

Lithuanian Securities Commission
Konstitucijos pr. 23
LT-08105 Vilnius

2011-05-31

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 2011, 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 2011.

General Director



Nerijus Vilūnas

Chief accountant



Reda Kučinskienė



Utenos trikotažas

**UTENOS TRIKOTAŽAS, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2011
(UNAUDITED)**

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

	Notes	Group		Company	
		2011.03.31	2010.12.31	2011.03.31	2010.12.31
ASSETS					
Non-current assets					
Intangible assets	4	3,882	4,075	571	643
Property, plant and equipment	5	17,704	19,253	12,797	13,914
Investment property		2,880	2,906	2,880	2,906
Investments into subsidiaries		-	-	11,396	11,396
Trade and other receivables		79	90	-	-
Receivables from subsidiaries		-	-	4,230	4,178
Deferred income tax asset		978	978	830	830
		25,523	27,302	32,704	33,867
Current assets					
Inventories	6	8,337	9,023	7,736	8,432
Trade receivables	7	6,883	7,438	5,356	5,792
Receivables and prepayments from subsidiaries		-	-	9,227	8,999
Receivables from other related parties		-	3	-	-
Prepaid income tax		-	-	-	-
Other receivables		1,314	1,808	481	910
Cash and cash equivalents	8	2,040	1,727	940	712
		18,574	19,999	23,740	24,845
Non-current assets held for resale		2,759	2,956	-	-
		21,333	22,955	23,740	24,845
Total assets		46,856	50,257	56,444	58,712

Statements of financial position (cont'd)

	Notes	Group		Company	
		2011.03.31	2010.12.31	2011.03.31	2010.12.31
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital		19,834	19,834	19,834	19,834
Foreign currency translation reserve		2,332	1,729	-	-
Other reserves	9	1,983	1,983	1,983	1,983
Accumulated losses/ retained earnings		(21,135)	(20,141)	(3,226)	(3,310)
		3014	3,405	18,591	18,507
Minority interest		703	6895	-	-
Total equity		3,717	4,101	18, 591	18,507
LIABILITIES					
Non-current liabilities					
Borrowings	10	16,273	18,786	13,060	14,368
Convertible bonds issued	10	8,583	8,268	8,583	8,268
Provisions for employee benefits		351	351	351	351
		25,207	27,405	21,994	22,987
Current liabilities					
Borrowings	10	6,569	6,571	5,240	5,240
Trade payables		3,126	4,892	2,838	4,615
Payables to subsidiaries		-	-	2,667	2,322
Accrued charges and other current liabilities	11	8,237	7,288	5,114	5,041
		17,932	18,751	15,859	17,218
Total liabilities		43,139	46,156	37,853	40,205
Total equity and liabilities		46,856	50,257	56,444	58,712

Statements of comprehensive income (LTL thousand)

	Notes	Group		Company	
		31 March		31 March	
		of 2011	of 2010	of 2011	of 2010
Revenue	3,12	17,759	17,051	14,999	14,380
Cost of sales	13	(15,250)	(14,604)	(13,158)	(12,503)
Gross profit		2,509	2,447	1,841	1,877
Selling expenses	14	(584)	(555)	(488)	(451)
General and administrative expenses	14	(1,398)	(1,592)	(960)	(1,132)
Other income	15	77	118	76	77
Other expenses	15	(30)	(29)	(30)	(29)
Other gains/(losses) - net	15	262	47	179	(12)
Operating profit (loss)		836	436	618	330
Finance cost, net	16	(1,823)	820	(534)	(510)
Profit (loss) before income tax		(987)	1,256	84	(180)
Income tax expense	17	-	-	-	-
Profit (loss) for the year		(987)	1,256	84	(180)
Profit (loss) attributable to:					
Equity holders of the Company	17	(995)	1,243	84	(180)
Minority interest		8	13	-	-
		(987)	1,256	84	(180)
Other comprehensive income					
Foreign currency translation income		603	(683)	-	-
Other comprehensive income		603	(683)	-	-
Total comprehensive income (loss)		(384)	573	84	(180)
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		(392)	560	84	(180)
Minority interest		8	13	-	-
		(384)	573	84	(180)
Basic and diluted loss per share for loss attributable to the equity holders of the Company (in LTL)	17	(0.05)	0.06	-	-

