

**Linās, AB**  
Company Code 147689083  
S. Kerbedzio 23, Panevėžys

**CONSOLIDATED BALANCE**  
**31/03/2006**

Formulated according to TFAS, not audited

LTL

No.	ASSETS	2006 03 31	2005 12 31
<b>A.</b>	<b>Long-term assets</b>	<b>7.028.000</b>	<b>7.202.715</b>
<b>I.</b>	<b>Intangible assets</b>	<b>191.280</b>	<b>188.911</b>
I.1.	Developmental works	0	0
I.2.	Prestige	0	0
I.3.	Patents, licenses	15.016	21.261
I.4.	Software	176.264	167.650
I.5.	Other intangible assets	0	0
<b>II.</b>	<b>Tangible assets</b>	<b>5.565.177</b>	<b>5.755.344</b>
II.1.	Land	0	0
II.2.	Buildings	0	0
II.3.	Structures	0	0
II.4.	Machinery and equipment	3.959.580	4.032.088
II.5.	Means of transport	281.398	293.596
II.6.	Other equipment, appliances, instruments and gear	1.108.240	1.114.805
II.7.	Unfinished construction	215.959	0
II.8.	Other tangible assets	0	314.855
<b>III.</b>	<b>Financial assets</b>	<b>1.154.820</b>	<b>1.141.737</b>
III.1.	Investments to affiliates and associated companies	0	0
III.2.	Loans to affiliates and associated companies	0	0
III.3.	Amounts received after one year	1.144.820	1.131.737
III.4.	Other financial assets	10.000	10.000
<b>IV.</b>	<b>Other long-term assets</b>	<b>116.723</b>	<b>116.723</b>
IV.1.	Deferred corporation tax assets	116.723	116.723
IV.2.	Other long-term assets	0	0
<b>B.</b>	<b>Short-term assets</b>	<b>45.396.222</b>	<b>46.792.811</b>
<b>I.</b>	<b>Stock, prepayments and unaccomplished contracts</b>	<b>16.969.213</b>	<b>15.941.204</b>
I.1.	Stock	15.721.603	15.656.293
I.1.1.	Raw materials and packaging products	2.994.281	3.353.759
I.1.2.	Unfinished production	7.043.412	7.696.046
I.1.3.	Ready production	5.683.910	4.606.488
I.1.4.	Goods, purchased for resell	0	0
I.1.5.	Other stock	0	0
I.2.	Prepayments	1.247.610	284.911
I.3.	Unaccomplished contracts	0	0
<b>II.</b>	<b>Amounts, receivable over one year</b>	<b>19.824.263</b>	<b>21.701.335</b>
II.1.	Customers' debts	18.942.989	20.976.084
II.2.	Debts of affiliates and associated companies	0	0
II.3.	Other receivable amounts	881.274	725.251
<b>III.</b>	<b>Other short-term assets</b>	<b>8.093.609</b>	<b>7.992.541</b>
III.1.	Short-term investments	0	0
III.2.	Term deposits	0	0
III.3.	Other short-term assets	8.093.609	7.992.541
<b>IV.</b>	<b>Currency and its equivalents</b>	<b>509.137</b>	<b>1.157.731</b>
	<b>Total assets</b>	<b>52.424.222</b>	<b>53.995.526</b>

