



Utenos trikotažas

**UTENOS TRIKOTAŽAS, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 12 MONTHS PERIOD ENDED 31 DECEMBER 2010
(UNAUDITED)**

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

2011-02-24

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 Chief Accountant Reda Kučinskienė, hereby confirm that, to the best of our knowledge, the unaudited consolidated financial statements of Utenos trikotazas, AB for the 12 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: Unaudited consolidated financial statements for the 12 months of 2010 of Utenos trikotazas AB.

General Director



Nerijus Vilūnas

Chief Accountant



Reda Kučinskienė

Consolidated financial statements

Balance sheets under IFRS (LTL thousand)

	Notes	Group		Company	
		2010.12.31	2009.12.31	2010.12.31	2009.12.31
ASSETS					
Non-current assets					
Intangible assets	4	4,075	4,084	643	827
Property, plant and equipment	5	19,253	24,381	13,914	18,336
Investment property		2,906	3,173	2,906	3,173
Investments into subsidiaries		-	-	11,396	11,396
Trade and other receivables		1,068	25	830	-
Receivables from subsidiaries		-	-	4,178	3,971
Deferred income tax asset		-	-	-	-
		27,302	31,633	33,867	37,703
Current assets					
Inventories	6	9,023	7,575	8,432	6,879
Trade receivables	7	7,441	7,646	5,792	6,269
Receivables from subsidiaries		-	-	8,999	8,859
Prepaid income tax		-	48	-	-
Other receivables		1,809	1,479	910	528
Cash and cash equivalents	8	1,727	2,161	712	1,492
		20,000	18,909	24,845	24,027
Non-current assets held for resale		2,956	3,106	-	-
		22,956	22,015	24,845	24,027
Total assets		50,258	53,678	58,712	61,730

Statements of financial position (cont'd)

	Notes	Group		Company	
		2010.12.31	2009.12.31	2010.12.31	2009.12.31
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital		19,834	19,834	19,834	19,834
Foreign currency translation reserve		1,729	2,675	-	-
Other reserves	9	1,983	1,983	1,983	1,983
Accumulated losses/ retained earnings		(20,141)	(21,180)	(3,310)	(2,539)
		<u>3,405</u>	<u>3,312</u>	<u>18,507</u>	<u>19,278</u>
Minority interest		<u>6895</u>	<u>619</u>	<u>-</u>	<u>-</u>
Total equity		<u>4,101</u>	<u>3,931</u>	<u>18,507</u>	<u>19,278</u>
LIABILITIES					
Non-current liabilities					
Borrowings	10	27,055	5,316	22,636	5,316
		<u>27,055</u>	<u>5,316</u>	<u>22,636</u>	<u>5,316</u>
Current liabilities					
Borrowings	10	6,571	30,628	5,240	23,712
Trade payables		4,950	6,356	4,672	5,933
Payables to subsidiaries		-	-	2,322	1,830
Accrued charges and other current liabilities	11	7,581	7,447	5,335	5,661
		<u>19,102</u>	<u>44,431</u>	<u>17,569</u>	<u>37,136</u>
Total liabilities		<u>46,157</u>	<u>49,747</u>	<u>40,205</u>	<u>42,452</u>
Total equity and liabilities		<u>50,258</u>	<u>53,678</u>	<u>58,712</u>	<u>61,730</u>

13. Statements of comprehensive income (LTL thousand)

Group

	Notes	of 2010	10-12 of 2010	of 2009	10-12 of 2009
Revenue	3,12	70,711	17,918	70,336	15,815
Cost of sales	13	(61,322)	(16,305)	(49,391)	(13,575)
Gross profit		9,389	1,613	10,945	2,240
Selling expenses	14	(2,276)	(616)	(2,198)	(556)
General and administrative expenses	14	(6,790)	(2,290)	(6,498)	(530)
Other income	15	371	77	458	108
Other expenses	15	(124)	(32)	(145)	(40)
Other gains/(losses) - net	15	435	174	414	6
Operating profit (loss)		1,005	(1,074)	2,976	1,228
Finance cost, net	16	(863)	(259)	(3,070)	396
Profit (loss) before income tax		142	(1,333)	(94)	1,624
Income tax expense	17	974	974	-	-
Profit (loss) for the year		1,116	(359)	(94)	1,624
Profit (loss) attributable to:					
Equity holders of the Company	17	1,040	(379)	(46)	1,654
Minority interest		76	20	(48)	(30)
		1,116	(359)	(94)	1,624
Other comprehensive income					
Foreign currency translation income		(946)	(230)	710	337
Other comprehensive income		(946)	(230)	710	337
Total comprehensive income (loss)		170	(589)	616	1,287
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		93	(609)	664	1,317
Minority interest		76	20	(48)	(30)
		170	(589)	616	1,287
Basic and diluted loss per share for loss attributable to the equity holders of the Company (in LTL)	17	0.05	(0.02)	(0.002)	0.083

