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Utenos trikotažas

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Utenos trikotažas AB is the largest manufacturer of knitwear in Lithuania and one of most modern companies in East and Central Europe. The Company is engaged in manufacture of tricot underwear and overdress for men, women and children. The main buyers of the Company's products are same of the largest retailers in West Europe. The Company exports about 90 per cent of its production. *Utenos trikotažas* AB holds controlling blocks of shares of sewing company *Šatrija* and retail trader *Gotija* in Lithuania. In 2005, sewing company *Mrija* was acquired in Ukraine. The Company was issued ISO 9001:2000 Quality Management and ISO 14001:1996 International Environmental Management Certificates, its products comply with OEKO-Tex 100 environmental standard requirements. At present, the Company introduces SA 8000 standard. At the close of 2005, *Utenos trikotažo* Group had 2,185 employees.

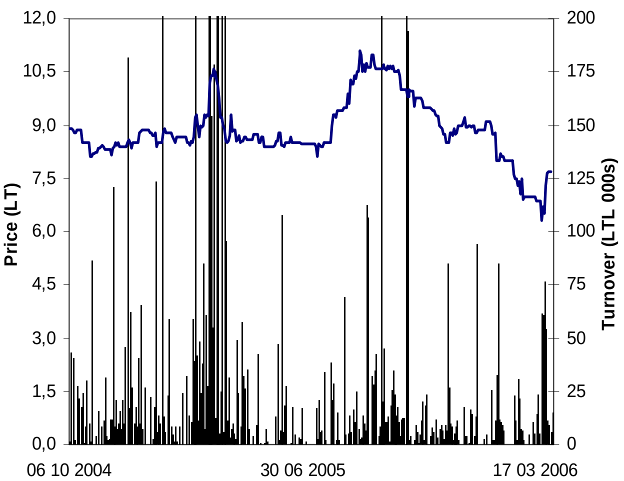
Since 1 June 1999, shares of *Utenos trikotažas* AB are listed on the Main List of Vilnius Stock Exchange (ticker – UTR1L), since 29 September 1997, the shares were listed on the I- List.

Consolidated finantial data	**2001**	**2002**	**2003**	**2004**	**2005**	**2006E***
Revenue (LTL thou)	158 245	163 212	180 855	174 691	173 327	187 000
EBITDA (LTL thou)	21 606	22 852	24 871	20 797	18 462	22 484
EBITDA margin (proc.)	13,7%	14,0%	13,8%	11,9%	10,7%	12,0%
Net profit (loss) (LTL thou)	11 542	11 054	13 162	10 032	7 748	8 500
EPS (LTL)	0,50	0,31	0,66	0,51	0,39	0,43
Net profitability (per cent)	7,3%	6,8%	7,3%	5,7%	4,5%	4,5%
DPS (LTL)	0,25	0,62	0,60	0,90	0,20	-
Dividend yield (per cent)	6,4%	23,4%	9,6%	10,1%	1,8%	-
P/E**	7,9	8,5	9,4	17,5	22,9	16,8
P/BV**	1,21	1,44	2,65	3,93	4,87	-
P/S**	0,57	0,57	0,69	1,01	1,03	0,76
EV/S**	0,57	0,63	0,82	1,13	1,24	-
EV/EBITDA**	4,19	4,48	5,97	9,49	11,60	-

* SEB Vilniaus Bankas' forecast (income – the Company's data).
**To estimate ratios, closing price of the period was applied, to estimate ratios for the year 2006 – closing price as of 6 April 2006.

Market data (06 04 2006)		
Recent price (LTL)		7,20
Highest 12-month price (LTL)		11,10
Lowest 12-month price (LTL)		6,30
Market Capitalisation (LTL mio)		142,8
Free-float capitalisation (LTL mio)		34,0
Average 12-month daily turnover (LTL thou)		34,7
Change in (per cent):	UTRL	OMX Vilnius
YTD	-19,64	-1,97
2005	+1,01	+52,93
2004	+41,92	+68,18

Shareholders by votes (31 12 2005)	
UAB concern SBA	51,00%
Amber Trust S.C.A.	15,13%
UAB *Mineraliniai vandenys*	10,04%
Other shareholders	23,83%



Arguments FOR

- Diversified structure of buyers, large and known customers.
- Entire production cycle.
- Manufacturing capacity growth.
- Manufacture restructuring to assure product competitiveness

Arguments AGAINST

- Increasing competition between apparel manufacturers.
- Migration of sewing specialists and limited financial opportunities of subcontractors to acquire more sophisticated equipment.
- Non-existence of long-term agreements with customers.
- Increase in prices of raw materials.

