



Utenos trikotažas

INTERIM CONSOLIDATED FINANCIAL
STATEMENTS OF UTENOS TRIKOTAŽAS AB
FOR THE TWELVE MONTHS OF 2008

Lithuanian Securities Commission
Konstitucijos pr. 23
LT-08105 Vilnius

2009-02-27

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 21 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Nerijus Vilūnas, General Director of Utenos trikotazas, AB, and Reda Kučinskienė, Cheaf accountant, hereby confirm that, to the best of our knowledge, the attached interim consolidated financial statements of Utenos trikotazas, AB for the twelve months of 2008, 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: Interim consolidated financial statements of Utenos trikotazas AB for the twelve months of 2008.

General Director



Nerijus Vilūnas

Cheaf accountant



Reda Kučinskienė

**Consolidated financial statements**
Balance sheets under IFRS (LTL thousand)

Group

	<u>As of 31</u> <u>December 2008</u>	<u>As of 31</u> <u>December 2007</u>
ASSETS		
A Non-current assets		
I. Non-current intangible assets		
I.1. Goodwill	4.285	4.286
I.2. Other intangible assets	1.160	312
I.3. Prepayments for non-current intangible assets		1.042
Total non-current intangible assets	<u>5.445</u>	<u>5.640</u>
II. Non-current tangible assets		
II.1. Land and buildings	8.072	9.390
II.2. Structures and equipment	449	572
II.3. Vehicles and other non-current tangible assets	26.004	36.190
II.4. Construction in progress and prepayments	12	564
Total non-current tangible assets	<u>34.537</u>	<u>46.716</u>
III. Investment property	3.446	5.580
IV. Non-current financial assets		
V. Non-current receivables	27	40
VI. Deferred income tax asset	(63)	185
Total non-current assets	<u>43.392</u>	<u>58.161</u>
B Current assets		
I. Inventories, prepayments and contracts in progress		
I.1. Inventories	10.305	19.350
I.2. Prepayments	187	336
Total inventories, prepayments and contracts in progress	<u>10.492</u>	<u>19.686</u>
II. Accounts receivable within one year		
II.1. Trade receivables	9.262	18.687
II.2. Prepaid income tax	1.087	2.123
II.3. Other taxes receivable	1.237	2.905
II.4. Other receivables	-	10
Total accounts receivable within one year	<u>11.586</u>	<u>23.725</u>
III. Other current assets	94	156
IV. Cash and cash equivalents	1.799	645
Total current assets	<u>23.971</u>	<u>44.212</u>
Total assets	<u>67.363</u>	<u>102.373</u>



	Group	
	As of 31	As of 31
	December 2008	December 2007
EQUITIES AND LIABILITIES		
C. Equity		
I. Capital	19.834	19.834
II. Reserves		
II.1. Foreign currency translation reserve	4.420	(54)
II.2. Other reserves	1.983	1.983
Total reserves	6.403	1.929
III. Retained earnings (loss)	(22.330)	(3.766)
Total equity	3.907	17.997
Minority interest	667	852
D. Accounts payable and liabilities		
I. Liabilities and accounts payable in one year		
I.1. Non-current borrowings		
	3.587	31.872
I.2. Leasing (financial lease) liabilities		
	27.686	6.671
I.3. Grants and subsidies		
Total liabilities and accounts payable in one year	31.273	38.543
II. Liabilities and accounts payable within one year		
II.1. Current portion of non-current borrowings	2.037	15.353
II.2. Financial debts to credit institutions	2.862	3.852
II.3. Current portion of non-current leasing (financial lease) liabilities	4.640	852
II.4. Trade payables	15.742	15.662
II.5. Other taxes payable	4256	396
II.6. Accrued expenses and other current liabilities	5.808	8.866
Total liabilities and accounts payable within one year	31.515	44.981
Total equity and liabilities	67.363	102.373