Statements of comprehensive income(LTL thousand)

Company

	Notes	of 2010	10-12 of 2010	of 2009	10-12 of 2009
Revenue	12	60,443	14,977	60,085	13,232
Cost of sales	13	(53,787)	(13,933)	(50,976)	(11,383)
Gross profit		6,656	1,044	9,109	1,849
Selling expenses	14	(1,885)	(517)	(1,729)	(446)
General and administrative expenses	14	(4,518)	(1,382)	(3,511)	1,045
Other income	15	304	76	290	70
Other expenses	15	(124)	(32)	(126)	(30)
Other gains/(losses) - net	15	101	96	390	17
Operating profit (loss)		534	(715)	4,423	2,505
Finance cost, net	16	(2,136)	(559)	(1,205)	139
Profit (loss) before income tax		(1,602)	(1,274)	3,218	2,644
Income tax expense		830	830	-	-
Profit (loss) for the year	17	(772)	(444)	3,218	2,644

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 December 2008	19,834	1,965	1,983	(20,656)	3,126	667	3,793
Transfer to foreign currency reserve	-	710	-	-	710	-	710
Results Correction of 2008	-	-	-	478	478	-	478
Net profit for the year	-	-	-	(1,002)	(1,002)	(48)	(1,050)
	-	710	-	(524)	839	(48)	138
Balance as of 31 December 2009	19,834	2,675	1,983	(21,180)	3,312	619	3,931
Transfer to foreign currency reserve	-	(946)	-	-	(946)	-	(946)
Net profit for the year	-	-	-	1,040	1,040	76	1,116
	-	(946)	-	1,040	93	76	170
Balance as of 31 December 2010	19,834	1,729	1,983	(20,140)	3,405	695	4,101

Statements of cash flows (LTL thousand)

	Group		Company	
	31 December 2010	2009	31 December 2010	2009
Cash flows from operating activities				
Profit (loss) for the year	1,116	(94)	(772)	3,218
Adjustments for non-cash items:				
Depreciation and amortization	6,253	6,930	5,093	5,589
Gain on disposal of property, plant and equipment and investment property	(310)	(467)	(58)	(389)
Impairment (reversal) of investments	164	-	164	(1,656)
Impairment and write-off (reversal) of inventories	(26)	82	(33)	(39)
Impairment and write-off (reversal) of accounts receivable	24	(53)	(22)	637
Interest income	(3)	(29)	(207)	(208)
Interest expenses	2,666	1,794	2,341	1,374
Foreign currency differences	(1,538)	1,146	-	-
Income tax expense	(826)	-	(830)	-
Changes in working capital:				
Decrease (increase) in inventories	(1,423)	2,648	(1,520)	2,073
Decrease (increase) in trade receivables	180	1,120	498	622
Decrease (increase) in receivables from subsidiaries	-	-	(139)	(1,417)
Decrease (increase) in other receivables and other current assets	(1,173)	130	(381)	(31)
Increase (decrease) increase in trade and other accounts payable	(1,970)	(7,162)	(1,581)	(5,503)
Increase (decrease) in taxes payable and other current liabilities	3,367	(678)	2,164	(328)
Cash generated from operations	6,354	5,567	4,717	3,942
Income tax paid	-	879	-	1,092
Net cash flows from operating activities	6,354	6,246	4,717	5,034
Cash flows from investing activities				
Acquisition of property, plant and equipment	(362)	(42)	(298)	(42)
Acquisition of intangible assets	(87)	(202)	(87)	(189)
Proceeds from sale of non-current assets	432	762	59	594
Interest received	3	29	-	-
Net cash flows generated from investing activities	(14)	547	(326)	363

