



Utenos trikotažas

INTERIM CONSOLIDATED REPORT FOR THE SIX
MONTHS OF 2008 AND INTERIM CONSOLIDATED
FINANCIAL STATEMENTS OF UTENOS
TRIKOTAŽAS AB

**Lithuanian Securities Commission
Konstitucijos pr. 23
LT-08105 Vilnius**

2008-09-10

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, Gintaras Pileicikas, General Director of Utenos trikotazas, AB, and Finance Manager Darius Varnas, hereby confirm that, to the best of our knowledge, the attached interim consolidated report and interim consolidated financial statements of Utenos trikotazas, AB for the six 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 report for the six months of 2008 and interim consolidated financial statements of Utenos trikotazas AB.

General Director



Gintaras Pileicikas

Financial Manager



Darius Varnas

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

	Notes		
	Group		
	As of 30 June 2008	As of 31 December 2007	As of 31 June 2007
ASSETS			
A Non-current assets			
I. Non-current intangible assets			
I.1. Goodwill	4.285	4.286	2.523
I.2. Other intangible assets	232	312	478
I.3. Prepayments for non-current intangible assets	1.048	1.042	1.037
Total non-current intangible assets	5.565	5.640	3.938
II. Non-current tangible assets			
II.1. Land and buildings	9.208	9.390	9.270
II.2. Structures and equipment	551	572	595
II.3. Vehicles and other non-current tangible assets	32.790	36.190	39.486
II.4. Construction in progress and prepayments	134	564	1.813
Total non-current tangible assets	42.683	46.716	51.164
III. Investment property	5.508	5.580	5.652
IV. Non-current financial assets			
V. Non-current receivables	41	40	1.167
VI. Deferred income tax asset	185	185	491
Total non-current assets	53.982	58.161	62.412
B Current assets			
I. Inventories, prepayments and contracts in progress			
I.1. Inventories	16.126	19.350	20.576
I.2. Prepayments	497	336	589
Total inventories, prepayments and contracts in progress	16.623	19.686	21.165
II. Accounts receivable within one year			
II.1. Trade receivables	12.194	18.687	23.462
II.2. Prepaid income tax	767	2.123	1.837
II.3. Other taxes receivable	2.087	2.905	1.165
II.4. Other receivables	1	10	1.912
Total accounts receivable within one year	15.049	23.725	28.376
III. Other current assets	178	156	147
IV. Cash and cash equivalents	663	645	1.385
Total current assets	32.513	44.212	51.073
Total assets	86.495	102.373	113.485



	Notes		
	Group As of 30 June 2008	As of 31 December 2007	As of 30 June 2007
EQUITIES AND LIABILITIES			
C. Equity			
I. Capital	19.834	19.834	19.834
II. Reserves			
II.1. Foreign currency translation reserve	34	(54)	45
II.2. Other reserves	1.983	1.983	1.983
Total reserves	2.017	1.929	2.028
III. Retained earnings (loss)	(9.638)	(3.766)	2.089
Total equity	12.213	17.997	23.951
Minority interest	730	852	1.036
D. Accounts payable and liabilities			
I. Liabilities and accounts payable in one year			
I.1. Non-current borrowings	31.621	31.872	33.471
I.2. Leasing (financial lease) liabilities	6.449	6.671	6.672
I.3. Grants and subsidies			
Total liabilities and accounts payable in one year	38.070	38.543	40.143
II. Liabilities and accounts payable within one year			
II.1. Current portion of non-current borrowings	5.626	15.353	13.679
II.2. Financial debts to credit institutions	3.979	3.852	3.852
II.3. Current portion of non-current leasing (financial lease) liabilities	909	852	863
II.4. Trade payables	14.825	15.662	19.443
II.5. Other taxes payable	528	396	632
II.6. Accrued expenses and other current liabilities	9.615	8.866	9.886
Total liabilities and accounts payable within one year	35.482	44.981	48.355
Total equity and liabilities	86.495	102.373	113.485