**13. Income (loss) statements according to IFRS (LTL thousand)**

	Group			
	01-12 of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
I. Sales income	110.745	28.112	137.541	33.343
II. Cost of sales	(101.992)	(25.276)	(121.488)	(29.137)
III. Gross profit (loss)	8.753	2.836	16.053	4.206
IV. Operating expenses	(16.942)	(5.119)	(18.708)	(5.355)
V. Profit (loss) from typical operations	(8.189)	(2.283)	(2.655)	(1.149)
VI. Other operating income (expenses) – net	3.084	1.006	595	141
VII. Income (expenses) from financial and investment activities – net*	(13.231)	(11.435)	(5.715)	(1.395)
VIII. Profit (loss) from ordinary operations	(18.335)	(12.712)	(7.775)	(2.403)
IX. Result of subsidiaries	-	-	-	-
X. Profit (loss) before tax	(18.335)	(12.712)	(7.775)	(2.403)
XI. Income tax	(415)	(250)	(248)	(160)
XII. Profit (loss) before minority share	(18.750)	(12.962)	(8.023)	(2.563)
XIII. Share of annual result attributable to minority	185	105	232	88
XIV. Net profit (loss)	(18.565)	(12.857)	(7.791)	(2.475)

*13,231 th. Lt loss during 2008 year (11,435 th. Lt 4 quarter) is included in the financial activity because of UAH devaluation and an asset of subsidiary located in Ukraine was recalculated. This loss has not the influence to the Cash flows of the Company or Group. The rate of UAH currency was depreciated 45% during 2008 year.

**Statements of changes in equity (LTL thousands)**

Group and company	Capital	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Minority share	Total equity
Balance as of 31 Decemberr 2006	19.834	(203)	1.983	11.959	33.573	1.084	34.657
Currency translation differences interest sold		(63)			(63)		(63)
Dividends paid				(7.936)	(7.936)		(7.936)
Net profit for the year				(5.316)	(5.316)	(144)	(5.460)
Balance as of 30 September 2007	19.834	(266)	1.983	(1.293)	20.258	940	21.198
Dividends paid							
Currency translation differences interest sold		212			212		212
Contributions by minority interest							
Net profit for the year				(2.473)	(2.473)	(88)	(2.561)
Balance as of 31 December 2007	19.834	(54)	1.983	(3.766)	17.997	852	18.849
Transfer to foreign currency reserve		(69)			(69)		(69)
Net profit for the year				(5.709)	(5.709)	(80)	(5.789)
Balance as of 30 September 2008	19.834	(123)	1.983	(9.475)	12.219	772	12.991
Currency translation differences interest sold		4,543			4,543		4,543
Net profit for the year				(12,857)	(12,857)	(105)	(12,962)
Balance as of 31 December 2008	19.834	4,420	1.983	(22,332)	3,905	667	4,574

**Cash flow statements (LTL thousand)**

	Group	
	31-12-2008	31-12-2007
I. Cash flows from operating activities		
I.1. Net profit for the year	(18.750)	(8.023)
Recovery of non-cash expenses (income):		
I.2. Gain on disposal of subsidiary		
I.3. Depreciation and amortisation	8.868	9.172
I.4. Impairment of non-current tangible assets and investment property		(128)
I.5. (Profit) loss from sales of non-current tangible assets and write-off of non-current tangible assets and inventories	(2.369)	1.279
I.6. Impairment and write-off of accounts receivable	1.577	48
I.7. Impairment of inventories		
I.8. Interest (income)	(17)	(79)
I.9. Interest expenses	3.414	3.308
I.10. Income tax expenses		248
I.11. Foreign exchange loss on borrowings	7.039	2.038
Changes in working capital		
I.13. Decrease in inventories	8.532	1.069
I.14. Decrease (increase) in trade receivables	5.265	1.763
I.15. Decrease in other receivables	3.245	
I.16. (Increase) in receivables from subsidiaries		
I.17. Decrease (increase) in other current assets	1.990	4.491
I.18. Increase in trade and other accounts payable	(80)	(5.281)
I.19. (Decrease) increase in taxes payable and other current liabilities	(3.054)	(640)
I.20. Income tax paid	1.036	(973)
Net cash flows from operating activities	16.696	8.292
II. Cash flows from investing activities		
II.1. Acquisition of non-current tangible assets	(527)	(4.326)
II.2. Prepayments for and (acquisition) of intangible assets	(172)	(2.398)
II.3. Transfer of non-current assets (excl. investments)	2.498	74
II.4. (Acquisition) of investments to subsidiaries, net of cash acquired in the Group	3.842	
II.5. (Prepayments) for financial assets		
II.6. Collection of loans granted		
II.7. Interest received	17	80
Net cash flows from investing activities	5.658	(6.570)