SEB VILNIAUS BANKAS

Ukrainian company to determine income growth

In the year 2005, income *of Utenos trikotažo* Group (UT) totalled LTL 174.7 mio, or as compared with 2004, its income decreased by 0.8 per cent. The greatest impact on income drop was made by fierce competition with China clothing manufacturers caused by trade liberalisation, product price reduction and longer sewing time due to product complexity. Last year, the Company planned to achieve LTL 183 mio turnover, thus actual income was lower by 5.8 per cent. It was determined by more complex manufacturing process causing failure of contractors to execute a certain number of orders, shorter time for order execution resulting in refusal of a number of orders and postponed commencement of manufacture in Ukraine than projected. Structure of income generated in Lithuania and abroad remained similar, i.e., 10 per cent and 90 per cent, respectively. This year, the Company plans to receive income totalling LTL 187 mio, or higher by 7 per cent than in the year 2005. Increase in output related to company *Mrija*, Ukraine, will be the major factor determining growth. Within the first three months of this year, the Group's income compared with the equivalent period of last year, improved by 2.6 per cent, and amounted to LTL 42.0 mio.

Trade liberalisation to intensify competition in export markets

The largest portion of its products UT exports to West Europe and Nordic countries, therefore market environment in said countries is of great importance. Since 1 January 2005, import quotas for textile products from the Asian countries to the European Union were annulled what resulted in fierce competition with textile and clothing manufacturers of the above countries and especially with China. During the previous year, imports from China to the European Union countries grew by 19.7 per cent, or up to EUR 418.3 mio (equivalent of LTL 1,444.3 mio). In future, a more intense competition between the European Union and third countries' textile and clothing manufacturers may be observed. During this year, China has plans to increase textile exports by nearly 15 per cent and expand export to East European countries. Last year, UT managed to withstand competition and retain similar income level. In later periods, income growth should be determined by higher output, as increase in product prices is very unlikely. Taking into consideration that exiting manufacturing capacities of the Group companies located in Lithuania are used by 100 per cent, income growth in the nearest period should be related with the company in Ukraine, however if current manufacturing capacities are retained, opportunities of a more significant income growth in long-term are limited. Current position of UT in the market could be retained by changing its business strategy.

Lithuania – only additional income source

UT Group's position in Lithuania is strong: well known brand name, the Group's products are appreciated by customers for quality and competitive prices. The main seller of goods of this Lithuanian Group is *Utenos trikotažo prekyba* UAB (UTP) that in the beginning of the year to differentiate trading and manufacturing activities was sold to SBA concern, i.e., AB *Utenos trikotažas* main shareholder. UTP sells goods of the Group through the network of 17 shops in Lithuania and 3 shops in Ukraine. UTP decided to change its trade strategy in the near future, develop trade in shopping centres, expand trading area in Vilnius and other cities of Lithuania and start trade in foreign products. Wider geographical representation and larger flow of buyers should determine larger income of the Group, however a more remarkable income growth should not be expected, as UT activity is oriented towards foreign markets and towards larger product orders of foreign than those of local customers.

