

Utenos trikotažas

INTERIM CONSOLIDATED FINANCIAL
STATEMENTS OF UTENOS TRIKOTAŽAS AB
FOR THE THREE MONTHS OF 2010

Lithuanian Securities Commission
Konstitucijos pr. 23
LT-08105 Vilnius

2010-05-25

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, Chief accountant, hereby confirm that, to the best of our knowledge, the attached interim consolidated financial statements of Utenos trikotazas, AB for the three months of 2010, 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 three months of 2010.

General Director



Nerijus Vilūnas

Chief accountant



Reda Kučinskienė



Consolidated financial statements
Statements of financial position (LTL thousand)

	Notes	Group		Company	
		2010.03.31	2009.12.31	2010.03.31	2009.12.31
ASSETS					
Non-current assets					
Intangible assets	6	4,174	4,084	771	827
Property, plant and equipment	7	23,628	24,381	17,338	18,336
Investment property	8	3,147	3,173	3,147	3,173
Investments into subsidiaries	9	-	-	11,396	11,396
Trade and other receivables		27	25	-	-
Receivables from subsidiaries	29	-	-	4,022	3,971
Deferred income tax asset	27	-	-	-	-
		30,976	31,633	36,674	37,703
Current assets					
Inventories	10	8,945	7,575	8,296	6,879
Trade receivables	11	9,505	7,646	7,312	6,269
Receivables from subsidiaries	29	-	-	9,307	8,859
Prepaid income tax		48	48	-	-
Other receivables	12	1,990	1,479	1,021	528
Cash and cash equivalents	14	1,152	2,161	537	1,492
		21,640	18,909	26,473	24,027
Non-current assets held for resale	13	3,106	3,106	-	-
		24,746	22,015	26,473	24,027
Total assets		55,722	53,678	63,147	61,730

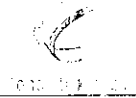
Statements of financial position (cont'd)

	Notes	Group		Company	
		2010.03.31	2009.12.31	2010.03.31	2009.12.31
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital	15	19,834	19,834	19,834	19,834
Foreign currency translation reserve		1,992	2,675	-	-
Other reserves	16	1,983	1,983	1,983	1,983
Accumulated losses/ retained earnings		(19,937)	(21,180)	(2,718)	(2,539)
		3,872	3,312	19,099	19,278
Minority interest		632	619	-	-
Total equity		4,504	3,931	19,099	19,278
LIABILITIES					
Non-current liabilities					
Borrowings	17	27,011	5,316	27,011	5,316
		27,011	5,316	27,011	5,316
Current liabilities					
Borrowings	17	10,801	30,628	3,930	23,712
Trade payables		7,141	6,356	6,728	5,933
Payables to subsidiaries	29	-	-	1,834	1,830
Accrued charges and other current liabilities	18	6,265	7,447	4,545	5,661
		24,207	44,431	17,037	37,136
Total liabilities		51,518	49,747	44,048	42,450
Total equity and liabilities		55,722	53,678	63,147	61,730



Statements of comprehensive income(LTL thousand)

	Notes	Group		Company	
		31 March		31 March	
		2010	2009	2010	2009
Revenue	5,19	17,051	20,377	14,380	17,140
Cost of sales	20	(14,604)	(16,993)	(12,502)	(14,401)
Gross profit		2,447	3,384	1,877	2,739
Selling expenses	21	(555)	(575)	(451)	(453)
General and administrative expenses	21	(1,592)	(2,107)	(1,132)	(1,527)
Other income	22	118	125	77	78
Other expenses	23	(29)	(35)	(29)	(34)
Other gains/(losses) - net	24	47	14	(7)	7
Operating profit (loss)		436	806	330	810
Finance cost, net	25	820	501	(510)	(575)
Profit (loss) before income tax		1,256	1,307	(180)	235
Income tax expense	27	-	-	-	-
Profit (loss) for the year		1,256	1,307	(180)	235
Profit (loss) attributable to:					
Equity holders of the Company	28	1,243	1,296	(180)	235
Minority interest		13	11	-	-
		1,256	1,307	(180)	235
Other comprehensive income					
Foreign currency translation income		(683)	(454)	-	-
Other comprehensive income		573	853	-	-
Total comprehensive income (loss)		573	853	(180)	235
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		560	842	(180)	235
Minority interest		13	11	-	-
		573	853	(180)	235
Basic and diluted loss per share for loss attributable to the equity holders of the Company (in LTL)	28	0.06	0.07		