No.	PRIVATE ASSETS AND OBLIGATIONS	2006 03 31	2005 12 31
<b>C.</b>	<b>Private assets</b>	<b>34.191.657</b>	<b>35.500.016</b>
<b>I.</b>	<b>Capital</b>	<b>24.038.990</b>	<b>24.038.990</b>
I.1.	Capital (authorized)	24.038.990	24.038.990
I.2.	Signed unpaid capital (-)	0	0
I.3.	Shares premiums	0	0
I.4.	Private shares(-)	0	0
<b>II.</b>	<b>Revaluation reserve (results)</b>	<b>0</b>	<b>0</b>
<b>III.</b>	<b>Reserves</b>	<b>8.378.511</b>	<b>8.378.511</b>
III.1.	Obligatory	2.071.473	2.071.473
III.2.	For purchase of proprietary shares	0	0
III.3.	Other reserves	6.307.038	6.307.038
<b>IV.</b>	<b>Retained profit (losses)</b>	<b>1.774.156</b>	<b>3.082.515</b>
<b>IV.1.</b>	<b>Profit of reporting year (losses)</b>	<b>(1.308.359)</b>	<b>3.044.787</b>
IV.1.1.	Profit (detriment) acknowledged in profit (losses) report	(1.308.359)	3.044.787
IV.1.2.	Profit (detriment) not acknowledged in profit (losses) report	0	0
<b>IV.2.</b>	<b>Profit (detriment) of previous year</b>	<b>3.082.515</b>	<b>37.728</b>
<b>D.</b>	<b>Grants, subsidies</b>	<b>0</b>	<b>0</b>
<b>E.</b>	<b>Payable amounts and obligations</b>	<b>18.232.565</b>	<b>18.495.510</b>
<b>I.</b>	<b>Amounts payable in one year and long-term obligations</b>	<b>203.063</b>	<b>203.063</b>
I.1.	Financial debts	0	0
I.1.1.	Leasing (financial rents) or similar obligations	0	0
I.1.2.	To credit organizations	0	0
I.1.3.	Other financial debts	0	0
I.2.	Debts to suppliers	0	0
I.3.	Received prepayments	0	0
I.4.	Suspensions	0	0
I.4.1.	Reimbursement of obligation and demands	0	0
I.4.2.	Pensions and similar obligations	0	0
I.4.3.	Other suspensions	0	0
I.5.	Suspended taxes	203.063	203.063
I.6.	Other payable amounts and long-term obligations	0	0
<b>II.</b>	<b>Amounts payable over one year and short-term obligations</b>	<b>18.029.502</b>	<b>18.292.447</b>
II.1.	Current year part of long-term amount	10.526.952	9.491.112
II.2.	Financial debts	0	0
II.2.1.	To credit organizations	0	0
II.2.2.	Other financial debts	0	0
II.3.	Debts to suppliers	2.773.019	4.475.497
II.4.	Received prepayments	327.427	540.772
II.5.	Tax payment obligations	524.470	524.470
II.6.	Obligations related to work relations	3.291.940	2.704.863
II.7.	Suspensions	0	0
II.8.	Other payable amounts and short-term obligations	585.694	555.733
	<b>Total proprietary capital and obligations</b>	<b>52.424.222</b>	<b>53.995.526</b>

General Manager



Lilljana Pūriene

**Linās, AB**  
Company Code 147689083  
S. Kerbedzio 23, Panevezys

## PROFIT (LOSS) REPORT

Formulated according to TFAS, not audited

LTL

No.	ARTICLES	2006 03 31	2005 03 31
<b>I.</b>	<b>SALE INCOME</b>	<b>15.765.048</b>	<b>19.258.181</b>
I.1	Income for sold goods	15.704.733	19.026.643
I.2	Income for sold services	60.315	231.538
<b>II.</b>	<b>SALE COST PRICE</b>	<b>12.441.485</b>	<b>13.265.543</b>
II.1	Cost price of sold production	12.408.163	13.087.647
II.2	Cost price of sold services	33.322	177.896
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>	<b>3.323.563</b>	<b>5.992.638</b>
<b>IV.</b>	<b>ACTIVITY EXPENDITURES</b>	<b>4.656.061</b>	<b>4.369.377</b>
IV.1	Sale	1.852.078	1.880.930
IV.2	Common and administrative	2.803.983	2.488.447
<b>V.</b>	<b>PROFIT (LOSS) OF STANDARD ACTIVITY</b>	<b>(1.332.498)</b>	<b>1.623.261</b>
<b>VI.</b>	<b>OTHER ACTIVITIES</b>	<b>34.396</b>	<b>(17.530)</b>
VI.1.	Income	38.450	75.628
VI.2.	Expenditures	4.054	93.158
<b>VII.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITIES</b>	<b>(10.257)</b>	<b>(58.354)</b>
VII.1.	Income	129.990	94.721
VII.2.	Expenditures	140.247	153.075
<b>VIII.</b>	<b>PROFIT (LOSS) OF TYPICAL ACTIVITY</b>	<b>(1.308.359)</b>	<b>1.547.377</b>
<b>IX.</b>	<b>UNSCHEDULED</b>	<b>0</b>	<b>0</b>
<b>X.</b>	<b>LOSSES</b>	<b>0</b>	<b>0</b>
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE TAXATION</b>	<b>(1.308.359)</b>	<b>1.547.377</b>
<b>XII.</b>	<b>PROFIT TAX</b>	<b>0</b>	<b>0</b>
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>	<b>(1.308.359)</b>	<b>1.547.377</b>

