



Utenos trikotazas

CONFIRMATION OF RESPONSIBLE PERSONS

2012-05-31

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, Gintautas Bareika, General Director of Utenos trikotazas, AB, Finance Director Saulius Rakauskis, and Chief Account Reda Kučinskienė, hereby confirm that, to the best of our knowledge, the unaudited consolidated financial statements of Utenos trikotazas, AB for the 3 months of 2012, 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 3 months of 2012 of Utenos trikotazas AB.

General Director

Gintautas Bareika

Finance Director

Saulius Rakauskis

Chief Account

Reda Kučinskienė



Utenos trikotažas

UTENOS TRIKOTAŽAS, AB
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 3 MONTHS PERIOD ENDED 31 MARCH 2012
(UNAUDITED)

Statements of financial position

	Notes	Group		Company	
		31 March 2012	31 December 2011	31 March 2012	31 December 2011
ASSETS					
Non-current assets					
Intangible assets	4	3 724	3 820	330	365
Property, plant and equipment	5	24 165	24 971	16 555	17 032
Investment property		2 946	2 969	2 946	2 969
Investments into subsidiaries		-	-	5 175	5 175
Trade and other receivables		70	79	-	-
Receivables from subsidiaries		-	-	13 790	13 131
Deferred income tax asset		438	438	-	-
		31 343	32 277	38 796	38 672
Current assets					
Inventories	6	7 601	8 031	6 838	7 011
Trade receivables	7	3 640	4 259	2 499	3 193
Receivables from and prepayments to subsidiaries		-	-	-	-
Receivables from other related parties		11	68	-	9
Prepaid income tax		-	-	-	-
Other receivables		1 012	799	423	105
Deposits		1 429	1 646	-	-
Cash and cash equivalents	8	1 265	1 084	355	512
		14 958	15 887	10 115	10 830
Non-current assets held for resale		-	-	-	-
		14 958	15 887	10 115	10 830
Total assets		46 301	48 164	48 911	49 502

Statements of financial position (cont'd)

	Notes	Group		Company	
		31 March 2012	31 December 2011	31 March 2012	31 December 2011
EQUITY					
Equity attributable to the equity holders of the Company					
Share capital		19 834	19 834	19 834	19 834
Foreign currency translation reserve		1 844	1 548	-	-
Other reserves	9	1 983	1 983	1 983	1 983
Accumulated retained earnings/ (losses)		(15 706)	(13 440)	(8 262)	(6 754)
		7 955	9 925	13 555	15 063
Non-controlling interest		898	895	-	-
Total equity		8 853	10 820	13 555	15 063
LIABILITIES					
Non-current liabilities					
Borrowings	10	10 784	9 138	10 784	9 138
Borrowings from subsidiaries		-	-	3 149	3 134
Convertible bonds issued	10	9 964	9 599	9 964	9 599
Deferred income tax liabilities		152	152	152	152
Provisions for employee benefits		312	312	277	277
		21 212	19 201	24 326	22 300
Current liabilities					
Borrowings	10	6 045	8 741	2 877	5 240
Trade payables		2 004	2 635	2 697	2 335
Payables to subsidiaries		-	-	-	30
Payables to other related parties		2 914	2 613	2 124	1 906
Income tax payable		-	-	-	-
Accrued expenses and other current liabilities	11	5 273	4 154	3 332	2 628
		16 236	18 143	11 030	12 139
Total liabilities		37 488	37 344	35 356	34 439
Total equity and liabilities		46 301	48 164	48 911	49 502