III. Cash flows to financial activities		
III.1. Cash flows related to company shareholders		
III.1.1. Dividends received		
III.1.2. Dividends (paid)		(7.934)
		<hr/>
		(7.934)
III.2. Cash flows related to other sources of financing		
III.2.1. Loans received	5.070	20.691
III.2.2. (Repayment) of loans	(23.418)	(12.052)
III.2.3. Interest (paid)	(3.414)	(3.308)
III.2.4. Contributions by minorities	561	
	<hr/>	<hr/>
	(21.201)	5.331
Cash flows to financial activities	<hr/>	<hr/>
	(21.201)	(2.603)
IV. Net (decrease) in cash flows	1.153	(881)
V. Cash and cash equivalents at the beginning of the period	645	1.526
Exchange losses on cash and cash equivalents		
VI. Cash and cash equivalents at the end of the period	<hr/> <hr/>	<hr/> <hr/>
	1.798	645



14. Explanatory note

General information

AB Utenos Trikotažas (hereinafter „the Company“) is a public limited company registered in the Republic of Lithuania. The address of its registered office is as follows:
 Basanavičiaus st. 122,
 Utena,
 Lithuania

The Company is engaged in production of knitted articles. The Company was registered on 6 December 1994. The Company's shares are traded on the Official List of the National Stock Exchange.

As of 31 December 2008 and 31 December 2007 the shareholders of the Company were:

	As of 31 December 2008	2008	As of 31 December 2007	2007
	Number of	Equity	Number of	Equity
	shares held	(percentage)	shares held	(percentage)
UAB koncernas SBA	10.140	51,12	9.445	47,62
Investment fund Amber Trust	2.700	13,61	2.700	13,61
Other shareholders	6.994	35,27	7.689	38,77
	<u>19.834</u>	<u>100,00</u>	<u>19.834</u>	<u>100,00</u>

All the shares are registered ordinary shares with a par value of LTL 1 each. As of 31 December 2008 and 31 December 2007 subsidiaries did not hold any shares of the Company. The Company did not hold its own shares within this period.

The Group consists of AB Utenos Trikotažas and the following subsidiaries (hereinafter "the Group"):

	Address of the registered office	Share of the stock held by the Group (percentage)		Operating activities
		31 December 2008	31 December 2007	
AB Šatrija	Vilniaus st. 5, Raseiniai	89,78	89,78	Sewing of clothes
UAB Gotija	Laisvės ave. 33, Kaunas	90,50	90,50	Trading
OAD MTF Mrija	Motroso 13, Mukachov, Ukraine	98,95	98,95	Sewing of clothes

On 31 December 2008 the average number of employees of the Group was 1.595, while on 31 December 2007 it was 1.916.

**1 Form and contents of the financial statements**

The present financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

2. Consolidation

Consolidated financial statements are composed of AB Utenos Trikotažas and its subsidiaries' financial statements, which are stated at uniform accounting principles.

Consolidation of financial statements of subsidiaries is started from the moment when effective control is transferred to the Company and consolidation is ceased from the moment when the Company loses the control. 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 minority shareholders' interests are shown separately in the balance sheets and the income (loss) statements.

3. Segment information

The Company's main business segments are production of knitted articles, knitted and other clothes. The Group additionally provides sewing services (subsidiaries AB Šatrija and OAO MTF Mrija) and is engaged in retail and wholesale trade (UAB Gotija). The segment of other activities involves activities, other than those mentioned above.

31 December of 2008		West Europe	Lithuania and Baltic countries	Other regions	Elimination	Total
Sales						
Outside sales of Group		95,462	14,984	299	-	110,745
Sales inside of Group		-	11,252	899	(12,151)	(0)
		95,462	26,236	1,198	(12,151)	110,745
31 December of 2007		West Europe	Lithuania and Baltic countries	Other regions	Elimination	Total
Sales						
Outside sales of Group		117.682	19.756	103	-	137.541
Sales inside of Group		-	15.423	2.211	(17.634)	(0)
		117.682	35.179	2.314	(17.634)	137.541

4. Non-current intangible assets

The Company and the Group have no internally generated intangible assets. Amortization expenses of intangible assets are included within general and administrative expenses in the income statement.

5. Non-current tangible assets

Depreciation of non-current tangible property amounts to LTL 8,868 thousand as of 31 December 2008, LTL 8,169 thousand are included into cost of sales in the Group's income (loss) statements. The rest amounts are included into the operating expenses in the income (loss) statements and into remaining reserve in the balance sheets.