General Manager  Lilijana Pūrienė

**CURRENCY CIRCULATION REPORT OF LINAS AB GROUP OF COMPANIES**  
**31 March, 2006**

Report period 01 01 2006 - 31 03 2006

LTL

No.	Articles	2006 03 31	2005 03 31
<b>I.</b>	<b>Primary activity currency circulation</b>		
<b>I.1.</b>	<b>Earnings of report period (including VAT)</b>	<b>18.605.195</b>	<b>16.899.057</b>
I.1.1.	Earnings from clients	17.106.779	16.725.411
I.1.2.	Other earnings	1.498.416	173.646
<b>I.2.</b>	<b>Report period payouts</b>	<b>(19.935.065)</b>	<b>(16.139.761)</b>
I.2.1.	Payouts to suppliers of products and raw materials (including VAT)	(13.177.540)	(10.157.919)
I.2.2.	Monetary payouts related to work relations	(5.033.374)	(5.488.878)
I.2.3.	Taxes paid to budget	(261.530)	(239.087)
I.2.4.	Other payouts	(1.462.621)	(253.877)
	<b>Cash circulation of primary activity</b>	<b>(1.329.870)</b>	<b>759.296</b>
<b>II.</b>	<b>Currency circulation of investment activity</b>		
II.1.	Procurement of long-term assets (excluding investments)	(298.583)	(182.255)
II.2.	Transfer of long-term assets (excluding investments)	0	0
II.3.	Procurement of long-term investments	0	0
II.4.	Procurement of short-term investments	0	0
II.5.	Transfer of long-term investments	0	0
II.6.	Transfer of short-term investments	0	0
II.7.	Provision of loans	(77.620)	(3.345.256)
II.8.	Return of loans	3.253	0
II.9.	Received dividends	13.447	9.610
II.10.	Interests received for loans granted	0	0
II.11.	Other currency circulation increases of investment activities	0	0
II.12.	Other currency circulation decreases of investment activities	0	(13.000)
	<b>Cash circulation of investment activity</b>	<b>(359.503)</b>	<b>(3.530.901)</b>
<b>III.</b>	<b>Currency circulation of financial activity</b>		0
III.1.	Currency circulation related to company owners	(154)	(346)
III.1.1.	Emission of shares	0	0
III.1.2.	Owners' contributions to loss reimbursements	0	0
III.1.3.	Procurement of own shares	0	0
III.1.4.	Payout of dividends	(154)	(346)
III.2.	Currency circulation related to other financial sources	1.035.031	1.334.157
III.2.1.	Increase of financial debts	4.653.416	3.137.915
III.2.1.1.	Receipt of loans from credit institutions	4.653.416	3.137.915
III.2.1.2.	Receipt of loans from associated and third parties	0	0
III.2.1.2.	Emission of bonds	0	0
III.2.2.	Reduction of financial debts	(3.618.644)	(1.806.094)
III.2.2.1.	Return of loans to credit institutions	(3.617.576)	(1.551.716)
III.2.2.2.	Return of loans to associated and third parties	0	(112.308)
III.2.2.3.	Procurement of own bonds	0	0
III.2.2.4.	Interests paid for	(1.068)	(142.070)
III.2.2.5.	Leasing (financial rent) payments	0	0
III.2.3.	Interests received for bank accounts	259	1.506
III.2.4.	Increase of company's other obligations	0	830
III.2.5.	Reduction of company's other obligations	0	0

No.	Articles	2006 03 31	2005 03 31
III.3.	Other increases of currency circulation of financial activity	15.305	0
III.4.	Other reductions of currency circulation of financial activity	(3.475)	(2.646)
	<b>Cash circulation of financial activity</b>	<b>1.046.707</b>	<b>1.331.165</b>
IV.	<b>Currency circulation of special articles</b>	<b>0</b>	<b>0</b>
IV.1.	Increase of currency circulations of special articles	0	0
IV.2.	Reduction of currency circulations of special articles	0	0
V.	<b>Impact of currency exchange rates to cash and equivalent currency remainder</b>	<b>(5.928)</b>	<b>(2.011)</b>
VI.	<b>Net currency circulation increase (reduction)</b>	<b>(648.594)</b>	<b>(1.442.451)</b>
VII.	<b>Currency and currency equivalents at the beginning of the period</b>	<b>1.157.731</b>	<b>212.408</b>
VIII.	<b>Currency and currency equivalents at the end of the period</b>	<b>509.137</b>	<b>(1.230.043)</b>

General Manager



Lilijana Pūrienė

CONFIRMED by  
General shareholders' meeting  
20/04/2006

Act No. ....