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

	Group			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
I. Sales income	59.363	124.862	72.692	34.271
II. Cost of sales	(54.744)	(24.529)	(63.834)	(30.234)
III. Gross profit (loss)	4.619	333	8.858	4.037
IV. Operating expenses	(9.035)	(5.139)	(8.862)	(4.771)
V. Profit (loss) from typical operations	(4.416)	(4.806)	(4)	(734)
VI. Other operating income (expenses) – net	705	561	273	123
VII. Income (expenses) from financial and investment activities - net	(2.276)	186	(2.002)	(1.379)
VIII. Profit (loss) from ordinary operations	(5.987)	(4.059)	(1.733)	(1.990)
IX. Result of subsidiaries	-	-	-	-
X. Profit (loss) before tax	(5.987)	(4.059)	(1.733)	(1.990)
XI. Income tax	(7)	(6)	(249)	(70)
XII. Profit (loss) before minority share	(5.994)	(4.059)	(1.982)	(2.060)
XIII. Share of annual result attributable to minority	122	(7)	48	53
XIV. Net profit (loss)	(5.872)	(4.058)	(1.934)	(2.007)

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

Group and company	Notes	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			248			248		248
Dividends paid					(7.934)	(7.934)		(7.934)
Net profit for the year					(1.934)	(1.934)	(48)	(1.982)
Balance as of 30 June 2007		19.834	45	1.983	2.089	23.951	1.036	24.987
Dividends paid								
Currency translation differences interest sold			(99)			(99)		(99)
Contributions by minority interest								
Net profit for the year					(5.855)	(5.855)	(184)	(6.039)
Balance as of 31 December 2007		19.834	(54)	1.983	(3.766)	17.997	852	18.849
Transfer to foreign currency reserve			88			88		88
Net profit for the year					(5.872)	(5.872)	(122)	(5.994)
Balance as of 30 June 2008		19.834	34	1.983	(9.638)	12.213	730	12.943

**Cash flow statements (LTL thousand)**

	Notes		
	Group		
	30-06-2008	31-12-2007	30-06-2007
I. Cash flows from operating activities			
I.1. Net profit for the year	(5.994)	(8.023)	1.934
Recovery of non-cash expenses (income):			
I.2. Gain on disposal of subsidiary			
I.3. Depreciation and amortisation	4.503	9.172	4.896
I.4. Impairment of non-current tangible assets and investment property	(24)	(128)	(151)
I.5. (Profit) loss from sales of non-current tangible assets and write-off of non-current tangible assets and inventories	15	1.279	(130)
I.6. Impairment and write-off of accounts receivable		48	(1)
I.7. Impairment of inventories			
I.8. Interest (income)	(19)	(79)	(52)
I.9. Interest expenses	1.730	3.308	1.431
I.10. Income tax expenses	7	248	63
I.11. Foreign exchange loss on borrowings	739	2.038	
Changes in working capital			
I.13. Decrease in inventories	3.209	1.069	1.102
I.14. Decrease (increase) in trade receivables	6.332	1.763	262
I.15. Decrease in other receivables	2.789		114
I.16. (Increase) in receivables from subsidiaries			
I.17. Decrease (increase) in other current assets	(23)	4.491	(85)
I.18. Increase in trade and other accounts payable	(268)	(5.281)	(212)
I.19. (Decrease) increase in taxes payable and other current liabilities	312	(640)	(141)
I.20. Income tax paid	(767)	(973)	(1.156)
Net cash flows from operating activities	12.541	8.292	4.006
II. Cash flows from investing activities			
II.1. Acquisition of non-current tangible assets	(593)	(4.326)	(3.162)
II.2. Prepayments for and (acquisition) of intangible assets	(4)	(2.398)	(248)
II.3. Transfer of non-current assets (excl. investments)	384	74	
II.4. (Acquisition) of investments to subsidiaries, net of cash acquired in the Group			



II.5. (Prepayments) for financial assets			
II.6. Collection of loans granted			
II.7. Interest received	19	80	52
Net cash flows from investing activities	(194)	(6.570)	(3.358)
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)	(7.934)
		(7.934)	(7.934)
III.2. Cash flows related to other sources of financing			
III.2.1. Loans received	70	20.691	14.910
III.2.2. (Repayment) of loans	(10.669)	(12.052)	(6.334)
III.2.3. Interest (paid)	(1.730)	(3.308)	(1.431)
III.2.4. Contributions by minorities			
	(12.329)	5.331	7.145
Cash flows to financial activities	(12.329)	(2.603)	(789)
IV. Net (decrease) in cash flows	18	(881)	(141)
V. Cash and cash equivalents at the beginning of the period	645	1.526	1.526
Exchange losses on cash and cash equivalents			
VI. Cash and cash equivalents at the end of the period	663	645	1.385



