

## UAB "PRIMUS AUDITUS"

Company code 124990387, Gerosios Vilties str. 1, Vilnius, tel. (8~5) 213 14 07

To: AB LINAS

### AUDITORS REPORT

*4 April 2006  
Vilnius*

We have audited AB Linas group of companies consolidated Financial Statements for 31 December 2005 also the information provided in the activity report of 2005. Responsibility for the correctness of data given in these financial statements and activity report is vested in the company's management. Furthermore, the company's management is responsible for the compliance of transactions presented in documents with reality as well as a proper reflection thereof in the accounting. We are responsible for our opinion on the Financial Statements inspected during the audit, which was formed based on the documents submitted for the audit.

We have carried out the audit following the Lithuanian Republic Law on Audit of 15 June 1999 as well as International audit standards. These Standards require that we plan and carry out the audit in such a way as to receive sufficient grounds for stating that there are no significant misrepresentations of information in the Financial Statements. During the audit, through the employment of tests, we have investigated the proofs confirming the amounts and reflections in the Financial Statements. During the audit we have also evaluated applied accounting principles and evaluations carried out by the management as well as general submission of the financial statements according to the procedure of drawing up financial statements. It is our conviction that the audit provides real grounds for expressing our opinion on the Financial Statements, activity report.

In our opinion the Financial Statements in all significant respects properly reflects the financial condition of AB Linas group of companies also AB Linas on 31 December 2005, operation results and flow of money for the year 2005 and have been draw up according to the International Financial Accountability Standards.

After auditing groups activity report of 2005 we can present that activity report data is conforming to the Financial Statements data.

Director

Auditor

Auditor



Alina Koldun

Dangutė Pranckėnienė

Galina Ivanova

**Linus, LLC**

**ANNUAL FINANCIAL REPORT**

**Year 2005**

**Linas, LLC**  
Company Code 147689083  
S. Kerbedzio 23, Panevėžys

**BALANCE**  
**31/21/2005**

Formulated according to TFAS

Reporting cycle 01 01 2005 - 31 12 2005

LTL

No.	ASSETS	Remarks No.	GROUP	COMPANY	
			Financial year	Financial year	Previous financial year
<b>A.</b>	<b>Long-term assets</b>	4.6.	<b>7.202.715</b>	<b>7.509.313</b>	<b>20.230.964</b>
<b>I.</b>	<b>Intangible assets</b>	2.2.; 4.4.	<b>188.911</b>	<b>0</b>	<b>334.619</b>
I.1.	Developmental works		0	0	0
I.2.	Prestige		0	0	0
I.3.	Patents, licenses		21.261	0	45.936
I.4.	Software		167.650	0	288.683
I.5.	Other intangible assets		0	0	0
<b>II.</b>	<b>Tangible assets</b>	2.3.; 4.5.	<b>5.755.344</b>	<b>12.395</b>	<b>18.923.646</b>
II.1.	Land		0	0	0
II.2.	Buildings		0	0	11.948.499
II.3.	Structures		0	0	245.998
II.4.	Machinery and equipment		4.032.088	0	4.894.526
II.5.	Means of transport		293.596	0	392.057
II.6.	Other equipment, appliances, instruments and gear		1.114.805	12.395	1.268.106
II.7.	Unfinished construction		0	0	0
II.8.	Other tangible assets		314.855	0	174.460
<b>III.</b>	<b>Financial assets</b>	2.4.; 4.7.	<b>1.141.737</b>	<b>7.451.245</b>	<b>972.699</b>
III.1.	Investments to affiliates and associated companies	3.2.; 4.9.	0	6.309.508	9.855
III.2.	Loans to affiliates and associated companies	4.14.	0	0	0
III.3.	Amounts received after one year	4.14.	1.131.737	1.131.737	952.844
III.4.	Other financial assets		10.000	10.000	10.000
<b>IV.</b>	<b>Other long-term assets</b>	2.4.	<b>116.723</b>	<b>45.673</b>	<b>0</b>
IV.1.	Deferred corporation tax assets	4.29.	116.723	45.673	0
IV.2.	Other long-term assets		0	0	0
<b>B.</b>	<b>Short-term assets</b>		<b>46.792.811</b>	<b>28.195.645</b>	<b>31.591.170</b>
<b>I.</b>	<b>Stock, prepayments and unaccomplished contracts</b>		<b>15.941.204</b>	<b>2</b>	<b>17.178.144</b>
I.1.	Stock	2.5.; 4.10	15.656.293	0	16.373.785
I.1.1.	Raw materials and packaging products		3.353.759	0	3.209.693
I.1.2.	Unfinished production		7.696.046	0	7.375.490
I.1.3.	Ready production		4.606.488	0	5.788.602
I.1.4.	Goods, purchased for resell		0	0	0
I.1.5.	Other stock		0	0	0
I.2.	Prepayments	4.11.	284.911	2	804.359
I.3.	Unaccomplished contracts		0	0	0
<b>II.</b>	<b>Amounts, receivable over one year</b>	2.6.; 4.12.; 4.13.	<b>21.701.335</b>	<b>14.949.699</b>	<b>7.946.043</b>
II.1.	Customers' debts		20.976.084	12.986.422	7.127.191
II.2.	Debts of affiliates and associated companies		0	0	0
II.3.	Other receivable amounts		725.251	1.963.277	818.852
<b>III.</b>	<b>Other short-term assets</b>	2.7.	<b>7.992.541</b>	<b>12.902.541</b>	<b>4.447.858</b>
III.1.	Short-term investments		0	0	1.681.900
III.2.	Term deposits		0	0	0
III.3.	Other short-term assets	4.8.; 4.14.	7.992.541	12.902.541	2.765.958
<b>IV.</b>	<b>Currency and its equivalents</b>	2.7.	<b>1.157.731</b>	<b>343.403</b>	<b>2.019.125</b>
	<b>Total assets</b>		<b>53.995.526</b>	<b>35.704.958</b>	<b>51.822.134</b>