Focus on competitiveness development

To retain lower cost price of products and improve development opportunities in the East European markets, the Company in the year 2005 acquired sewing company *Mrija* (Ukraine), and hopes to make it analogical to the Lithuanian knitwear company, increase manufacturing capacity and in future to merge both companies into vertically integrated system by retaining more complex manufacturing operations requiring higher qualification, efficiency and flexibility. Due to manufacture transfer to Ukraine, UT may expect only temporal advantages of costs but after 3–5 years, the Company will be forced to find new cost cutting sources. To retain competitive edge in the market, the Company's goal is to produce a larger number of final goods creating higher added value, to manufacture more complex good requiring higher qualification, to reduce order execution time and exploit its geographical advantages. During this year, great attention will be paid to implementation and development of new technological materials and to more dynamic manufacturing process. Last year, the Company focused on new customers and markets' expansion but this year, the Company has plans to start cooperating with at least two customers of higher quality products. Currently, the Company has more than 10 major customers, which buy about 5-10 per cent of its products. Independence from one customer reduces risk, however non-existence of long-term trade agreements with customers causes instability (agreements are signed for a-one year period).

Profitability improvement difficulties

In 2005, due to fierce competition, manufacture development process, investment in Ukraine and increase in cost price resulted in considerable shrink of UT profitability. Compared with the year 2004, the Company's gross profit slumped by 11.2 per cent, or to LTL 37.4 mio, and its gross profit margin dropped from 24.1 per cent to 21.6 per cent. The Group's net profit shrank by 22.8 per cent, or stood at LTL 7.7 mio and net profit margin dropped from 5.7 per cent to 4.5 per cent. The Company did not announce its profit forecast for this year. Based on our assessment, irrespective of the operational efficiency improvement and increase in output, the company's net profitability due to fierce competition, global growth of yarn prices, which make a significant portion of product cost price, increase in wage, financial costs and increased profit tax tariff will not improve and will be similar to that of the previous year and its net profit will make about LTL 8.5 mio.

Larger investment to increase debt

In the year 2005, UT invested about LTL 6.3 mio into company *Mrija,* Ukraine. This year, the company plans to invest nearly LTL 10 mio in *Mriją*. Investment will be mostly allocated for renewal of manufacturing equipment, new modern machinery, which will give an opportunity to perform more functions, improve operational efficiency and quality. Investment in Ukraine should rise manufacturing capacity by nearly 30 per cent. This year, investment of about LTL 8 mio in company located in Utena for acquisition of new equipment and management system is planned. Total investment of the Group should make about LTL 20 mio.

Due to high demand for investment, the Group's financial debts last year grew by 63 per cent, or up to LTL 38.2 mio. It determined increase in debt to equity ratio from 0.9 to 1.8. In the beginning of the year, *Utenos trikotažas* AB and Bank *Agio (Ukraine)* controlled by SEB Vilniaus Bankas signed surety agreement to secure the loan worth LTL 12,08 mio. The company does not plan to borrow more funds this year and hopes to retain level of debts similar to that of the previous year.

UTENOS TRIKOTAŽAS AB (CONSOLIDATED DATA)

BALANCE SHEET (LTL 000's)	2001	2002	2003	2004	2005
Fixed assets	53 510	49 479	45 915	45 821	57 158
Annual change (per cent)		*-7,5%*	*-7,2%*	*-0,2%*	*24,7%*
Current assets	40 584	52 371	46 797	40 311	45 324
Annual change (per cent)		*29,0%*	*-10,6%*	*-13,9%*	*12,4%*
Other current assets	38 060	43 891	43 731	38 232	43 534
Cash and cash equivalents	2 524	8 480	3 066	2 079	1 790
Total assets	**94 094**	**101 850**	**92 712**	**86 132**	**102 482**
Own equity and reserves	74983	65 181	46 815	44 751	36 491
Annual change (per cent)		*-13,1%*	*-28,2%*	*-4,4%*	*-18,5%*
Long-term liabilities	286	13 951	23 558	23 262	25 892
Short-term liabilities	18825	22 718	22 339	18 119	40 099
Annual change (per cent)		*20,7%*	*-1,7%*	*-18,9%*	*121,3%*
Total equity and liabilities	**94 094**	**101 850**	**92 712**	**86 132**	**102 482**