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

	As of 30 June 2008		As of 31 December 2007	
	Number of shares held	Equity (percentage)	Number of shares held	Equity (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 30 June 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
		30 June 2008	31 December 2007	30 June 2007	
AB Šatrija	Vilniaus st. 5, Raseiniai	89,78	89,78	89,78	Sewing of clothes
UAB Gotija	Laisvės ave. 33, Kaunas	90,50	90,50	90,50	Trading
OAD MTF Mrija	Motroso 13, Mukachov, Ukraine	98,95	98,95	91,85	Sewing of clothes



On 30 June 2008 the average number of employees of the Group was 1.693, 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.

30 June 2008	Production	Services	Retail and wholesale trading	Other activities	Elimination	Total
Sales						
External sales of the Group	58 801		450	113	-	59 363
Internal sales of the Group	4 778	2 398		778	(7 955)	-
	63 579	2 398	450	891	(7 955)	59 363

30 June 2007	Production	Services	Retail and wholesale trading	Other activities	Elimination	Total
Sales						
External sales of the Group	71 876	94	683	1 039	-	72 692
Internal sales of the Group	265	6 931		1 107	(8 303)	-
	72 141	7 025	683	2 146	(8 303)	72 692

4. Non-current intangible assets

Prepayment for non-current intangible assets in the Group's balance sheets amounting to LTL 1.048 thousand Litas is made for installation works of accounting system software.



5. Non-current tangible assets

Depreciation of non-current tangible property amounts to LTL 4.403 thousand as of 30 June 2008, LTL 4.279 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. Decrease in the value of non-current tangible assets calculated within the quarter and amounts of losses caused by value decrease are included into income (loss) statement as operating expenses.

6. Inventories

	Group		
	As of 30 June 2008	As of 31 December 2007	As of 30 June 2007
Raw materials	6.661	7.157	7.768
Production in progress	5.848	6.141	7.697
Finished production	4.735	7.333	5.126
Goods for resale	140	105	158
	<hr/>	<hr/>	<hr/>
	17.384	20.737	10.749
Net realisable value decrease at the beginning of the year	(1.387)	(295)	(295)
Change in net realisable value decrease	129	(1.092)	122
	<hr/>	<hr/>	<hr/>
Net realisable value decrease at the end of the year	(1.258)	(1.387)	(173)
	<hr/>	<hr/>	<hr/>
	16.126	19.350	20.576

The acquisition cost of the Group's inventories accounted for at net realisable value as of 30 June 2008 amounted to LTL 16.126 thousand. Changes in the value decrease of inventories as of 30 June 2008 and 31 December 2007 have been included into operating expenses in the Group's income (loss) statement.

7. Trade receivables

	Group		
	As of 30 June 2008	As of 31 December 2007	As of 30 June 2007
Trade receivables, gross	12.198	18.697	23.462
Doubtful receivables value decrease at the beginning of the year	(10)	(22)	(22)
Change in doubtful receivables value decrease	5	10	22
	<hr/>	<hr/>	<hr/>
Doubtful receivables value decrease at the end of the year	(5)	(10)	
	<hr/>	<hr/>	<hr/>
	12.194	18.687	23.462

Changes in decrease of doubtful receivables value as of 30 June 2008 and 31 December 2007 have been included into operating expenses in the Group's income (loss) statements.

**8. Cash and cash equivalents**

	Group		
	30 June 2008	31 December 2007	30 June 2007
Cash in bank and on hand	663	645	1.358
Deposits with a term of less than three months			27
	663	645	1.385

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 June 2008 and 31 December 2007 were as follows:

	30 June 2008	31 December 2007	30 June 2007
Legal reserve	1.983	1.983	1.983
Other reserves	-	-	-
	1.983	11.983	1.983

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 30 June 2008 the outstanding balance of the loan was EUR 8.794 thousand (LTL 30.363)

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

As of 30 June 2008 OAO MTF Mrija had a non-current loan amounting to 2 thousand EUR (LTL 7 thousand) with the annual interest rate of 12%, term of repayment is 11 October 2008.