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 2008	19,834	1,965	1,983	(20,656)	3,126	667	3,793
Transfer to foreign currency reserve	-	(454)	-	-	(454)	-	(454)
Net profit for the year	-	-	-	1,296	1,296	11	1,307
	-	(454)	-	1,296	842	11	853
Balance as of 31 March 2009	19,834	1,511	1,983	(19,360)	3,968	678	4,646
Transfer to foreign currency reserve	-	1,164	-	-	1,164	-	1,164
Results Correction of 2008	-	-	-	(478)	(478)	-	(478)
Net profit for the year	-	-	-	(1,342)	(1,342)	(59)	(1,401)
	-	1,164	-	(1,820)	(656)	(59)	(715)
Balance as of 31 December 2009	19,834	2,675	1,983	(21,180)	3,312	619	3,931
Net profit for the year	-	(683)	-	1,243	560	13	573
Balance as of 31 March 2010	19,834	1,992	1,983	(19,937)	3,872	632	4,504



Statements of cash flows(LTL thousand)

	Notes	Group		Company	
		31 March		31 March	
		2010	2009	2010	2009
Cash flows from operating activities					
Profit (loss) for the year		1,256	1,307	(180)	235
Adjustments for non-cash items:					
Depreciation and amortization		1,624	1,834	1,303	1,457
Gain on disposal of property, plant and equipment and investment property	24	(62)	194	(3)	193
Impairment (reversal) of investments	9	-	-	-	-
Impairment and write-off (reversal) of inventories	21	(3)	-	-	-
Impairment and write-off (reversal) of accounts receivable	21	(8)	102	(3)	100
Interest income	25	(3)	(3)	(51)	(51)
Interest expenses	25	632	573	563	472
Foreign currency differences		(1,392)	(1,045)	-	-
Income tax expense	27	-	-	-	-
Changes in working capital:					
Decrease (increase) in inventories		(1,362)	293	(1,417)	65
Decrease (increase) in trade receivables		(1,856)	811	(1,043)	(70)
Decrease (increase) in receivables from subsidiaries		-	-	(448)	-
Decrease (increase) in other receivables and other current assets		(512)	(552)	(495)	(434)
Increase (decrease) increase in trade and other accounts payable		785	(4,498)	799	(738)
Increase (decrease) in taxes payable and other current liabilities		403	1,790	448	(281)
Cash generated from operations		(498)	806	(527)	948
Income tax paid		-	-	-	-
Net cash flows from operating activities		(498)	806	(527)	948
Cash flows from investing activities					
Acquisition of property, plant and equipment		(213)	-	(213)	-
Acquisition of intangible assets		(9)	-	(9)	-
Proceeds from sale of non-current assets		112	31	3	20
Interest received		3	3	-	51
Net cash flows generated from investing activities		(107)	34	(219)	71



Statements of cash flows (cont'd) (LTL thousand)

	Notes	Group		Company	
		31 March		31 March	
		2010	2009	2010	2009
Cash flows from financing activities					
Cash flows related to other sources of financing					
Proceeds from borrowings		-	-	-	-
Repayment of borrowings		(98)	(701)	-	(254)
Interest paid		(306)	(573)	(208)	(472)
		<u>(404)</u>	<u>(1,274)</u>	<u>(208)</u>	<u>(726)</u>
Net cash flows (used in) generated from financing activities		(404)	(1,274)	(208)	(726)
Net increase (decrease) in cash and cash equivalents					
		(1,009)	(434)	(954)	293
Cash and cash equivalents at the beginning of the year	14	2,161	1,799	1,492	32
Foreign exchange effect on the balance of cash and cash equivalents		-	-	-	-
Cash and cash equivalents at the end of the year	14	<u>1,152</u>	<u>1,365</u>	<u>538</u>	<u>325</u>