Statements of comprehensive income

	Notes	Group		Company	
		31 March		31 March	
		2012	2011 Adjusted	2012	2011 Adjusted
Revenue	3,12	12 142	17 759	9 313	14 999
Cost of sales	13	(11 060)	(14 813)	(8 678)	(12 713)
Gross profit		1 082	2 946	635	2 286
Selling expenses	14	(719)	(584)	(622)	(488)
General and administrative expenses	14	(1 576)	(1 398)	(1 039)	(960)
Other income	15	219	452	94	326
Other expenses	15	(89)	(144)	(48)	(101)
Operating profit (loss)		(1 083)	1 272	(980)	1 063
Finance income	16	223	10	53	59
Finance cost	16	(1 401)	(1 835)	(582)	(593)
Profit (loss) before tax		(2 261)	(553)	(1 509)	529
Income tax		-	(75)	-	(71)
Profit (loss) for the year		(2 261)	(628)	(1 509)	458
Profit (loss) attributable to:					
Equity holders of the Company	17	(2 265)	(638)	(1 509)	458
Non-controlling interest		4	10	-	-
		(2 261)	(628)	(1 509)	458
Other comprehensive income (loss)					
Foreign currency translation gain (losses)		(207)	(628)	-	-
Other comprehensive income (loss)		(207)	(628)	-	-
Total comprehensive income (loss) for the period					
		(2 468)	(628)	(1 509)	458
Total comprehensive income (loss) attributable to:					
Equity holders of the Company		(2 472)	(638)	(1 509)	458
Non-controlling interest		4	10	-	-
		(2 468)	(628)	(1 509)	458
<u>Basic/dilutive earnings per share</u>	17	(0.11)	(0.03)		

Statements of changes in equity

Group	Equity attributable to the equity holders of the Company						Total equity
	Share capital	Foreign currency translation reserve	Other reserves	Accumulated (losses)	Total	Non-controlling interest	
Balance as of 31 December 2011	19 834	1 548	1 983	(13 441)	9 924	895	10 819
Total comprehensive income (loss)	-	296	-	(2 265)	(1 969)	3	(1 966)
Balance as of 31 March 2012	19 834	1 844	1 983	(15 706)	7 955	898	8 853

Company	Accumulated retained earnings/ (losses)			Total
	Share capital	Other reserves		
Balance as of 31 December 2011	19 834	19 83	(6 754)	15 063
Total comprehensive income (loss)	-	-	(1 508)	(1 508)
Balance as of 31 March 2012	19 834	1 983	(8 262)	13 555

Statements of cash flows

	Group		Company	
	31 March		31 March	
	2012	2011 Adjusted	2012	2011 Adjusted
Cash flows from operating activities				
Profit (loss) for the period	(2 261)	(628)	(1 509)	458
Adjustments for non-cash items:				
Depreciation and amortization	747	1 024	591	783
Impairment of investments into subsidiaries	-	-	-	-
Impairment of accounts receivable from subsidiaries	-	-	-	-
Impairment (reversal) of non-current assets held for sale	-	-	-	-
Impairment (reversal) of investment property	-	-	-	-
Gain on disposal of property, plant and equipment and investment property	(5)	(4)	-	-
Impairment and write-off (reversal) of inventories	4	188	2	204
Impairment and write-off (reversal) of accounts receivable	-	(130)	-	(130)
Provisions for employees benefits	-	-	-	-
Interest expense (income)	590	649	529	532
Foreign currency differences	-	1 215	-	-
Income tax expense	-	-	-	-
Changes in working capital:				
Decrease (increase) in inventories	427	578	171	551
Decrease (increase) in trade receivables	619	685	694	566
Decrease (increase) in receivables from subsidiaries	-	-	(598)	(229)
Decrease (increase) in other receivables and other current assets	(147)	206	(318)	131
Increase (decrease) in trade and other accounts payable	(330)	(1 266)	535	(1 136)
Increase (decrease) in taxes payable and other current liabilities	1 764	645	700	(45)
Cash generated from operating activities	1 408	3 162	797	1 685
Income tax (paid)	-	-	-	-
Net cash flows from operating activities	1 408	3 162	797	1 685
Cash flows from investing activities				
Acquisition of property, plant and equipment	(127)	(6)	(50)	-
Acquisition of intangible assets	(36)	-	(36)	-
Proceeds from sale of property, plant and equipment	-	4	-	-
Investments in term deposits	217	-	-	-
Interest received	7	3	52	-
Net cash flows generated from investing activities	61	1	(34)	-

Statements of cash flows (cont'd)

	Group		Company	
	31 March 2012		31 March 2012	
	2012	2011 Adjusted	2012	2011 Adjusted
Cash flows from financing activities				
Proceeds from borrowings from subsidiaries	-	-	15	-
Repayment of borrowings	(1 049)	(2 512)	(719)	(1 205)
Interest paid	(239)	(338)	(216)	(252)
Net cash flows to financing activities	(1 288)	(2 850)	(921)	(1 457)
Net (decrease) in cash and cash equivalents	181	313	(157)	228
Cash and cash equivalents at the beginning of the period	1 084	1 727	512	712
Foreign exchange effect on the balance of cash and cash equivalents	-	-	-	-
Cash and cash equivalents at the end of the period	1 265	2 040	355	940

Notes to the financial statements

General information

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

Basanavičiaus str. 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 NASDAQ OMX Vilnius Stock Exchange.