# REPORT OF OWN CAPITAL CHANGES OF LINAS AB GROUP OF COMPANIES

31 March, 2006

Report period 01 01 2006 - 31 03 2006												LTL	
	Paid-up authorized capital	Additio ns to shares	Propriet ary shares (-)	Revaluation reserve (results)		Law covered reserves		Other reserves		Unappropriat ed profit (loss)	Total		
				Long-term tangible assets	Financial assets	Obligatory	Proprietary shares procurement	Support reserves and other payouts according to collective	Other reserves				
	1	2	3	4	5	6	7	8	9	11	12		
Remainder on 31 December, 2004	24.038.990	0	0	0	0	1.571.473	0	351.707	8.439.908	(1.702.180)	32.699.898		
Net profit / loss of report period										1.544.579	1.544.579		
Remainder on 31 March, 2005	24.038.990	0	0	0	0	1.571.473	0	351.707	8.439.908	(157.601)	34.244.477		
Profit/loss not acknowledged in profit (loss) report										244.669	244.669		
Net earning/ losses of report period										1.255.538	1.255.538		
Formed reserves						500.000		200.000	6.000.000	(6.700.000)	0		
Utilized reserves								(244.669)			(244.669)		
Liquidated reserves									(8.439.908)	8.439.908	0		
Remainder on 31 December, 2005	24.038.990	0	0	0	0	2.071.473	0	307.038	6.000.000	3.082.515	35.500.016		
Net earning/ losses of report period										(1.308.359)	(1.308.359)		
Remainder on 31 March, 2006	24.038.990	0	0	0	0	2.071.473	0	307.038	6.000.000	1.774.156	34.191.657		

General Manager  Lilijana Pūriene

# **AB “LINAS”**

## **EXPLANATORY MEMORANDUM OF INTERIM FINANCIAL STATEMENT**

**31 March, 2006**

### **1.GENERAL**

The Linas company was launched in 1957. A public limited company Linas (further called the Company) was registered on 8 March, 1993. As a part of shares was acquired by international shareholders, the company was re-registered on 5 March, 1996, as an entity holding foreign capital investment. The number of registration of the Company is Į 96-55, registration code 147689083. The Company carries on it's activity in accordance with the Law on Limited Companies of Lithuania, company's regulations and other relevant legislation active in the Republic of Lithuania.

As of 31 December, 2005, the group of companies consisted of AB Linas and it's daughter company UAB Linas Nordic (further called as the Group). UAB Linas Nordic has a corporate identification number 148532327 and it's registered address at S.Kerbedžio Street 23, Panevėžys.

AB Linas, being the sole shareholder of UAB Linas Nordic, passed a decision of 31 August, 2005, to increase the authorized capital of UAB Linas Nordic from 10,000 (ten thousand) Litas to 5,999,000 (five million nine hundred ninety nine thousand) Litas with a non-monetary contribution by the shareholder, i.e. textile goods manufacturing business, by emitting 5989 (five thousand nine hundred eighty nine) registered ordinary shares with a par value 1000 (one thousand) Litas per share. As of 1 September, 2005, the rights and liabilities of AB Linas related to the textile goods manufacturing passed to UAB Linas Nordic.

Having completed the reorganization, AB Linas is in charge of management of the financial assets (shares and loans), intents undertaking financial projects, providing consultancy on the issues of financial undertakings and management.

The Group's consolidated financial accountability was prepared for the first time on 2005. The financial accountability of the Group of companies was not consolidated in previous years because daughter companies were not significant in the approach of Group of companies.

The Company and it's daughter company do not have subsidiaries and representatives.

There were no changes in authorized capital during accounting period.

Only significant information is presented in this explanatory memorandum which reflect interim accounting period trade operations and trade events which have the impact on financial state and results of the Group's accounting period.

In the 1<sup>st</sup> quarter of 2006 it was produced: 389 tons of linen and tow yarns (in the 1<sup>st</sup> quarter of 2005 – 419 tons), 1371 thousand m. of raw fabric (in the 1<sup>st</sup> quarter of 2005 - 1528 thousand m), 1358 thousand m. of finished fabric (in the 1<sup>st</sup> quarter of 2005 – 1799 thousand m.).

28,2 per cent of all produced fabrics were used for sewn items in the I<sup>st</sup> quarter of 2006 (in the I<sup>st</sup> quarter of 2005 – 28,8 per cent).

The main incomes of group of companies are the sales incomes of linen textile items.

The volume of sales of production and services of AB Linas group of companies in the I<sup>st</sup> quarter of 2006 was 15,8 million Litas. Comparing to the I<sup>st</sup> quarter of 2005 the volume of sales dropped by 18,1 per cent.

In the I<sup>st</sup> quarter of 2006 Group sustained 1,4 million Litas losses and the result of the same period of 2005 was 1,5 million Litas before taxing.

