



Utenos trikotažas

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

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

2008-11-28

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 nine 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 nine months of 2008.

General Director



Nerijus Vilūnas

Cheaf accountant



Reda Kučinskienė

Consolidated financial statements
Balance sheets under IFRS (LTL thousand)

Group

	As of 30 September 2008	As of 31 December 2007	As of 31 September 2007
ASSETS			
A Non-current assets			
I. Non-current intangible assets			
I.1. Goodwill	4.285	4.286	4.534
I.2. Other intangible assets	192	312	324
I.3. Prepayments for non-current intangible assets	1.048	1.042	1.037
Total non-current intangible assets	5.525	5.640	5.895
II. Non-current tangible assets			
II.1. Land and buildings	8.932	9.390	9.044
II.2. Structures and equipment	536	572	634
II.3. Vehicles and other non-current tangible assets	30.935	36.190	37.939
II.4. Construction in progress and prepayments	254	564	114
Total non-current tangible assets	40.657	46.716	47.731
III. Investment property	5.472	5.580	5.616
IV. Non-current financial assets			
V. Non-current receivables	40	40	1.164
VI. Deferred income tax asset	185	185	491
Total non-current assets	51.879	58.161	60.897
B Current assets			
I. Inventories, prepayments and contracts in progress			
I.1. Inventories	15.267	19.350	22.621
I.2. Prepayments	154	336	406
Total inventories, prepayments and contracts in progress	15.421	19.686	23.027
II. Accounts receivable within one year			
II.1. Trade receivables	9.703	18.687	20.453
II.2. Prepaid income tax	724	2.123	2.306
II.3. Other taxes receivable	2.296	2.905	1.173
II.4. Other receivables	–	10	2.017
Total accounts receivable within one year	12.723	23.725	25.949
III. Other current assets	123	156	116
IV. Cash and cash equivalents	401	645	1.228
Total current assets	28.668	44.212	50.320
Total assets	80.547	102.373	111.217



Utenos trikotažas

Report for the nine months of 2008

	Group		
	As of 30 September 2008	As of 31 December 2007	As of 30 September 2007
EQUITIES AND LIABILITIES			
C. Equity			
I. Capital	19.834	19.834	19.834
II. Reserves			
II.1. Foreign currency translation reserve	(123)	(54)	(266)
II.2. Other reserves	1.983	1.983	1.983
Total reserves	1.860	1.929	1.717
III. Retained earnings (loss)	(9.475)	(3.766)	(1.293)
Total equity	12.219	17.997	20.258
Minority interest	772	852	940
D. Accounts payable and liabilities			
I. Liabilities and accounts payable in one year			
I.1. Non-current borrowings	28.983	31.872	36.662
I.2. Leasing (financial lease) liabilities	11.281	6.671	7.710
I.3. Grants and subsidies			
Total liabilities and accounts payable in one year	40.264	38.543	44.372
II. Liabilities and accounts payable within one year			
II.1. Current portion of non-current borrowings	598	15.353	13.669
II.2. Financial debts to credit institutions	3.711	3.852	3.833
II.3. Current portion of non-current leasing (financial lease) liabilities	307	852	431
II.4. Trade payables	14.589	15.662	18.031
II.5. Other taxes payable	954	396	501
II.6. Accrued expenses and other current liabilities	7.133	8.866	9.182
Total liabilities and accounts payable within one year	27.292	44.981	45.647
Total equity and liabilities	80.547	102.373	111.217



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

	Group			
	01-09 of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
I. Sales income	82.633	23.270	104.198	31.506
II. Cost of sales	(76.716)	(21.972)	(92.351)	(28.517)
III. Gross profit (loss)	5.917	1.298	11.847	2.989
IV. Operating expenses	(11.823)	(2.788)	(13.353)	(4.491)
V. Profit (loss) from typical operations	(5.906)	(1.490)	(1.506)	(1.502)
VI. Other operating income (expenses) – net	2.078	1.373	454	181
VII. Income (expenses) from financial and investment activities - net	(1.796)	480	(4.320)	(2.318)
VIII. Profit (loss) from ordinary operations	(5.624)	363	(5.372)	(3.639)
IX. Result of subsidiaries	-	-	-	-
X. Profit (loss) before tax	(5.624)	363	(5.372)	(3.639)
XI. Income tax	(165)	158	(88)	161
XII. Profit (loss) before minority share	(5.789)	205	(5.460)	(3.478)
XIII. Share of annual result attributable to minority	80	(42)	144	96
XIV. Net profit (loss)	(5.709)	163	(5.316)	(3.382)