On July of 2008 year the subsidiary UAB Gotija sold the realty – the building and received 1.1 mln.LT benefit, that is accounted how the income of the other activity.



On November of 2008 year AB Utenos trikotažas sold the realty – the building, situated in Kalvariju str. 2A, Vilnius and received 0.687 mln.LT benefit, that is accounted how the income of the other activity.

6. Inventories

	Group	
	As of 31 December 2008	As of 31 December 2007
Raw materials	4.485	7.157
Production in progress	3.739	6.141
Finished production	3.868	7.333
Goods for resale	140	105
	<hr/>	<hr/>
	12.231	20.737
Net realisable value decrease at the beginning of the year	(1.387)	(295)
Change in net realisable value decrease	(539)	(1.092)
	<hr/>	<hr/>
Net realisable value decrease at the end of the year	(1.926)	(1.387)
	<hr/>	<hr/>
	10.305	19.350

The acquisition cost of the Group's inventories accounted for at net realisable value as of 31 December 2008 amounted to LTL 10.305 thousand. Changes in the value decrease of inventories as of 31 December 2008 and 31 December 2007 have been included into operating expenses in the Group's income (loss) statement.

7. Trade receivables

	Group	
	As of 31 December 2008	As of 31 December 2007
Trade receivables, gross	9.650	15.377
Doubtful receivables value decrease at the beginning of the year	(10)	(22)
Change in doubtful receivables value decrease	(378)	12
	<hr/>	<hr/>
Doubtful receivables value decrease at the end of the year	(388)	(10)
	<hr/>	<hr/>
	9.262	15.367

Changes in decrease of doubtful receivables value as of 31 December 2008 and 31 December 2007 have been included into operating expenses in the Group's income (loss) statements.

**8. Cash and cash equivalents**

	Group	
	31 December 2008	31 December 2007
Cash in bank and on hand	1.799	645
Deposits with a term of less than three months		
	1.799	645

9. Reserves

Exchange differences are classified as shareholders' equity in the consolidated financial statements until the investment is realised.

Foreign translation differences are classified as shareholders' equity in the consolidated financial statements until the investment is sold.

Upon sale of the corresponding assets the cumulative translation reserve is transferred to retained result in the same period when the gain or loss on realization of the investment is recognized.

Other reserves

The balances of other reserves as of 30 September 2008 and 31 December 2007 were as follows:

	31 December 2008	31 December 2007
Legal reserve	1.983	1.983
Other reserves	-	-
	1.983	11.983

10. Borrowings

Non-current borrowings

AB Utenos Trikotažas signed a credit agreement with AB bankas Hansabankas. The loan bears an annual variable interest rate of 6-month LIBOR+1.05%. The final credit repayment term is 28 February 2010. As of 31 December 2008 the outstanding balance of the loan was EUR 6.893 thousand (LTL 23.802)

In addition to the loans listed above, the Group has 3 more loans taken from its subsidiaries.

As of 31 December 2008 OAO MTF Mrija had a non-current loan amounting to 2.8 thousand EUR (LTL 9.7 thousand) term of repayment is 27 July 2009.

On 21 February 2006 the Company signed a credit line agreement with bank SEB Bank Ukraine. The loan bears an annual variable interest rate of 3-month EURLIBOR+4%. As of 31 December 2008 the outstanding balance of the loan was EUR 1.608 thousand (LTL 5.552 thousand), term of repayment is 19 November 2011.

AB Utenos Trikotažas has signed a leasing agreement with UAB Hanza Lizingas for the purchase of equipment with annual interest rate of 6-month LIBOR+1.00%. As of 31 December 2008 the debt for the leasing company was 8.504 thousand LT, term of repayment is 2013.



AB Šatrija had a debt for Nordea Finance amounting to LTL 20 thousand LT and with annual interest rate of 5.04 %.

SHORT-TERM LOANS

On 21 February 2006 public limited liability company "MTF Mrija" concluded an agreement on short-term credit line with bank SEB Bank Ukraine. Annual variable interest rate: 3 months EUROLIBOR + 4 per cent. The balance of the loan was EUR 820 thousand (2.831 thousand LTL) on 31 December 2008; the loan repayment date: 19 February 2009.