As of 30 June 2008 OAO MTF Mrija had a non-current loan amounting to 5 thousand EUR (LTL 17 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 30 June 2008 the outstanding balance of the loan was EUR 1.876 thousand (LTL 6.860 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 30 June 2008 the debt for the leasing company was 7.326 thousand EUR, term of repayment is 2013.

AB Šatrija had a debt for Nordea Finance amounting to LTL 32 thousand 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 (2.997 thousand LTL) on 30 June 2008; the loan repayment date: 19 February 2009.

On 12 October 2005 the company concluded a credit agreement with AB SEB Vilniaus bankas, pursuant to which the Company extended the credit limit of 1.000 thousand LTL for the period 12 October 2007 to 12 October 2008. Annual interest rate: 6 months VILIBOR +1,05 per cent. The balance of the credit used was 981 thousand LTL on 30 June 2008.

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 30 June 2008

On 30 August 2007 the AB Utenos trikotažas" company stepped into credit agreement with AB Šatrija, extended the credit of LTL 500 thousand. Annual interest rate: 5,57 per cent. The balance of the credit used was LTL 35 thousand on 30 June 2008.

11. Accrued expenses and other short-term amounts payable

	Group		
	30 June 2008	31 December 2007	30 June 2007
Debts to suppliers for long-term assets	3.680	4.152	4.261
Salaries and social security payable	2.343	2.085	2.695
Vacation reserve	2.160	2.107	2.371
Bonus payments to employees		119	
Other liabilities	1.432	403	759
	<u>9.615</u>	<u>8.866</u>	<u>9.886</u>

12. Sales revenue

	Group			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
Revenue from sales of goods and services	59.040	24.684	71.653	33.670
Wearing-apparel industry				
Sales of raw materials	323	178	1.039	601
	<u>59.363</u>	<u>24.862</u>	<u>72.692</u>	<u>34.271</u>

**13. Cost of sales**

	Group			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
Raw materials	20.705	11.685	27.499	12.793
Wages	19.413	9.485	17.104	8.090
Other extra production expenses	14.354	3.227	18.307	8.851
Cost price of materials sold	272	132	924	500
	54.744	24.529	63.834	30.234

14. Operating expenses

	Group			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
Selling expenses				
Expenses for maintenance of retail trading network	59	41	63	50
Salaries and social security	809	412	907	480
Other selling expenses	1 061	519	909	424
Total selling expenses	1.929	972	1.879	954
General and administrative expenses				
Wages and social security	2.186	1.088	2.678	1.399
Communications and consulting services	816	468	1.322	574
Taxes with the exception of tax on profit	909	409	967	571
Depreciation and amortisation	156	70	202	60
Change of decrease in value of stock	415	415	(279)	(30)
Bonuses				
Business trips	93	45	110	36
Charity and sponsorship	73	34	57	41
Other	2.458	1.638	1.926	1.166
Total general and administrative expenses	7.106	4.167	6.983	3.817
	9.035	5.139	8.862	4.771

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

	Group			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
Revenue from lease	344	185	358	163
Lease expenses	(48)	(31)	(128)	(66)
Other revenue (expenses)	409	407	43	26
	705	561	273	123

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

	Group			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
Foreign currency exchange gain(loss), net	(516)	875	(462)	(242)
Interest expenses				
Interest income	20	8	52	27
Interest (expenses)	(1.729)	(828)	(1.431)	(814)
Prompt payment discounts given	(51)	131	(161)	(67)
	<u>(2.276)</u>	<u>186</u>	<u>(2.002)</u>	<u>(1.096)</u>

17. Profit tax

	Group			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
Profit tax (expenses) of the current year	(7)	(6)	(256)	(77)
Profit tax, related to dividends, returned			7	7
Social tax				
Change of deferred profit tax				
Profit tax and social tax (expenses) included into Profit (Loss) Account	(7)	(6)	(249)	(70)

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			
	I-Half year of 2008	04-06 2008	I-Half year of 2007	04-06 2007
Net profit for shareholders' appropriation	(5.872)	(4.058)	(1.934)	(2.007)
Assessed number of shares (in thousand pcs.)	<u>19.834</u>	<u>19.834</u>	<u>19.834</u>	<u>19.834</u>
Basic and decreased profit falling on a share (in LTL)	<u>(0,30)</u>	<u>(0.20)</u>	<u>(0,1)</u>	<u>(0,1)</u>