As of 31 March 2012 and 31 December 2011 the shareholders of the Company were as follows:

	As of 31 March 2012		As of 31 December 2011	
	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
Investment Fund KJK	1 095	5.52	1 095	5.52
Other shareholders	3 808	19.21	3 808	19.21
	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 31 March 2012 and 31 December 2011 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 2012	31 December 2011	
Šatrija AB	Vilniaus str. 5, Raseiniai	89,78	89,78	Sewing of clothes
Gotija UAB	Laisvės Str. 33, Kaunas	90,50	90,50	Retail trade
OAD MTF Mrija	Motroso Str. 13, Mukachov, Ukraine	98,95	98,95	Production of knitted articles

On 31 of March 2012 the average number of employees of the Group was 1 095, while on 31 of December 2011 it was 1177.

1 Form and contents of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

2. Consolidation

The consolidated financial statements of the Group include AB Utenos trikotažas and its subsidiaries as well as associated companies. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. 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 non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

3. Segment information

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

In assessing operational performance of segments the Group's Board takes into account the sales revenue, gross profit, EBITDA (earnings before financial activity result, taxes, depreciation and amortization), profit (loss) ratios, 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 eliminated on consolidation.

Below, there is a summary of major indicators for the main business segments of the Group included in the statement of comprehensive income for the years 2012 and 2011:

of 31 March 2012	Production of knitted articles	Production of working clothes	Retail in knitted articles	Eliminations	Total
External sales	9 740	2 264	138	-	12 142
Internal sales	215	-	-	(215)	-
Total revenue	9 955	2 264	138	(215)	12 142
Gross profit	611	410	61	-	1 082
EBITDA	(530)	186	8	-	(336)
Profit (loss) for the period	(2 413)	133	19	-	(2 261)

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	2 440	111	(818)	17 759
Gross profit	2 459	442	45	-	2 946
EBITDA	2 000	307	(11)	-	2 296
Profit (loss) for the period	(851)	228	(5)	-	(628)

4. Non-current intangible assets

Amortization expenses of intangible assets are included within general and administrative expenses in profit and loss.

5. Non-current tangible assets

Depreciation of non-current tangible property amounted to LTL 747 thousand as of 31 March 2012, LTL 628 thousand are included into cost of sales in the Group's Profit (loss) statement. The remaining amounts were included in general and administrative expenses and inventories in the statement of financial position.

6. Inventories

	Group		Company	
	2012.03.31	2011.12.31	2012.03.31	2011.12.31
Raw materials	4 022	3 376	2 668	2 034
Work in progress	2 009	2 133	1 979	2 000
Finished goods	3 174	4 108	2 987	3 773
Goods for resale	271	289	-	-
	9 476	9 906	7 634	7 807
Write-down to net realisable value:				
Opening balance	(1 875)	(1 600)	(796)	(494)
Change	(0)	(275)	(0)	(302)
Closing balance	(1 875)	(1,875)	(796)	(796)
	7 601	8 031	6 838	7 011

7. Trade receivables

	Group		Company	
	2012.03.31	2011.12.31	2012.03.31	2011.12.31
Trade receivables, gross	4 420	5 039	3 206	3 900
Allowance for trade receivables:				
Opening balance	(780)	(893)	(707)	(820)
Change	-	113	-	113
Closing balance	(780)	(780)	(707)	(707)
	3 640	4 259	2 499	3 193

Changes in impairment allowance for doubtful trade receivables as of 31 March 2012 and 31 December 2011 were recorded within general and administrative expenses in the Group's Profit(loss) statement.