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 2009	19,834	2,675	1,983	(21,180)	3,312	619	3,931
Transfer to foreign currency reserve	-	(683)	-	-	(683)	-	710
Net profit for the year	-	-	-	1,243	1,243	13	573
	-	(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
Transfer to foreign currency reserve	-	(263)	-	-	(263)	-	(263)
Net profit for the year	-	-	-	(203)	(203)	63	(140)
		(263)	-	(203)	(466)	63	(403)
Balance as of 31 December 2010	19,834	1,729	1,983	(20,140)	3,406	695	4,101
Transfer to foreign currency reserve	-	603	-	-	603	-	603
Net profit for the year	-	-	-	(995)	(995)	8	(988)
		603	-	(995)	(392)	8	(384)
Balance as of 31 March 2011	19,834	2,332	1,983	(21,135)	3,014	703	3,717

Statements of cash flows (LTL thousand)

	Group		Company	
	31 March 2011	2010	31 March 2011	2010
Cash flows from operating activities				
Profit (loss) for the year	(987)	1,256	84	(180)
Adjustments for non-cash items:				
Depreciation and amortization	1,463	1,624	1,214	1,303
Gain on disposal of property, plant and equipment and investment property	(4)	(62)	-	(3)
Impairment (reversal) of investments	-	-	-	-
Impairment and write-off (reversal) of inventories	188	(3)	204	-
Impairment and write-off (reversal) of accounts receivable and accounts payable	(130)	(8)	(130)	(3)
Interest income	(2)	(3)	(51)	(51)
Interest expenses	651	632	583	563
Foreign currency differences	1,215	(1,392)	-	-
Income tax expense	-	-	-	-
Changes in working capital:				
Decrease (increase) in inventories	498	(1,362)	494	(1,417)
Decrease (increase) in trade receivables	685	(1,856)	566	(1,043)
Decrease (increase) in receivables from subsidiaries	-	-	(229)	(448)
Decrease (increase) in other receivables and other current assets	206	(512)	131	(495)
Increase (decrease) increase in trade and other accounts payable	(1,266)	785	(1,136)	799
Increase (decrease) in taxes payable and other current liabilities	645	403	(45)	448
Cash generated from operations	3,162	(498)	1,685	(527)
Income tax paid	-	-	-	-
Net cash flows from operating activities	3,162	(498)	1,685	(527)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(6)	(213)	-	(213)
Acquisition of intangible assets	-	(9)	-	(9)
Proceeds from sale of non-current assets	4	112	-	3
Interest received	3	3	-	-
Net cash flows generated from investing activities	1	(107)	-	(219)

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

	Group		Company	
	31 March 2011	2010	31 March 2011	2010
Cash flows from financing activities				
Cash flows related to other sources of financing				
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	(2,512)	(98)	(1,205)	-
Interest paid	(338)	(306)	(252)	(208)
	<u>(2,850)</u>	<u>(404)</u>	<u>(1,457)</u>	<u>(208)</u>
Net cash flows (used in) generated from financing activities	(2,850)	(404)	(1,457)	(208)
Net increase (decrease) in cash and cash equivalents	313	(1,009)	228	(954)
Cash and cash equivalents at the beginning of the year	1,727	2,161	712	1,492
Foreign exchange effect on the balance of cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the end of the year	2,040	1,152	940	538

Notes to the financial statements

General information

AB Utenos Trikotažas (hereinafter „the Company“) is a public limited company registered in the Republic of Lithuania on 6 December 1994. The address of its registered office is as follows:

Basanavičiaus st. 122,
Utena,
Lithuania

The Company is engaged in production of knitted articles.

