <b>15 997</b> | <b>15 443</b> |

## STATEMENT OF COMPREHENSIVE INCOME

|   | Notes | Group<br>January-March |               | Company<br>January-March |             |
|---|-------|------------------------|---------------|--------------------------|-------------|
|   |       | 2017                   | 2016          | 2017                     | 2016        |
| Sales   | 6,15  | 5 957                  | 4 963         | 5 033                    | 4 187       |
| Cost of sales   | 16    | (4 609)                | (4 018)       | (4 032)                  | (3 510)     |
| <b>Gross profit</b>   |       | <b>1 348</b>           | <b>945</b>    | <b>1 001</b>             | <b>677</b>  |
| Selling expenses  | 17    | (536)                  | (416)         | (512)                    | (394)       |
| General and administrative expenses   | 17    | (541)                  | (471)         | (377)                    | (329)       |
| Other operating income  | 18    | 29                     | 44            | 10                       | 19          |
| Other operating expenses  | 18    | (4)                    | (8)           | (3)                      | (4)         |
| <b>Operating profit (losses)</b>  |       | <b>296</b>             | <b>94</b>     | <b>119</b>               | <b>(31)</b> |
| Finance income  | 19    | 90                     | 15            | 21                       | 19          |
| Finance costs   | 19    | (130)                  | (159)         | (42)                     | (42)        |
| <b>Profit (losses) before tax</b>   |       | <b>256</b>             | <b>(50)</b>   | <b>98</b>                | <b>(54)</b> |
| Income tax  |       | 3                      | 2             | 2                        | 2           |
| <b>Net profit (losses)</b>  |       | <b>259</b>             | <b>(48)</b>   | <b>100</b>               | <b>(52)</b> |
| <b>Net profit (losses) attributable to:</b>   |       |                        |               |                          |             |
| Equity shareholders of the Company  | 20    | 244                    | (54)          | -                        | -           |
| Non-controlling interest  |       | 15                     | 6             | -                        | -           |
|   |       | <b>259</b>             | <b>(48)</b>   | <b>-</b>                 | <b>-</b>    |
| <b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>                |       |                        |               |                          |             |
| Foreign currency translation gain (loss)  |       | (4)                    | 8             | -                        | -           |
| <b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>            |       | <b>(4)</b>             | <b>8</b>      | <b>-</b>                 | <b>-</b>    |
| <b>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b>     |       |                        |               |                          |             |
| Other comprehensive income (loss)   |       | 6                      | -             | -                        | -           |
| <b>Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</b> |       | <b>6</b>               | <b>-</b>      | <b>-</b>                 | <b>-</b>    |
| <b>Other comprehensive income (loss)</b>  |       | <b>2</b>               | <b>8</b>      | <b>-</b>                 | <b>-</b>    |
| <b>Total comprehensive income (loss) for the period</b>   |       | <b>261</b>             | <b>(40)</b>   | <b>100</b>               | <b>(52)</b> |
| <b>Basic/dilutive earnings per share</b>  | 20    | <b>0,03</b>            | <b>(0,01)</b> | <b>-</b>                 | <b>-</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 31 March 2016</b> | <b>2 756</b>                         | <b>120</b>                            | <b>269</b>    | <b>(42)</b>   | <b>574</b>          | <b>3 223</b>                            | <b>(974)</b> | <b>5 926</b>             | <b>434</b>   |
| Net profit (loss) for the year                       | -                                  | -                                    | -                                     | -             | -             | -                   | 1 069                                   | 1 069        | 32                       | 1 101        |
| Other comprehensive income                           | -                                  | (1)                                  | -                                     | (1)           | -             | -                   | (186)                                   | (188)        | -                        | (188)        |
| <b>Total comprehensive income (loss)</b>             | <b>-</b>                           | <b>(1)</b>                           | <b>-</b>                              | <b>(1)</b>    | <b>-</b>      | <b>-</b>            | <b>883</b>                              | <b>881</b>   | <b>32</b>                | <b>913</b>   |
| Transfer of revaluation surplus to retained earnings | -                                  | -                                    | -                                     | -             | -             | (50)                | 50                                      | -            | -                        | -            |
| <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                       | -                                  | -                                    | -                                     | -             | -             | -                   | 244                                     | 244          | 15                       | 259          |
| Other comprehensive income                           | -                                  | (4)                                  | -                                     | -             | -             | -                   | 6                                       | 2            | -                        | 2            |
| <b>Total comprehensive income (loss)</b>             | <b>-</b>                           | <b>(4)</b>                           | <b>-</b>                              | <b>-</b>      | <b>-</b>      | <b>-</b>            | <b>246</b>                              | <b>246</b>   | <b>15</b>                | <b>261</b>   |
| Transfer of revaluation surplus to retained earnings | -                                  | -                                    | -                                     | -             | -             | (17)                | 17                                      | -            | -                        | -            |
| <b>Balance as of 31 March 2017</b>                   | <b>2 756</b>                       | <b>115</b>                           | <b>269</b>                            | <b>(43)</b>   | <b>574</b>    | <b>3 156</b>        | <b>226</b>                              | <b>7 053</b> | <b>481</b>               | <b>7 534</b> |