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

	Group		Company	
	31 December 2010	2009	31 December 2010	2009
Cash flows from financing activities				
Cash flows related to other sources of financing				
Proceeds from borrowings	-	-	-	500
Repayment of borrowings	(5,235)	(4,637)	(3,974)	(3,279)
Interest paid	(1,541)	(1,794)	(1,197)	(1,243)
	<u>(6,776)</u>	<u>(6,431)</u>	<u>(5,171)</u>	<u>(4,022)</u>
Net cash flows (used in) generated from financing activities	(6,776)	(6,431)	(5,171)	(4,022)
Net increase (decrease) in cash and cash equivalents	(434)	362	(780)	1,375
Cash and cash equivalents at the beginning of the year	2,161	1,799	1,492	117
Foreign exchange effect on the balance of cash and cash equivalents	2	-	-	-
Cash and cash equivalents at the end of the year	<u>1,727</u>	<u>2,161</u>	<u>712</u>	<u>1,492</u>



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

	As of 31 December 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 December 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 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 2010	31 December 2009	31 December 2009	
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	98,95	Sewing of clothes

On 31 of December 2010 the average number of employees of the Group was 1 269, while on 31 of December 2009 it was 1.337 (on 31 of December 2009 – 1 605).

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 EBITDA, 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 December 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	61,296	8,829	586	-	70,711	
Internal sales	3,243	14	-	(3,257)	-	
Total revenue	64,539	8,843	586	(3,257)	70,711	
Gross profit	7,508	1,570	224	87	9,389	
Profit (loss) for the year	(848)	459	24	507	142	

2009	Production of knitted articles	Production of working clothes	Retail in knitted articles	Eliminations	Total
External sales	60 553	9 190	613	-	70 336
Internal sales	3 021	5	-	(3 026)	-
Total revenue	63 554	9 195	613	(3 026)	70 336
Gross profit	9 571	995	216	163	10 945
Profit (loss) for the year	1 062	(463)	(3)	(690)	(94)

4. Non-current intangible assets

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

5. Non-current tangible assets

Depreciation of non-current tangible property amounts to LTL 6 253 thousand as of 31 December 2010, LTL 5 625 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 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Raw materials	3,463	3,081	2,180	1,647
Production in progress	4,149	2,554	4,083	2,464
Finished production	2,888	3,497	2,663	3,342
Goods for resale	123	138	-	-
	10,623	9,270	8,926	7,453
Net realisable value decrease at the beginning of the year	(1,695)	(1,926)	(574)	(855)
Change in net realisable value decrease	95	231	80	281
Net realisable value decrease at the end of the year	(1,600)	(1,695)	(494)	(574)
	9,023	7,575	8,432	6,879

The acquisition cost of the Group's and Company's inventories accounted for at net realisable value as of 31 December 2010 amounted to LTL 2 739 and 1 633 thousand of 31 December 2009 to LTL 2 776 and 1 655 thousand. Changes in the value decrease of inventories as of 31 December 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 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Trade receivables, gross	8,334	8,505	6,612	7,101
Doubtful receivables value decrease at the beginning of the year	(859)	(866)	(832)	(853)
Change in doubtful receivables value decrease	(34)	7	12	21
Doubtful receivables value decrease at the end of the year	(893)	(859)	(820)	(832)
	7,441	7,646	5,792	6,269

Changes in decrease of doubtful receivables value as of 31 December 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 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Cash in bank and on hand	1,727	2,061	712	1,492
Deposits with a term of less than three months	-	100	-	-
	1,727	2,161	712	1,492

9. Reserves

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

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 December 2010 and 31 December 2009 were as follows:

	As of 31 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Legal reserve	1.983	1.983	1.983	1.983
Other reserves	-	-	-	-
	1.983	1.983	1.983	1.983

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.