The shares of Utenos Trikotažas AB are listed on the Official List of the National Stock Exchange.

As of 31 March 2011 and 31 December 2010 the shareholders of the Company were as follows:

	As of 31 March 2011		As of 31 December 2010	
	Number of shares held	Interest held (%)	Number of shares held	Interest held (%)
UAB koncernas SBA	10,140	51.12	10,140	51.12
Investment Fund Amber Trust	2,700	13.61	2,700	13.61
Investment Fund East Capital Asset	2,091	10.54	2,091	10.54
Other shareholders	4,903	24.73	4,903	24.73
	<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 2011 and 31 December 2010 subsidiaries did not hold any shares of the Company. The Company did not hold its own shares within this period.

The consolidated group (hereinafter “the Group”) consists of the Company and the following subsidiaries:

	Registered address	Group's share (%)			Profile
		31 March 2011	31 December 2010	31 March 2010	
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	Retail trade
OAO MTF Mrija	Motroso 13, Mukachov, Ukraine	98,95	98,95	98,95	Production of knitted articles

On 31 of March 2011 the average number of employees of the Group was 1 228, while on 31 of December 2010 it was 1 269 (on 31 of March 2010 – 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 2011 and in the statement of comprehensive income for the year then ended:

Segment information (continued)					
of 31 March 2011	Production of knitted articles	Production of working clothes	Retail in knitted articles	Eliminations	Total
External sales	15,210	2,438	111	-	17,759
Internal sales	816	2	-	(818)	-
Total revenue	16,026	2,441	111	(818)	17,759
Gross profit	2,052	412	45	-	2,509
EBIDTA	2,000	307	(11)	-	2,296
Profit (loss) for the year	(1,187)	205	(5)	-	(987)

of 31 March 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)	-
Total revenue	15,335	2,206	135	(625)	17,051
Gross profit	2,124	272	51	-	2,447
EBIDTA	1,896	177	(6)	-	2,067
Profit (loss) for the year	1,226	30	-	-	1,256

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 1,463 thousand as of 31 March 2011, LTL 1,330 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 2011	As of 31 December 2010	As of 31 March 2011	As of 31 December 2010
Raw materials	4,054	3,463	2,754	2,180
Work in progress	3,020	4,149	2,960	4,083
Finished goods	2,936	2,888	2,715	2,663
Goods for resale	110	123	-	-
	10,120	10,623	8,429	8,926
Write-down to net realisable value:				
Opening balance	(1,600)	(1,695)	(493)	(574)
Change	(183)	95	(200)	80
Closing balance	(1,783)	(1,600)	(693)	(494)
	8,337	9,023	7,736	8,432

The acquisition cost of the Group's and Company's inventories accounted for at net realisable value as of 31 March 2011 amounted to LTL 3 996 and 2 907 thousand of 31 December 2010 to LTL 2 739 and 1 633 thousand. Changes in the value decrease of inventories as of 31 March 2011 and 31 December 2010 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 2011	As of 31 December 2010	As of 31 March 2011	As of 31 December 2010
Trade receivables, gross	7,723	8,331	6,123	6,612
Impairment allowance for trade receivables:				
Opening balance	(893)	(859)	(820)	(832)
Change	53	(34)	53	12
Closing balance	(840)	(893)	(767)	(820)
	6,883	7,438	5,356	5,792

Changes in decrease of doubtful receivables value as of 31 March 2011 and 31 December 2010 have been included into operating expenses in the Group's income (loss) statements.