Report for the three months of 2010

Explanatory note

General information

AB Utėnos 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 2010 and 31 December 2009 the shareholders of the Company were:

	As of 31 March 2010		As of 31 December 2009	
	Number of shares held	Equity (percentage)	Number of shares held	Equity (percentage)
UAB koncernas SBA	10.140	51,12	10.140	51,12
Investment fund Amber Trust	2.700	13,61	2.700	13,61
Other shareholders	6.994	35,27	6.994	35,27
	<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 March 2010 and 31 December 2009 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 Utėnos 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 March 2009	31 December 2008	31 March 2008	
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
ОАО МТФ Мрија	Мотросо 13, Mukachov, Ukraine	98,95	98,95	91,85	Sewing of clothes

Of 31 March 2010 the average number of employees of the Group was 1.299, while of 31 December 2009 it was 1.337 (31 March 2009 – 1.490).



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

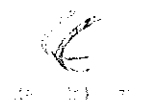
The Group has three main business segments: production of knitted articles, production of working clothes and retail in knitted articles.

In assessing operational performance of segments the Group's Board takes into account the items of sales revenue, gross profit, adjusted EBIDTA, profit (loss), 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 priced on a 'cost plus' basis. These 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 financial position as of 31 March 2010 and in the statement of comprehensive income for the year then ended:

Segment information (continued)					
2010	Production of knitted articles	Production of working clothes	Retail in knitted articles	Eliminations	Total
External sales	14,710	2,206	135	-	17,051
Internal sales	625	-	-	(625)	0
Total revenue	15,335	2,206	135	(625)	17,051
Gross profit	2,124	272	51	0	2,447
Adjusted EBIDTA	1,886	177	(6)	0	2,057
Profit (loss) for the year	1,226	30	0	0	1,256



Report for the three months of 2010

2009	Production of knitted articles	Production of working clothes	Retail in knitted articles	Eliminations	Total
External sales	17,193	3,024	160	-	20,377
Internal sales	1,117	-	-	(1,117)	-
Total revenue	18,310	3,024	160	(1,117)	20,377
Gross profit	2,944	387	53	0	3,384
Adjusted EBIDTA	2,437	193	(16)	0	2,614
Profit (loss) for the year	1,310	0	(3)	0	1,307

4. Non-current intangible assets

Amortization expenditure of Intangible assets is involved in Profit (loss) statement in general and administration expenditure item.

5. Non-current tangible assets

Depreciation of non-current tangible property amounts to LTL 1.624 thousand as of 31 March 2010, LTL 1.485 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.

6. Inventories

	Group		Company	
	As of 31 March 2010	As of 31 December 2009	As of 31 March 2010	As of 31 December 2009
Raw materials	3,275	3,081	1,940	1,647
Production in progress	4,090	2,554	3,960	2,464
Finished production	3,108	3,497	2,970	3,342
Goods for resale	159	138	-	-
	10,632	9,270	8,870	7,453
Net realisable value decrease at the beginning of the year	(1,695)	(1,926)	(574)	(855)
Change in net realisable value decrease	8	231	-	(281)
Net realisable value decrease at the end of the year	(1,687)	(1,695)	(574)	(574)
	8,945	7,575	8,296	6,879



Report for the three months of 2010

The acquisition cost of the Group's and Company's inventories accounted for at net realisable value as of 31 March 2010 amounted to LTL 2,719 and 1,606 thousand of 31 December 2009 to LTL 2,776 and 1,655 thousand. Changes in the value decrease of inventories as of 31 March 2010 and 31 December 2009 have been included into operating expenses in the Group's and Company's income (loss) statement.

7. Trade receivables

	Group		Company	
	As of 31 March 2010	As of 31 December 2009	As of 31 March 2010	As of 31 December 2009
Trade receivables, gross	10,363	8,505	8,144	7,101
Doubtful receivables value decrease at the beginning of the year	(859)	(866)	(832)	(853)
Change in doubtful receivables value decrease	-	7	-	21
Doubtful receivables value decrease at the end of the year	(859)	(859)	(832)	(832)
	<u>9,505</u>	<u>7,646</u>	<u>7,312</u>	<u>6,269</u>

Changes in decrease of doubtful receivables value as of 31 March 2010 and 31 December 2009 have been included into operating expenses in the Group's income (loss) statements.