8. Cash and cash equivalents

	Group		Company	
	2012.03.31	2011.12.31	2012.03.31	2011.12.31
Cash at bank and on hand	1 265	884	355	512
Deposits with maturity term of 3 months or less	-	200	-	-
	1 265	1 084	355	512

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 2012 and 31 December 2011 were as follows:

	Group		Company	
	2012.03.31	2011.12.31	2012.03.31	2011.12.31
Legal reserve	1 983	1 983	1 983	1 983
Other reserves	-	-	-	-
	1 983	1 983	1 983	1 983

10. Borrowings and convertible bonds issued

On 4 January 2012, the Company and Swedbank Lizingas UAB entered into the new agreements concerning the lease contracts. The parties revised the instalment schedules and a new annual interest rate was agreed which was set at 6 month EURIBOR plus 3.24 per cent margin. The final settlement term of finance lease liabilities was not changed - 30 September 2014, however current portion of financial lease decreased by approximately LTL 2.4 million.

	Group		Company	
	2012.03.31	2011.12.31	2012.03.31	2011.12.31
Current				
Current portion of non-current bank borrowings	3 169	3 501	-	-
Finance lease liabilities	2 876	5 240	2 876	5 240
	<u>6 045</u>	<u>8 741</u>	<u>2 876</u>	<u>5 240</u>
Non-current				
Non-current borrowings	-	-	-	-
Borrowings from subsidiaries	10 784	9 138	10 784	9 138
Finance lease liabilities	9 964	9 599	9 964	9 599
	<u>20 748</u>	<u>18 737</u>	<u>20 748</u>	<u>18 737</u>
Total borrowings	<u>26 793</u>	<u>27 478</u>	<u>23 624</u>	<u>23 977</u>

In 2012 and 2011, the bank borrowings are secured by property plant and equipment.

	Group		Company	
	2012.03.31	2011.12.31	2012.03.31	2011.12.31
Convertible bonds issued to the bank	7 866	7 578	7 866	7 578
Convertible bonds issued to UAB Koncernas „SBA“	2 098	2 021	2 098	2 021
	<u>9 964</u>	<u>9 599</u>	<u>9 964</u>	<u>9 599</u>

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 issued is LTL 112 thousand (equivalent in EUR 36 thousand); the bond bears interest at 15%. The maturity term of bonds is 5 years; the maturity date is 12 January 2015. If Swedbank AB chooses to convert the bonds into the shares, it has to submit a written request to the Company as from 12 January 2010 till 11 December 2014 inclusive and the convertible bonds shall be exchanged into the shares of the Company on the redemption day. The maximum number of the shares for which the issued convertible bonds might be converted at the end of the conversion period – 11 850 thousand shares with the nominal value LTL 1.

„Swedbank“, AB on 15th of December 2011 disposed all convertible bonds of the Company to company FR&R Invest AB, which is registered in Sweden and is related party to the bank.

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. If Koncernas SBA UAB chooses to convert the bonds into the shares, it has to submit a written request to the Company as from 12 January 2010 till 11 December 2014 inclusive and the convertible bonds shall be exchanged into the shares of the Company on the redemption day. The maximum number of the shares for which the issued convertible bonds might be converted at the end of the conversion period – 3 168 thousand shares with the nominal value LTL 1.

Convertible bonds were issued after the restructuring of finance lease liabilities and amounts payable to SBA Koncernas UAB. The Company measured the liability and equity components of this compound financial instrument. During the measurement it was determined that the equity component is close to zero, therefore the total value of the compound financial instrument was attributed to the liability component.

11. Accrued expenses and other current liabilities

	Group		Company	
	2012.03.31	2011.12.31	2012.03.31	2011.12.31
Amounts payable for services and non-current assets	1 895	822	1 223	644
Wages, salaries and social security	1 466	1 292	1 033	923
Accrual for vacation reserve	1 578	1 613	937	832
Bonuses for employees	-	-	-	-
Taxes payable, except for profit tax	199	216	137	149
Other liabilities	135	211	2	80
	5 273	4 154	3 332	2 628

12. Revenue

	Group		Company	
	January-March of 2012	January-March of 2011	January-March of 2012	January-March of 2011
Revenue from sales of goods and services	12 109	17 723	9 289	14 973
Revenue from sales of materials	33	36	24	26
	12 142	17 759	9 313	14 999