| Company  | Share capital                      | Legal reserve | Revaluation surplus | Other reserve | Accumulated retained earnings/ (losses) | Total        |
|--|------------------------------------|---------------|---------------------|---------------|---|--------------|
|  | <b>Balance as of 31 March 2016</b> | <b>2 756</b>  | <b>574</b>          | <b>1 783</b>  | <b>(42)</b>                             | <b>(112)</b> |
| Net profit (loss) for the year                       | -                                  | -             | -                   | -             | 621                                     | 621          |
| Other comprehensive income (loss)                    | -                                  | -             | -                   | (1)           | (186)                                   | (187)        |
| <b>Total comprehensive income (loss)</b>             | <b>-</b>                           | <b>-</b>      | <b>-</b>            | <b>(1)</b>    | <b>435</b>                              | <b>434</b>   |
| Transfer of revaluation surplus to retained earnings | -                                  | -             | (32)                | -             | 32                                      | -            |
| <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                       | -                                  | -             | -                   | -             | 100                                     | 100          |
| Other comprehensive income (loss)                    | -                                  | -             | -                   | -             | -                                       | -            |
| <b>Total comprehensive income (loss)</b>             | <b>-</b>                           | <b>-</b>      | <b>-</b>            | <b>-</b>      | <b>100</b>                              | <b>100</b>   |
| Transfer of revaluation surplus to retained earnings | -                                  | -             | (10)                | -             | 10                                      | -            |
| <b>Balance as of 31 March 2017</b>                   | <b>2 756</b>                       | <b>574</b>    | <b>1 741</b>        | <b>(43)</b>   | <b>465</b>                              | <b>5 493</b> |

## STATEMENTS OF CASH FLOWS

|   | Group        |              | Company      |             |
|---|--------------|--------------|--------------|-------------|
|   | 31 March     |              | 31 March     |             |
|   | 2017         | 2016         | 2017         | 2016        |
| <b>Cash flows from operating activities</b>                                 |              |              |              |             |
| Profit (loss) for the period  | 259          | (48)         | 100          | (52)        |
| <b>Adjustments for non-cash items:</b>                                      |              |              |              |             |
| Depreciation and amortization   | 206          | 195          | 156          | 147         |
| (Gain) on disposal of property, plant and equipment and investment property | (4)          | (4)          | (4)          | -           |
| Impairment and write-off accounts receivable                                | 2            | -            | 2            | -           |
| Interest expense, net of interest income                                    | 13           | 28           | 20           | 22          |
| Income tax (income) expense   | (3)          | (2)          | (2)          | (2)         |
| <b>Changes in working capital:</b>  | (901)        | (220)        | (864)        | (128)       |
| (Increase) decrease in inventories  | 31           | (129)        | (243)        | (5)         |
| (Increase) decrease in trade receivables                                    | -            | -            | 41           | 90          |
| Decrease (increase) in receivables from subsidiaries                        | 700          | 93           | 621          | (17)        |
| (Increase) decrease in other receivables and other current assets           | 733          | 406          | 678          | 353         |
| (Increase) decrease in trade and other accounts payable                     | 12           | 91           | (36)         | 24          |
| Increase (decrease) in taxes payable and other current liabilities          | (6)          | (8)          | (2)          | (8)         |
| Income tax (paid)   | <b>1 042</b> | <b>402</b>   | <b>467</b>   | <b>424</b>  |
| <b>Net cash generated from operating activities</b>                         |              |              |              |             |
| <b>Cash flows from investing activities</b>                                 |              |              |              |             |
| Acquisition of property, plant and equipment                                | (118)        | (94)         | (60)         | (94)        |
| Proceeds from sale of property, plant and equipment                         | 4            | 4            | 4            | -           |
| Interest received   | -            | -            | 15           | 15          |
| <b>Net cash flows generated from (to) investing activities</b>              | <b>(114)</b> | <b>(90)</b>  | <b>(41)</b>  | <b>(79)</b> |
| <b>Cash flows from financing activities</b>                                 |              |              |              |             |
| Proceeds from borrowings  | -            | 200          | -            | 200         |
| Repayment of borrowings and financial lease payments                        | (185)        | (170)        | (185)        | (170)       |
| Interest paid   | (12)         | (28)         | (34)         | (37)        |
| <b>Net cash flows from financing activities</b>                             | <b>(197)</b> | <b>2</b>     | <b>(219)</b> | <b>(7)</b>  |
| <b>Net increase in cash and cash equivalents</b>                            | <b>731</b>   | <b>314</b>   | <b>207</b>   | <b>338</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>1 961</b> | <b>1 393</b> | <b>806</b>   | <b>603</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 Official List of the NASDAQ OMX Vilnius Stock Exchange.