8. Cash and cash equivalents

	Group		Company	
	As of 31 March 2010	As of 31 December 2009	As of 31 March 2010	As of 31 December 2009
Cash in bank and on hand	1,152	2,061	537	1,492
Deposits with a term of less than three months	-	100	-	-
	<u>1,152</u>	<u>2,161</u>	<u>537</u>	<u>1,492</u>



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 31 March 2010 and 31 December 2009 were as follows:

	As of 31 March 2010	As of 31 December 2009	As of 31 March 2010	As of 31 December 2009
Legal reserve	1.983	1.983	1.983	1.983
Other reserves	-	-	-	-
	<u>1.983</u>	<u>1.983</u>	<u>1.983</u>	<u>1.983</u>

10. Borrowings

On 11 January 2010, an agreement on convertible bonds was entered into by the Company and Swedbank AB. Based on the 3 December 2009 decision of the extraordinary general shareholder meeting it was resolved to issue 50 units of convertible bonds with the nominal value in total of LTL 11,850 thousand (equivalent in EUR 3,432 thousand) by restructuring a part of the Company's finance lease liabilities to the finance lease company.

Based on the convertible bond agreement the Company is obliged to redeem bonds or exchange them for the shares of the Company under the terms and conditions established in the agreement. A nominal value of one bond is LTL 237 thousand (equivalent in EUR 69 thousand); a discounted value of one bond issue is LTL 112 thousand (equivalent in EUR 33 thousand); yield of the bond is 15 per cent of annual interest. The maturity term of bonds is 5 years; the maturity date is 12 January 2015.

In addition, an agreement on convertible bonds was entered into by the Company and the ultimate parent company Koncernas SBA UAB on 11 January 2010. Based on the 3 December 2009 decision of the extraordinary general shareholder meeting it was resolved to issue 16 units of convertible bonds with the nominal value in total of LTL 3,166 thousand (equivalent in EUR 917 thousand) by restructuring the Company's financial liabilities to the ultimate parent company.

Based on the convertible bond agreement the Company is obliged to redeem bonds or exchange them for the shares of the Company under the terms and conditions established in the agreement. A nominal value of one bond is LTL 198 thousand (equivalent in EUR 57 thousand); a discounted value of one bond issue is LTL 94 thousand (equivalent in EUR 27 thousand); yield of the bond is 15 per cent of annual interest. The maturity term of bonds is 5 years; the maturity date is 12 January 2015.

On 6 January 2010, the Company and Swedbank Lizingas UAB and Swedbank AB entered into the agreement on the performance of finance lease contracts and convertible bond agreements. The parties agreed to extend the settlement term of finance lease liabilities by 30 September 2014 and amend the payment schedules (based on the agreement, during 2010 the Company is committed to repay finance lease liabilities of LTL 3,930 thousand with the first payment due in April 2010). A new annual interest rate was agreed which was set at 6 month EURIBOR plus 4 per cent margin.

Moreover, starting from 1 June 2010 the Company is obliged to comply with the following indicators during the entire validity period of the agreements:

1) the Group's financial ratios: a) DSCR (debt servicing) ratio not lower than 1.2; b) debt to EBITDA ratio not higher than 4;

2) the Company's financial ratios: a) equity-to-total assets ratio not lower than 0.3; b) debt to EBITDA ratio not higher than 3.5.

On 23 March 2010, the agreement on the pledge of assets to Swedban AB was concluded based on which the Company's property, plant and equipment with the net book value of LTL 753 thousand as of 28 February 2010 was placed under a primary pledge and property, plant and equipment with the net book value of LTL 1,191 thousand as of 28 February 2010, inventories amounting to LTL 7,692 thousand, fixed assets owned by the subsidiary Šatrija AB with carrying value to LTL 3,297 thousand as of 31 December 2009 were placed under a secondary pledge.