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

Cash flow statements (LTL thousand)

	Group		
	30-09-2008	31-12-2007	30-09-2007
I. Cash flows from operating activities			
I.1. Net profit for the year	(5.789)	(8.023)	(5.460)
Recovery of non-cash expenses (income):			
I.2. Gain on disposal of subsidiary			
I.3. Depreciation and amortisation	6.534	9.172	7.539
I.4. Impairment of non-current tangible assets and investment property	(35)	(128)	(163)
I.5. (Profit) loss from sales of non-current tangible assets and write-off of non-current tangible assets and inventories	(1.545)	1.279	(171)
I.6. Impairment and write-off of accounts receivable	96	48	(8)
I.7. Impairment of inventories			
I.8. Interest (income)	(20)	(79)	(67)
I.9. Interest expenses	2.362	3.308	2.360
I.10. Income tax expenses	165	248	88
I.11. Foreign exchange loss on borrowings	2.257	2.038	1.671
Changes in working capital			
I.13. Decrease in inventories	4.025	1.069	(821)
I.14. Decrease (increase) in trade receivables	8.888	1.763	3.260
I.15. Decrease in other receivables	2.200		114
I.16. (Increase) in receivables from subsidiaries			
I.17. Decrease (increase) in other current assets	33	4.491	(23)
I.18. Increase in trade and other accounts payable	(504)	(5.281)	(2.918)
I.19. (Decrease) increase in taxes payable and other current liabilities	(1.885)	(640)	(395)
I.20. Income tax paid	(722)	(973)	(1.173)
Net cash flows from operating activities	16.118	8.292	3.833
II. Cash flows from investing activities			
II.1. Acquisition of non-current tangible assets	(767)	(4.326)	(4.385)
II.2. Prepayments for and (acquisition) of intangible assets	(4)	(2.398)	(2.384)
II.3. Transfer of non-current assets (excl. investments)	117	74	520
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	20	80	67
Net cash flows from investing activities	(634)	(6.570)	(6.182)

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	5.070	20.691	20.743
III.2.2. (Repayment) of loans	(18.436)	(12.052)	(8.398)
III.2.3. Interest (paid)	(2.362)	(3.308)	(2.360)
III.2.4. Contributions by minorities			
	(15.725)	5.331	9.985
Cash flows to financial activities	(15.728)	(2.603)	2.051
IV. Net (decrease) in cash flows	(244)	(881)	(298)
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	401	645	1.228

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 30 September 2008 and 31 December 2007 the shareholders of the Company were:

	As of 30 September 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
	19.834	100,00	19.834	100,00

All the shares are registered ordinary shares with a par value of LTL 1 each. As of 30 September 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 September 2008	31 December 2007	30 September 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
OA O MTF Mrija	Motroso 13, Mukachov, Ukraine	98,95	98,95	91,85	Sewing of clothes

On 30 September 2008 the average number of employees of the Group was 1.563, 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 September 2008

	Production	Services	Retail and wholesale trading	Other activities	Elimination	Total
Sales						
External sales of the Group	81.190	221	697	525	-	82.633
Internal sales of the Group	2.111	7.403		1.020	(10.534)	-
	83.301	7.624	697	1.221	(10.534)	82.633

30 September 2007

	Production	Services	Retail and wholesale trading	Other activities	Elimination	Total
Sales						
External sales of the Group	98.249	3.134	642	1.173	-	104.198
Internal sales of the Group	4.087	7.410		1.647	(13.144)	-
	103.336	10.544	642	2.820	(13.144)	104.198

4. Non-current intangible assets

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

5. Non-current tangible assets

Depreciation of non-current tangible property amounts to LTL 6.534 thousand as of 30 September 2008, LTL 6.166 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.

6. Inventories

	Group		
	As of 30 September 2008	As of 31 December 2007	As of 30 September 2007
Raw materials	5.007	7.157	8.623
Production in progress	5.901	6.141	7.248
Finished production	5.515	7.333	6.795
Goods for resale	128	105	128
	16.551	20.737	22.794
Net realisable value decrease at the beginning of the year	(1.387)	(295)	(295)
Change in net realisable value decrease	103	(1.092)	122
Net realisable value decrease at the end of the year	(1.284)	(1.387)	(173)
	15.267	19.350	22.621