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

|                                    | As of 31 March 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 31 March 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                        |
|---------------|---|-------------------|------------------|--------------------------------|
|               |   | 31 March 2017     | 31 December 2016 |                                |
| Šatrija AB    | Vilniaus str. 5,<br>Raseiniai           | 89,78             | 89,78            | Sewing of clothes              |
| Gotija UAB    | Laisvės Str. 33,<br>Kaunas              | 90,50             | 90,50            | Retail trade                   |
| PAT MTF Mrija | Matrosovo Str. 13,<br>Mukachev, Ukraine | 98,95             | 98,95            | Production of knitted articles |

## 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 3 months of 2017 comprises EUR 66 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 | 65 684         |
| Foreign currency translation reserve on other items, EUR                                  | (70 080)       |
| <b>Other comprehensive income EUR, net</b>  | <b>(4 396)</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 3 months of 2017 and for the 3 months of 2016:

| of 31 March 2017     | Production of knitted articles | Production of functional-technical garments | Eliminations | Total        |
|----------------------|--------------------------------|---|--------------|--------------|
| External sales       | 5 061                          | 896   | -            | 5 957        |
| Internal sales       | 210                            | -   | (210)        | -            |
| <b>Total revenue</b> | <b>5 271</b>                   | <b>896</b>                                  | <b>(210)</b> | <b>5 957</b> |
| <b>Gross profit</b>  | <b>1 099</b>                   | <b>249</b>                                  | <b>-</b>     | <b>1 348</b> |
| <b>EBITDA</b>        | <b>325</b>                     | <b>177</b>                                  | <b>-</b>     | <b>502</b>   |
| <b>Profit (loss)</b> | <b>112</b>                     | <b>147</b>                                  | <b>-</b>     | <b>259</b>   |

| of 31 March 2016     | Production of knitted articles | Production of functional-technical garments | Eliminations | Total        |
|----------------------|--------------------------------|---|--------------|--------------|
| External sales       | 4 225                          | 738   | -            | 4 963        |
| Internal sales       | 90                             | -   | (90)         | -            |
| <b>Total revenue</b> | <b>4 315</b>                   | <b>738</b>                                  | <b>(90)</b>  | <b>4 963</b> |
| <b>Gross profit</b>  | <b>792</b>                     | <b>153</b>                                  | <b>-</b>     | <b>945</b>   |
| <b>EBITDA</b>        | <b>197</b>                     | <b>92</b>                                   | <b>-</b>     | <b>289</b>   |
| <b>Profit (loss)</b> | <b>(110)</b>                   | <b>62</b>                                   | <b>-</b>     | <b>(48)</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 206 thousand as of 31 March 2017, EUR 153 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 31 March 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      |              |
|-------------------------------------|--------------|--------------|--------------|--------------|
|                                     | 2017.03.31   | 2016.12.31   | 2017.03.31   | 2016.12.31   |
| Raw materials                       | 2 045        | 1 759        | 1 688        | 1 416        |
| Work in progress                    | 2 018        | 1 734        | 1 997        | 1 724        |
| Finished goods                      | 1 655        | 1 321        | 1 616        | 1 299        |
| Goods for resale                    | 47           | 51           | -            | -            |
|                                     | <b>5 765</b> | <b>4 865</b> | <b>5 301</b> | <b>4 439</b> |
| Write-down to net realisable value: |              |              |              |              |
| Opening balance                     | (650)        | (724)        | (326)        | (381)        |
| Change                              | -            | 74           | -            | 55           |
| Closing balance                     | (650)        | (650)        | (326)        | (326)        |
|                                     | <b>5 115</b> | <b>4 216</b> | <b>4 975</b> | <b>4 113</b> |