The outcome of the Group was significantly impacted by the global trends on the European and world-wide markets of linen industry. On 31 December, 2004 the agreement concerning trade in textiles and garments between WTO member countries expired. As a result, the supply and the imports from China as well as other Asian countries grew dramatically in 2005 and in the I<sup>st</sup> quarter of 2006. The imports of linen yarns from China to European Union grew by 182,3 per cent in 2005, compared to 2004, even with the quotas for this category in place, the price per unit dropped by 5 per cent. The volume of linen fabrics imports by European Union from China grew by 511 per cent in 2005, compared to 2004, while the unit price dropped by 17 per cent. Such a significant increase in competition has resulted worse results of the outcome in 2005, compared to 2004. In 2006, trade of linen products and all linen industry further will be influenced, directly or indirectly, of supply increase of cheap products from China. European industry created world-wide linen image and value, but Chinese development in this sphere makes supply of linen products more and more banal. That is why added value of European Union producers is lost.

Regardless above mentioned reasons, other factors have influenced the results of the I<sup>st</sup> quarter of 2006 – increased employees wages, increased prices for energetic resources, increased expenses for dyes and chemicals.

The demand of linen products fluctuates cyclically. The enterprise went to the market's decline cycle from IV<sup>th</sup> quarter of 2005. Similar demand decline cycles were in 1995-1996 and 2000-2001.

In 2006 the enterprise, trying to stay in the market and to increase competition profitability and create large added value, will try to adjust produced products for individual customers orders, to shorten reaction period to market changes, to change logistic and distribution system.

The volume of exports in I<sup>st</sup> quarter of 2006 was 14,7 million Litas equaling 93,2 per cent of the total product sales. The breakdown of the sales by country is as follows: Sweden – 37,4 per cent, Italy – 3 per cent, Morocco – 0,6 per cent, USA – 7,6 per cent, Lithuania – 6,9 per cent, other countries – 40,8 per cent.

As of 31 03 2006, the Company had 1590 persons of it's payroll list. The average number of staff increased by 3 persons.

The main raw materials used by the Company are long linen fiber and cotton yarns. In the I<sup>st</sup> quarter of 2006 the largest part of long linen fiber was purchased from French suppliers – 35,6 percent, from Poland – 30,3 per cent, from Ukraine – 29,6 per cent and from Holland – 4,5 per cent. In the I<sup>st</sup> quarter of 2006 the largest part of cotton yarns was purchased from Lithuanian suppliers – 31,8 per cent, from Latvia – 68,2 per cent. The price per ton for main raw materials – long linen fiber and cotton yarns – dropped by 11 per cent, compared to 2005.

Most of the chemicals and dyes were procured from Germany, Switzerland and Scandinavian countries.



## 2.ACCOUNTING POLICY

The Group executes accounting and prepares financial reporting in accordance with the legal provisions of bookkeeping and accounting, and financial reporting of the Republic of Lithuania, as well as other relevant provisions, including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

Accounting policy was not changed during the interim accounting period. Interim financial accountability is prepared in accordance the same accounting policy as annual financial accountability. Accounting policy applicable of the group of companies is described in explanatory memorandum to the year of 2005 financial accountability.

## 3.NOTES OF THE MEMORANDUM

3.1.The main indicators of group of companies of the I<sup>st</sup> quarter of 2006 and their comparison with the I<sup>st</sup> quarter of 2005 (Table 1).

3.2.In the I<sup>st</sup> quarter of 2006 in the group of companies it was calculated 32,2 thousand Litass of intangible assets amortisation costs and 411,3 thousand Litass of long-term tangible assets depreciation costs. During 3 months of 2005 it was calculated 51,9 thousand Lt of intangible assets amortisation outlay and 546,1 thousand Litass of long-term tangible assets depreciation costs.

3.3.The information on debts state of the Group to credit organisations (Table 2 “Debt state to credit organisations”).

3.4.The information on the Group’s business branches and geographical areas segments (Tables 3 and 4).

3.5.The information on Group’s activity expenses (Table 5 “Activity expenses”).

3.6.The information on the costs and revenues of miscellaneous (‘atypical’) activities of the Group (Table 6 “Miscellaneous (‘atypical’) activities”).

3.7.Financial and investment activities revenues and expenses of the Group shown by significant sums (Table 7 “Financial and investment activities”).

3.8.The monetary assets and liabilities items were converted into Litass at the currency rate of the balance making date. Following currency rates were used for making balance:

31 03 2006

1 EUR = 3.4528 Litass

1 USD = 2.8641 Litass

31 12 2005

1 EUR = 3.4528 Litass

1 USD = 2.9102 Litass