The acquisition cost of the Group's inventories accounted for at net realisable value as of 30 September 2008 amounted to LTL 15.267 thousand. Changes in the value decrease of inventories as of 30 September 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 September 2008	As of 31 December 2007	As of 30 September 2007
Trade receivables, gross	9.706	18.697	20.466
Doubtful receivables value decrease at the beginning of the year	(10)	(22)	(22)
Change in doubtful receivables value decrease	7	12	9
Doubtful receivables value decrease at the end of the year	(3)	(10)	(13)
	9.703	18.687	20.453

Changes in decrease of doubtful receivables value as of 30 September 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 September 2008	31 December 2007	30 September 2007
Cash in bank and on hand	401	645	446
Deposits with a term of less than three months			782
	401	645	1.228

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:

	30 September 2008	31 December 2007	30 September 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 September 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 30 September 2008 OAO MTF Mrija had a non-current loan amounting to 1 thousand EUR (LTL 2.5 thousand) with the annual interest rate of 12%, term of repayment is 11 October 2008.

As of 30 September 2008 OAO MTF Mrija had a non-current loan amounting to 4 thousand EUR (LTL 14 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 September 2008 the outstanding balance of the loan was EUR 1.742 thousand (LTL 6.015 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 September 2008 the debt for the leasing company was 11.562 thousand LT, term of repayment is 2013.

AB Šatrija had a debt for Nordea Finance amounting to LTL 26 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 (2.997 thousand LTL) on 30 September 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 999 thousand LTL on 30 September 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 September 2008

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

11. Accrued expenses and other short-term amounts payable

	Group		
	30 September 2008	31 December 2007	30 September 2007
Debts to suppliers for long-term assets	2.087	4.152	4.371
Salaries and social security payable	2.168	2.085	2.197
Vacation reserve	1.709	2.107	2.360
Bonus payments to employees		119	
Other liabilities	1.169	403	254
	<u>7.133</u>	<u>8.866</u>	<u>9.182</u>

12. Sales revenue

	Group			
	01-09 of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
Revenue from sales of goods and services	82.108	23.068	103.025	31.372
Wearing-apparel industry				
Sales of raw materials	525	202	1.173	134
	82.633	23.270	104.198	31.506

13. Cost of sales

	Group			
	01-09 of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
Raw materials	28.889	8.184	40.074	12.575
Wages	26.501	7.088	27.214	10.110
Other extra production expenses	20.892	6.538	23.947	5.640
Cost price of materials sold	434	162	1.116	192
	76.716	21.972	92.351	28.517

14. Operating expenses

	Group			
	01-09 of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
Selling expenses				
Expenses for maintenance of retail trading network	76	17	85	22
Salaries and social security	1.126	317	1.362	455
Other selling expenses	1.518	457	1.378	469
Total selling expenses	2.720	791	2.825	946
General and administrative expenses				
Wages and social security	3.316	1.130	4.061	1.383
Communications and consulting services	999	183	1.702	380
Taxes with the exception of tax on profit	1.265	356	1.431	464
Depreciation and amortisation	234	78	303	101
Change of decrease in value of stock	129	(286)	(168)	111
Bonuses				
Business trips	135	42	146	36
Charity and sponsorship	100	27	123	66
Other	2.925	467	2.930	1.004
Total general and administrative expenses	9.103	1.997	10.528	3.545
	11.823	2.788	13.353	4.491

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

	Group			
	01-09 year of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
Revenue from lease	539	195	521	163
Lease expenses	(838)	(35)	(171)	(43)
Other revenue (expenses)	1.622	1.213	104	61
	<u>2.078</u>	<u>1.373</u>	<u>454</u>	<u>181</u>

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

	Group			
	01-09 of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
Foreign currency exchange gain(loss), net	735	1.251	(1.647)	(1.185)
Interest expenses			71	71
Interest income	20		68	16
Interest (expenses)	(2.362)	(633)	(2.361)	(930)
Prompt payment discounts given	(189)	(138)	(451)	(290)
	<u>(1.796)</u>	<u>480</u>	<u>(4.320)</u>	<u>(2.318)</u>

17. Profit tax

	Group			
	01-09 of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
Profit tax (expenses) of the current year	(165)	(158)	(95)	(18)
Profit tax, related to dividends, returned			7	
Social tax				
Change of deferred profit tax				
Profit tax and social tax (expenses) included into Profit (Loss) Account	<u>(165)</u>	<u>(158)</u>	<u>(88)</u>	<u>(18)</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			
	01-09 of 2008	07-09 of 2008	01-09 of 2007	07-09 of 2007
Net profit for shareholders' appropriation	(5.872)	(4.058)	(1.934)	(2.007)
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)	(0,30)	(0,20)	(0,1)	(0,1)