## 10. Trade receivables

|                                  | Group        |              | Company    |            |
|----------------------------------|--------------|--------------|------------|------------|
|                                  | 2017.03.31   | 2016.12.31   | 2017.03.31 | 2016.12.31 |
| Trade receivables, gross         | 1 323        | 1 354        | 1 040      | 798        |
| Allowance for trade receivables: |              |              |            |            |
| Opening balance                  | (115)        | (115)        | (94)       | (94)       |
| Change                           | -            | -            | -          | -          |
| Closing balance                  | (115)        | (115)        | (94)       | (94)       |
|                                  | <b>1 208</b> | <b>1 239</b> | <b>946</b> | <b>704</b> |

Changes in impairment allowance for doubtful trade receivables as of 31 March 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    |            |
|--------------------------|--------------|--------------|------------|------------|
|                          | 2017.03.31   | 2016.12.31   | 2017.03.31 | 2016.12.31 |
| Cash at bank and on hand | 1 961        | 1 230        | 806        | 598        |
|                          | <b>1 961</b> | <b>1 230</b> | <b>806</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.

### 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 31 December 2016 (EUR 51 thousand as of 31 December 2015) and was accounted for under current amounting EUR 28 thousand (EUR 2 thousand as of 31 December 2015) and non-current liabilities amounting EUR 24 thousand (EUR 23 thousand as of 31 December 2015).

### 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 31 March 2017 and 31 December 2016 were as follows:

|   | Group        |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2017.03.31   | 2016.12.31   | 2017.03.31   | 2016.12.31   |
| Revaluation surplus                     | 3 156        | 3 173        | 1 741        | 1 751        |
| Legal reserve                           | 574          | 574          | 574          | 574          |
| Reserve for acquisition of own shares   | 269          | 269          | -            | -            |
| Foreign currency translation reserve    | 115          | 119          | -            | -            |
| Accumulated retained earnings/ (losses) | 226          | (41)         | 465          | 355          |
| Cash flow hedge reserve                 | (43)         | (43)         | (43)         | (43)         |
|   | <b>4 297</b> | <b>4 051</b> | <b>2 737</b> | <b>2 637</b> |

### 13. Borrowings

|  | Group        |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 2017.03.31   | 2016.12.31   | 2017.03.31   | 2016.12.31   |
| <b>Current</b>                                 |              |              |              |              |
| Current portion of non-current bank borrowings | 738          | 738          | 738          | 738          |
|  | <b>738</b>   | <b>738</b>   | <b>738</b>   | <b>738</b>   |
| <b>Non-current</b>                             |              |              |              |              |
| Borrowings from subsidiaries                   | -            | -            | 2 422        | 2 422        |
| Long-term bank borrowings                      | 2 862        | 3 046        | 2 862        | 3 046        |
|  | <b>2 862</b> | <b>3 046</b> | <b>5 284</b> | <b>5 468</b> |
| <b>Total borrowings</b>                        | <b>3 600</b> | <b>3 784</b> | <b>6 022</b> | <b>6 206</b> |

The Company's borrowings from subsidiaries consist of the loan granted by subsidiary Satrija AB, amounting EUR 2 060 thousand with maturity as at 26 November 2019 and variable interest rate 12 month Euribor + 1.9 % and loan granted by subsidiary Gotija UAB, amounting EUR 362 thousand with maturity as at 26 November 2019 and variable interest rate 12 month Euribor + 1.9 %.

As at 31 March 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.

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      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2017.03.31   | 2016.12.31   | 2017.03.31   | 2016.12.31   |
| Accrual for vacation reserve                        | 926          | 849          | 556          | 513          |
| Wages, salaries and social security                 | 653          | 577          | 502          | 461          |
| Amounts payable for services and non-current assets | 193          | 228          | 202          | 226          |
| Taxes payable, except for income tax                | 156          | 150          | 91           | 128          |
| Prepayments received                                | 172          | 141          | 170          | 116          |
| Other liabilities                                   | 226          | 225          | 169          | 130          |
|   | <b>2 326</b> | <b>2 170</b> | <b>1 690</b> | <b>1 574</b> |

**15. Revenue**

|  | Group         |              | Company       |              |
|--|---------------|--------------|---------------|--------------|
|  | January-March |              | January-March |              |
|  | 2017          | 2016         | 2017          | 2016         |
| Revenue from sales of goods and services | 5 741         | 4 953        | 4 823         | 4 183        |
| Revenue from sales of materials          | 216           | 10           | 210           | 4            |
|  | <b>5 957</b>  | <b>4 963</b> | <b>5 033</b>  | <b>4 187</b> |