13. Cost of sales

	Group		Company	
	January-March of 2012	January-March of 2011 Adjusted	January-March of 2012	January-March of 2011 Adjusted
Materials	3 135	5 339	2 855	5 127
Wages and salaries and social security	5 331	5 727	3 914	4 010
Other overhead expenses	1 953	2 849	1 416	2 890
Depreciation and amortisation	628	890	488	678
Cost of materials sold	13	8	5	8
	11 060	14 813	8 678	12 713

14. Selling general and administrative expenses

	Group		Company	
	January-March of 2012	January-March of 2011	January-March of 2012	January-March of 2011
Selling expenses				
Wages salaries and social security	306	337	255	194
Other selling expenses	413	247	367	294
Total selling expenses	719	584	622	488
General and administrative expenses				
Wages salaries and social security	658	503	450	315
Communications and consulting services	318	300	227	213
Taxes other than income tax	55	139	41	136
Depreciation and amortization	94	96	76	76
Impairments and write-offs	4	58	2	74
Vehicles exploitation expenses	39	17	30	6
Premises exploitation expenses	67	55	40	33
Security	74	52	26	4
Services of financial institutions	26	25	21	20
Representation expenses	9	9	7	4
Business trips	50	16	37	12
Charity and sponsorship	-	5	-	5
Other	182	123	82	62
Total general and administrative expenses	1 576	1 398	1 039	960
	2 295	1 982	1 661	1 448

15. Other income and expenses

	Group		Company	
	January-March of 2012	January-March of 2011	January-March of 2012	January-March of 2011
Rent income	81	77	81	76
Other income	133	371	13	250
Gain from disposal of non-current assets	195	4	-	-
Other income	219	452	94	326
Rent costs	(34)	(30)	(34)	(30)
Other expenses	(55)	(114)	(14)	(71)
Other expenses	(89)	(144)	(48)	(101)

16. Finance costs, net

	Group		Company	
	January-March of 2012	January-March of 2011	January-March of 2012	January-March of 2011
Net foreign exchange gain (loss)	(582)	(1 176)	1	(2)
Interest expenses	7	2	51	51
Interest income	(603)	(651)	(581)	(583)
Interest on late payment received / paid	-	-	-	-
	(1 178)	(1 825)	(529)	(534)

17. Basic/dilutive earnings 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	
	January-March of 2012	January-March of 2011 Adjusted
Profit/ (loss) attributable to the equity holders of the Group	(2 265)	(638)
Weighted average number of shares in issue (thousand)	19 834	19 834
Basic / diluted earnings per share (in LTL)	(0.11)	(0.03)

18. Correction of errors

The Group and the Company has determined that a large part of equipment being and planned to be used in the main activities is fully depreciated or will depreciate over the next year. The Company's management conducted the analysis of this property and determined, that preparing prior periods' financial statements the property, plant and equipment useful life period has not been regularly reviewed, as required by IFRS. The management has determined that since the end of 2008, when significantly declined planned company's manufacturing volumes and equipment workload, equipment depreciation rates should had been revised. Because of this reason, Company's financial statements for prior periods have been significantly distorted. The Company's management, taking into account lower manufacturing volumes since 1 January 2009 and estimated equipment useful life period, retrospectively corrected the estimation of equipment useful lives and accordingly recalculated the depreciation of the equipment since 1 January 2009.

Financial statements

	Group			Company		
	31 March 2011	Correction of errors	31 March 2011 Adjusted	31 March 2011	Correction of errors	31 March 2011 Adjusted
Revenue	17 759	-	17 759	14 999	-	14 999
Cost of sales	(15 250)	437	(14 813)	(13 158)	445	(12 713)
Gross profit	2 509	437	2 946	1 841	445	2 286
Selling expenses, general and administrative expenses, other income and expenses	(1 674)	-	(1 674)	(1 223)	-	(1 223)
Operating profit (loss)	(835)	437	1 272	618	445	1 063
Finance activity result	(1 825)	-	(1 825)	(534)	-	(534)
Profit (loss) before income tax	(990)	437	(553)	84	445	529
Income tax expense	-	(75)	(75)	-	(71)	(71)
Profit (loss) for the period	(990)	362	(628)	84	374	458
Profit (loss) attributable to:						
Equity holders of the Company	(998)	360	(638)	84	374	458
Minority interest	8	2	10	-	-	-
	(990)	362	(628)	84	374	458