On 06 November 2006 the OAO "Mrija" company concluded a credit agreement with AB Utenos trikotažas", the credit of 1.000 thousand EUR. Annual interest rate: 6 per cent. The balance of the credit used was 1.000 thousand EUR (LTL 3.452 thousand) on 31 December 2008

On 18 July 2008 the AB Utenos trikotažas" company stepped into credit agreement with UAB Gotija, extended the credit of LTL 1.250 thousand LT. Annual interest rate: 6 per cent. The balance of the credit used was LTL 1.250 thousand LT on 31 December 2008.

11. Accrued expenses and other short-term amounts payable

	Group	
	31 December 2008	31 December 2007
Debts to suppliers for long-term assets	1.963	4.152
Salaries and social security payable	1.746	2.085
Vacation reserve	1.806	2.107
Bonus payments to employees	102	119
Other liabilities	191	403
	<u>5.808</u>	<u>8.866</u>

12. Sales revenue

	Group			
	01-012 of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
Revenue from sales of goods and services	110.151	28.043	136.159	33.134
Wearing-apparel industry				
Sales of raw materials	594	69	1.382	209
	<u>110.745</u>	<u>28.112</u>	<u>137.541</u>	<u>33.343</u>

**13. Cost of sales**

	Group			
	01-12 of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
Raw materials	39,920	11,031	53,296	13,222
Wages	33,182	6,681	35,750	8,536
Other extra production expenses	28,247	7,355	31,118	7,171
Cost price of materials sold	643	209	1,324	208
	<u>101,992</u>	<u>25,276</u>	<u>121,488</u>	<u>29,137</u>

14. Operating expenses

	Group			
	01-12 of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
Selling expenses				
Expenses for maintenance of retail trading network	131	55	41	(44)
Salaries and social security	1.447	321	1.759	397
Other selling expenses	1.822	304	1.895	517
Total selling expenses	<u>3.401</u>	<u>680</u>	<u>3.695</u>	<u>870</u>
General and administrative expenses				
Wages and social security	4.449	1.133	5.099	1.038
Communications and consulting services	1.401	402	2.207	505
Taxes with the exception of tax on profit	1.463	198	1.945	514
Depreciation and amortisation	503	269	341	38
Change of decrease in value of stock	1552	1,423	(128)	40
Bonuses	11	11	6	6
Business trips	153	18	181	35
Charity and sponsorship	101	1	139	16
Other	3,907	984	5,223	2,293
Total general and administrative expenses	<u>13,541</u>	<u>4,439</u>	<u>15,013</u>	<u>4,485</u>
	<u>16,942</u>	<u>5,119</u>	<u>18,708</u>	<u>5,355</u>

**15. Revenue (expenses) from other operations – net result**

	Group			
	01-12 year of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
Revenue from lease	857	318	691	170
Lease expenses	(170)	(87)	(227)	(56)
Other revenue (expenses)	2,397	775	100	(4)
	<u>3,084</u>	<u>(1,006)</u>	<u>1,618</u>	<u>110</u>

16. Revenue (expenses) from financial and investing activities – net result

	Group			
	01-12 of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
Foreign currency exchange gain(loss), net	(8,969)	(9,704)	(2,269)	(622)
Interest expenses			11	(60)
Interest income	17	(3)	79	11
Interest (expenses)	(3,414)	(1,052)	(3,308)	(947)
Prompt payment discounts given	(865)	(676)	(228)	223
	<u>(13,231)</u>	<u>(11,435)</u>	<u>(5,715)</u>	<u>(1,395)</u>

17. Profit tax

	Group			
	01-12 of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
Profit tax (expenses) of the current year	(167)	(2)	(12)	83
Profit tax, related to dividends, returned			7	
Social tax				
Change of deferred profit tax	(248)		(243)	
Profit tax and social tax (expenses) included into Profit (Loss) Account	<u>(415)</u>	<u>(2)</u>	<u>(248)</u>	<u>83</u>



18. Basic and decreased profit falling on a share

Basic and decreased profit falling on a share reflects the net profit of the Group divided by the number of shares. Profit falling on a share is calculated as follows:

	Group			
	01-12 of 2008	10-12 of 2008	01-12 of 2007	10-12 of 2007
Net profit for shareholders' appropriation	(18,565)	(12,857)	(7,791)	(2,475)
Assessed number of shares (in thousand pcs.)	19.834	19.834	19.834	19.834
Basic and decreased profit falling on a share (in LTL)	(0.94)	(0,65)	(0.39)	(0.12)