**16. Cost of sales**

|  | Group         |              | Company       |              |
|--|---------------|--------------|---------------|--------------|
|  | January-March |              | January-March |              |
|  | 2017          | 2016         | 2017          | 2016         |
| Wages and salaries and social security | 1 948         | 1 878        | 1 409         | 1 419        |
| Materials                              | 1 727         | 1 574        | 1 585         | 1 423        |
| Other overhead expenses                | 568           | 409          | 742           | 546          |
| Cost of materials sold                 | 213           | -            | 181           | -            |
| Depreciation and amortisation          | 153           | 157          | 115           | 122          |
|  | <b>4 609</b>  | <b>4 018</b> | <b>4 032</b>  | <b>3 510</b> |

## 17. Selling general and administrative expenses

|  | Group<br>January-March |            | Company<br>January-March |            |
|--|------------------------|------------|--------------------------|------------|
|  | 2017                   | 2016       | 2017                     | 2016       |
| <b>Selling expenses</b>                            |                        |            |                          |            |
| Wages and salaries and social security             | 194                    | 134        | 177                      | 119        |
| Advertising and marketing costs                    | 127                    | 72         | 126                      | 72         |
| Other selling expenses                             | 215                    | 210        | 209                      | 203        |
|  | <b>536</b>             | <b>416</b> | <b>512</b>               | <b>394</b> |
| <b>General and administrative expenses</b>         |                        |            |                          |            |
| Wages and salaries and social security             | 249                    | 192        | 179                      | 140        |
| Communications and consulting services             | 73                     | 67         | 56                       | 52         |
| Taxes other than income tax                        | 27                     | 25         | 15                       | 10         |
| Depreciation and amortization                      | 37                     | 27         | 24                       | 14         |
| Security   | 28                     | 25         | 14                       | 13         |
| Vehicles exploitation expenses                     | 20                     | 10         | 17                       | 10         |
| Services of financial institutions                 | 10                     | 16         | 9                        | 15         |
| Premises exploitation expenses                     | 11                     | 12         | 10                       | 11         |
| Travel expenses                                    | 8                      | 7          | 8                        | 6          |
| Representation expenses                            | 4                      | 3          | 3                        | 3          |
| Impairment and write-off (reversal) of inventories | 2                      | 18         | 2                        | 23         |
| Other  | 72                     | 69         | 40                       | 32         |
|  | <b>541</b>             | <b>471</b> | <b>377</b>               | <b>329</b> |
|  | <b>1 077</b>           | <b>887</b> | <b>889</b>               | <b>723</b> |

## 18. Other income and expenses

|  | Group<br>January-March |            | Company<br>January-March |            |
|--|------------------------|------------|--------------------------|------------|
|  | 2017                   | 2016       | 2017                     | 2016       |
| Gain from disposal of non-current assets | 4                      | 4          | 4                        | -          |
| Rent income                              | 5                      | 5          | 4                        | 5          |
| Other income                             | 20                     | 35         | 2                        | 14         |
| <b>Other income</b>                      | <b>29</b>              | <b>44</b>  | <b>10</b>                | <b>19</b>  |
| Rent costs                               | (3)                    | (3)        | (2)                      | (3)        |
| Other expenses                           | (1)                    | (5)        | (1)                      | (1)        |
| <b>Other expenses</b>                    | <b>(4)</b>             | <b>(8)</b> | <b>(3)</b>               | <b>(4)</b> |

## 19. Finance costs, net

|                              | Group<br>January-March |              | Company<br>January-March |             |
|------------------------------|------------------------|--------------|--------------------------|-------------|
|                              | 2017                   | 2016         | 2017                     | 2016        |
| Foreign exchange gain (loss) | (17)                   | (116)        | (2)                      | -           |
| Interest expenses            | (23)                   | (28)         | (34)                     | (38)        |
| Interest income              | -                      | -            | 15                       | 15          |
|                              | <b>(40)</b>            | <b>(144)</b> | <b>(21)</b>              | <b>(23)</b> |

## 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:

|  | <b>Group<br/>January-March</b> |               |
|--|--------------------------------|---------------|
|  | <b>2017</b>                    | <b>2016</b>   |
| Profit/ (loss) attributable to the equity holders of the Group | 244                            | (54)          |
| Weighted average number of shares in issue (thousand)          | 9 503                          | 9 503         |
| <b>Basic/dilutive earnings per share (in EUR)</b>              | <b>0.03</b>                    | <b>(0.01)</b> |

## 21. Post balance sheet events

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.

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.

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