	Group		Company	
	As of 31 March 2010	As of 31 December 2009	As of 31 March 2010	As of 31 December 2009
<i>Current</i>				
Short-term bank borrowings	-	-	-	-
Current portion of long-term bank borrowings	6,871	6,916	-	-
Finance lease liabilities	3,930	23,712	3,930	23,712
	<u>10,801</u>	<u>30,628</u>	<u>3,930</u>	<u>23,712</u>
<i>Non-current</i>				
Long-term bank borrowings	5,811	-	5,811	-
Finance lease liabilities	19,650	5,316	19,650	5,316
Other financial liabilities	1,550	-	1,550	-
	<u>27,011</u>	<u>5,316</u>	<u>27,011</u>	<u>5,316</u>
Total borrowings	<u>37,812</u>	<u>35,944</u>	<u>30,941</u>	<u>29,028</u>



11. Accrued expenses and other short-term amounts payable

	Group		Company	
	As of 31 March 2010	As of 31 December 2009	As of 31 March 2010	As of 31 December 2009
Debts to suppliers for long-term assets	2,447	3,661	1,938	3,096
Salaries and social security payable	2,040	1,344	1,236	994
Vacation reserve	1,437	1,437	1,031	1,031
Bonus payments to employees	126	350	126	300
Other liabilities	215	655	214	240
	<u>6,265</u>	<u>7,447</u>	<u>4,545</u>	<u>5,661</u>

12. Sales revenue

	Group		Company	
	As of 31 March 2010	As of 31 March 2009	As of 31 March 2010	As of 31 March 2009
Revenue from sales of goods and services	16,907	20,284	14,361	16,840
Sales of raw materials	147	93	19	300
	<u>17,051</u>	<u>20,377</u>	<u>14,380</u>	<u>17,140</u>

13. Cost of sales

	Group		Company	
	As of 31 March 2010	As of 31 March 2009	As of 31 March 2010	As of 31 March 2008
Raw materials	4,523	6,512	4,200	5,411
Wages	5,292	5,532	3,061	3,920
Other extra production expenses	3,195	3,243	4,027	3,753
Depreciation and amortization	1,485	1,641	1,207	1,304
Cost price of materials sold	109	65	7	13
	<u>14,604</u>	<u>16,993</u>	<u>12,502</u>	<u>14,401</u>



Report for the three months of 2010

14. Operating expenses

	Group		Company	
	As of 31 March 2010	As of 31 March 2009	As of 31 March 2010	As of 31 March 2008
Selling expenses				
Expenses for maintenance of retail trading network	29	40	4	4
Salaries and social security	232	238	176	179
Other selling expenses	294	297	271	270
Total selling expenses	555	575	451	453
General and administrative expenses				
Wages and social security	658	603	482	394
Communications and consulting services	306	366	189	251
Taxes with the exception of tax on profit	121	186	137	199
Depreciation and amortization	96	116	77	88
Change of decrease in value of stock	(8)	296	19	306
Business trips	20	15	15	9
Charity and sponsorship	6	-	6	-
Other	393	525	212	280
Total general and administrative expenses	1,592	2,107	1,137	1,527
	2,147	2,682	1,583	1,980

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

	Group		Company	
	As of 31 March 2010	As of 31 March 2009	As of 31 March 2010	As of 31 March 2009
Revenue from lease	118	125	77	78
Lease expenses	(29)	(35)	(29)	(34)
Other revenue (expenses)	47	14	(7)	7
	136	104	41	51



Report for the three months of 2010

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

	Group		Company	
	As of 31 March 2010	As of 31 March 2009	As of 31 March 2010	As of 31 March 2009
Foreign currency exchange gain(loss), net	1,448	1,211	2	(14)
Interest expenses	-	-	1	7
Interest income	3	3	51	52
Interest (expenses)	(631)	(573)	(563)	(472)
Prompt payment discounts given	-	(140)	(1)	(148)
	820	501	(510)	(575)

17. 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		Company	
	As of 31 March 2010	As of 31 March 2009	As of 31 March 2010	As of 31 March 2009
Net profit for shareholders' appropriation	1,243	1,296	(180)	235
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)	0.06	0.07	(0.01)	0.01