PROFIT (LOSS) ACCOUNT (LTL 000's)	2001	2002	2003	2004	2005
Sales	**158245**	**163 212**	**180 855**	**174 691**	**173 327**
Annual change (per cent)		*15,6%*	*15,6%*	*-3,4%*	*-0,8%*
Cost of sales	117808	123 490	135 744	132 616	135 952
Annual change (per cent)		*4,8%*	*9,9%*	*-2,3%*	*2,5%*
Gross profit (loss)	40 437	39 722	45 111	42 075	37 375
Annual change (per cent)		*-1,8%*	*13,6%*	*-6,7%*	*-11,2%*
Operating expenses	29 752	25 919	28 251	28 552	27 810
Operating profit (loss)	10 685	13 803	16 860	13 523	9 565
Net income from other activities	2003	411	-24	-74	1 268
Profit (loss) from financial and investment activities	-793	-1 156	-1 186	-1 230	-1 056
Profit before tax	11 895	13 058	15 650	12 219	9 777
Profit tax	493	2 340	2 002	2 273	2 102
Group profit before minority interest	11 402	10 718	13 648	9 946	7 675
Minority interest	140	336	-486	86	73
Net profit	**11 542**	**11 054**	**13 162**	**10 032**	**7 748**

CASH FLOWS (LTL 000's)	2001	2002	2003	2004	2005
Profit	11 542	11 054	13 162	10 032	7 748
Adjustments for non-cash items	n. a.	10 174	9 377	9 226	n. a.
Changes in working capital	n. a.	-3 299	-4 280	4 656	n. a.
Net cash flow from operating activities	**22 538**	**17 929**	**18 259**	**23 914**	**17 841**
Acquisition of fixed assets (except for investments)	n. a.	-7 498	-5 556	-7 158	n. a.
Other investments	n. a.	1 146	-528	-1 462	n. a.
Net cash flow from investment activities	**-15 969**	**-6 352**	**-6 084**	**-8 620**	**-12 786**
Paid out dividends	n. a.	-7 860	-11 494	-11 251	n. a.
Decrease in equity	n. a.	-11 686	-15 500	0	n. a.
Net cash flow from borrowings	n. a.	14 844	10 368	-4 140	n. a.
Paid out interest	n. a.	-919	-963	-890	n. a.
Net cash flow from financing activities	**-8 519**	**-5 621**	**-17 589**	**-16 281**	**-5 344**
Increase (decrease) in cash and cash equivalents	**-1 950**	**5 956**	**-5 414**	**-987**	**-289**

RATIOS	2001	2002	2003	2004	2005
Liquidity ratio	2,2	2,3	2,1	2,2	1,1
ROAA	-	11,3%	13,5%	11,2%	8,2%
ROAE	-	15,8%	23,5%	21,9%	19,1%
Debt to equity ratio	0,25	0,56	0,98	0,92	1,81
Net gearing ratio	0,00	0,13	0,52	0,48	1,00
Share book value (LTL)	3,22	1,84	2,36	2,26	1,84
Dividend payout ratio	77%	111%	90%	178%	51%
DPS (LTL)	0,25	0,62	0,60	0,90	0,20

**Note: Data in this review is taken from the external sources such as the annual statements of the issuer and other information provided by the issuer, reports of statistics agencies, press releases of news agencies, acts of law, etc. SEB Vilniaus Bankas is of the opinion that this information is reliable, however the Bank does not accept any responsibility for its accuracy, authenticity or completeness. Any opinion, statement and forecast submitted in this review are exclusively the property of SEB Vilniaus Bankas and may be changed without any additional notice.*

SEB Vilniaus Bankas has familiarised the issuer with this review prior to its publication. No material changes in the review data were made before its publishing.

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Structure of recommendations and reviews issued per year by SEB Vilniaus Bankas:

Issuer	*Last research date*	*Last recommendation*	*Last established value (LTL)*	*Previous research date*	*Previous recommendation*	*Previous established value (LTL)*
Lietuvos dujos	*11-02-2005*	*sell*	*2,70*	---	---	---
Lietuvos telekomas	*28-10-2005*	---	---	---	---	---
Panevėžio statybos trestas	*09-12-2005*	---	---	---	---	---
Apranga	*06-01-2006*	---	---	---	---	---
Limarko laivininkystės kompanija	*02-02-2006*	---	---	---	---	---
Stumbras	*21-02-2006*	---	---	---	---	---
Lietuvos telekomas	*24-02-2006*	*buy*	*2,85*	*28-10-2005*	---	---

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