On 23 March 2010, the agreement on the pledge of assets to Swedbank 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 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Current				
Short-term bank borrowings	-	-	-	-
Current portion of long-term bank borrowings	1,331	6,916	-	-
Current portion of finance lease liabilities	5,240	23,712	5,240	23,712
	6,567	30,628	5,240	23,712
Non-current				
Long-term bank borrowings	10,946	-	6,528	-
Finance lease liabilities	14,368	5,316	14,367	5,316
Other financial liabilities	1,741	-	1,741	-
	27,055	5,316	22,636	5,316
Total borrowings	33,626	35,944	27,876	29,028

11. Accrued expenses and other short-term amounts payable

	Group		Company	
	As of 31 December 2010	As of 31 December 2009	As of 31 December 2010	As of 31 December 2009
Debts to suppliers for long-term assets	3,006	3,661	2,268	3,096
Salaries and social security payable	1,484	1,344	1,052	994
Vacation reserve	2,115	1,437	1,505	1,031
Bonus payments to employees	120	350	-	300
Other liabilities	856	655	510	240
	7,581	7,447	5,335	5,661

12. Sales revenue

	of 2010	Group 10-12 of 2010	of 2009	10-12 of 2009
	Revenue from sales of goods and services	70,371	17,860	70,024
Sales of raw materials	340	58	312	97
	70,711	17,918	70,336	15,815

	of 2010	Company 10-12 of 2010	of 2009	10-12 of 2009
	Revenue from sales of goods and services	60,316	14,929	59,899
Sales of raw materials	127	48	186	46
	60,443	14,977	60,085	13,232

13. Cost of sales

	of 2010	Group 10-12 of 2010	of 2009	10-12 of 2009
Raw materials	21,531	5,714	21,649	4,771
Wages	22,527	6,304	21,559	4,975
Other extra production expenses	11,446	2,911	9,595	2,316
Depreciation and amortization	5,625	1,349	6,314	1,441
Costs of materials sold	193	27	274	73
	61,322	16,305	59,391	13,575

	of 2010	Company 10-12 of 2010	of 2009	10-12 of 2009
Raw materials	20,631	5,610	18,730	4,163
Wages	16,107	4,302	16,128	3,602
Other extra production expenses	12,380	2,857	10,858	2,409
Depreciation and amortization	4,623	1,148	5,114	1,195
Costs of materials sold	46	16	146	14
	53,787	13,933	50,976	11,383

14. Operating expenses

	of 2010	Group 10-12 of 2010	of 2009	10-12 of 2009
Selling expenses				
Expenses for maintenance of retail trading network	137	33	155	42
Salaries and social security	959	260	905	223
Other selling expenses	1,180	323	1,138	291
Total selling expenses	2,276	616	2,198	556
General and administrative expenses				
Wages and social security	2,227	323	2,067	433
Communications and consulting services	1,190	245	1,290	284
Taxes with the exception of tax on profit	658	193	575	125
Depreciation and amortization	389	101	434	93
Change of decrease in value of stock	162	206	29	(769)
Business trips	61	5	76	27
Charity and sponsorship	18	0	11	3
Other	2,085	1,217	2,016	334
Total general and administrative expenses	6,790	2,290	6,498	530
	9,066	2,906	8,696	1,086



	of 2010	Company 10-12 of 2010	of 2009	10-12 of 2009
Selling expenses				
Expenses for maintenance of retail trading network	-	-	-	-
Salaries and social security	750	203	672	164
Other selling expenses	1,135	314	1,057	282
Total selling expenses	1,885	517	1,729	446
General and administrative expenses				
Wages and social security	1,493	119	1,401	294
Communications and consulting services	892	207	923	232
Taxes with the exception of tax on profit	604	180	523	114
Depreciation and amortization	315	83	340	80
Change of decrease in value of stock	109	173	(1,058)	(1,905)
Business trips	37	3	39	9
Charity and sponsorship	18	0	11	3
Other	1,050	617	1,332	128
Total general and administrative expenses	4,518	1,382	3,511	(1,045)
	6,403	1,899	5,240	(600)

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

	of 2010	Group 10-12 of 2010	of 2009	10-12 of 2009
Revenue from lease	371	77	458	108
Lease expenses	(124)	(32)	(145)	(40)
Other revenue (expenses)	435	174	414	6
	682	219	727	74

	of 2010	Company 10-12 of 2010	of 2009	10-12 of 2009
Revenue from lease	304	76	290	70
Lease expenses	(124)	(32)	(126)	(30)
Other revenue (expenses)	101	96	390	17
	281	140	554	57

	of 2010	Comapany 10-12 of 2010	of 2009	10-12 of 2009
Net profit for shareholders' appropriation	(772)	(444)	3,218	2,644
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)	(0.04)	(0.02)	0.16	0.13