8. Cash and cash equivalents

	Group		Company	
	As of 31 March 2011	As of 31 December 2010	As of 31 March 2011	As of 31 December 2010
Cash in bank and on hand	2,040	1,727	940	712
Deposits with a term of less than three months	-	-	-	-
	2,040	1,727	940	712

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 March 2011 and 31 December 2010 were as follows:

	As of 31 March 2011	As of 31 December 2010	As of 31 March 2011	As of 31 December 2010
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 March 2011	As of 31 December 2010	As of 31 March 2011	As of 31 December 2010
Current				
Current portion of long-term bank borrowings	1,329	1,331	-	-
Finance lease liabilities	5,240	5,240	5,240	5,240
	6,569	6,571	5,240	5,240
Non-current				
Long-term bank borrowings	3,213	4,418	-	-
Finance lease liabilities	13,060	14,368	13,060	14,368
Convertible bonds issued	8,583	8,268	8,583	8,268
	24,856	27,054	21,643	22,636
Total borrowings	31,425	33,625	26,883	27,876

11. Accrued expenses and other current liabilities

	Group		Company	
	As of 31 March 2011	As of 31 December 2010	As of 31 March 2011	As of 31 December 2010
Amounts payable for services and non-current assets	1,401	1,320	1,145	1,182
Payables to subsidiaries	1,617	1,510	1,216	1,043
Payables to other related parties	4	4	-	-
Prepayments received	901	155	25	25
Wages, salaries and social security	1,634	1,484	1,094	1,052
Accrual for vacation reserve	1,753	1,962	1,174	1,352
Bonuses for employees	120	273	-	153
Taxes payable, except for profit tax	322	330	106	117
Other liabilities	485	250	354	117
	8,237	7,288	5,114	5,041

12. Revenue

	Group		Company	
	01-03 of 2011	01-03 of 2010	01-03 of 2011	01-03 of 2010
Revenue from sales of goods and services	17,722	16,904	14,973	14,361
Revenue from sales of materials	37	147	26	19
	17,759	17,051	14,999	14,380

13. Cost of sales

	Group		Company	
	01-03 of 2011	01-03 of 2010	01-03 of 2011	01-03 of 2010
Materials	5,336	4,523	5,127	4,200
Wages and salaries and social security	5,727	5,292	4,010	3,061
Other overhead expenses	2,849	3,195	2,890	4,027
Depreciation and amortization	1,330	1,485	1,123	1,207
Cost of materials sold	8	109	8	8
	15,250	14,604	13,158	12,503

14. Selling, general and administrative expenses

	Group		Company	
	01-03 of 2011	01-03 of 2010	01-03 of 2011	01-03 of 2010
Selling expenses				
Wages salaries and social security	247	232	194	176
Other selling expenses	337	323	294	275
Total selling expenses	584	555	488	451
General and administrative expenses				
Wages salaries and social security	503	658	315	482
Communications and consulting services	300	306	213	189
Taxes other than income tax	139	121	136	137
Depreciation and amortization	96	96	76	77
Impairments and write-offs	58	(8)	74	19
Business trips	16	20	12	15
Charity and sponsorship	5	6	5	6
Other	281	393	129	207
Total general and administrative expenses	1,398	1,592	960	530
	1,983	2,147	1,448	1,132

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

	Group		Company	
	01-03 of 2011	01-03 of 2010	01-03 of 2011	01-03 of 2010
Lease income	77	118	76	77
Lease expenses	(30)	(29)	(30)	(29)
Other revenue (expenses)	262	47	179	(12)
	309	136	225	36

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

	Group		Company	
	01-03 of 2011	01-03 of 2010	01-03 of 2011	01-03 of 2010
Net foreign exchange gain (loss)	(1,174)	1,448	(2)	2
Interest income	2	3	51	52
Interest expenses	(651)	(631)	(583)	(563)
Discounts received on earlier payment	-	-	-	(1)
	(1,823)	820	(534)	(510)

17. Profit/(loss) per share

Profit/(loss) per share reflect the Group's net profit/(loss), divided by the outstanding number of shares. Calculation of the profit/(loss) per share is presented below:

	Group	
	01-03 of 2011	01-03 of 2010
Profit/(loss) attributable to the equity holders of the Company	(995)	1,243
Weighted average number of shares in issue (thousand)	19,834	19,834
Basic and diluted profit (loss) per share (in LTL)	(0.05)	0.06