No.	PRIVATE ASSETS AND OBLIGATIONS	Remarks No.	GROUP	COMPANY	
			Financial year	Financial year	Previous financial year
<b>C.</b>	<b>Private assets</b>	2.8.	<b>35.500.016</b>	<b>35.108.798</b>	<b>32.707.008</b>
<b>I.</b>	<b>Capital</b>	4.15.	<b>24.038.990</b>	<b>24.038.990</b>	<b>24.038.990</b>
I.1.	Capital (authorized)		24.038.990	24.038.990	24.038.990
I.2.	Signed unpaid capital (-)		0	0	0
I.3.	Shares premiums		0	0	0
I.4.	Private shares(-)		0	0	0
<b>II.</b>	<b>Revaluation reserve (results)</b>		0	0	0
<b>III.</b>	<b>Reserves</b>	4.16.	<b>8.378.511</b>	<b>8.378.511</b>	<b>10.363.088</b>
III.1.	Obligatory		2.071.473	2.071.473	1.571.473
III.2.	For purchase of proprietary shares		0	0	0
III.3.	Other reserves		6.307.038	6.307.038	8.791.615
<b>IV.</b>	<b>Retained profit (losses)</b>	4.17.	<b>3.082.515</b>	<b>2.691.297</b>	<b>-1.695.070</b>
<b>IV.1.</b>	<b>Profit of reporting year (losses)</b>		<b>3.044.787</b>	<b>2.646.458</b>	<b>-91.041</b>
IV.1.1.	Profit (detriment) acknowledged in profit (detriment) report		2.800.118	2.401.789	14.896
IV.1.2.	Profit (detriment) not acknowledged in profit (detriment) report	4.1.	244.669	244.669	-105.937
<b>IV.2.</b>	<b>Profit (detriment) of previous year</b>		<b>37.728</b>	<b>44.839</b>	<b>-1.604.029</b>
<b>D.</b>	<b>Grants, subsidies</b>	2.9.; 4.18.	<b>0</b>	<b>0</b>	<b>10.000</b>
<b>E.</b>	<b>Payable amounts and obligations</b>	2.10.	<b>18.495.510</b>	<b>596.160</b>	<b>19.105.126</b>
<b>I.</b>	<b>Amounts payable in one year and long-term obligations</b>		<b>203.063</b>	<b>0</b>	<b>7.488.488</b>
I.1.	Financial debts		0	0	7.488.488
I.1.1.	Leasing (financial rents) or similar obligations		0	0	0
I.1.2.	To credit organizations		0	0	7.488.488
I.1.3.	Other financial debts		0	0	0
I.2.	Debts to suppliers		0	0	0
I.3.	Received prepayments		0	0	0
I.4.	Suspensions		0	0	0
I.4.1.	Reimbursement of obligation and demands		0	0	0
I.4.2.	Pensions and similar obligations		0	0	0
I.4.3.	Other suspensions		0	0	0
I.5.	Suspended taxes	4.28.	203.063	0	0
I.6.	Other payable amounts and long-term obligations		0	0	0
<b>II.</b>	<b>Amounts payable over one year and short-term obligations</b>	4.19.	<b>18.292.447</b>	<b>596.160</b>	<b>11.616.638</b>
II.1.	Current year part of long-term amount		9.491.112	0	5.119.753
II.2.	Financial debts		0	0	116.987
II.2.1.	To credit organizations	4.20.	0	0	0
II.2.2.	Other financial debts		0	0	116.987
II.3.	Debts to suppliers		4.475.497	52.170	2.217.607
II.4.	Received prepayments		540.772	229.335	241.731
II.5.	Tax payment obligations	4.1.	524.470	272.509	139.807
II.6.	Obligations related to work relations	4.21.	2.704.863	4.220	3.208.437
II.7.	Suspensions		0	0	0
II.8.	Other payable amounts and short-term obligations		555.733	37.926	572.316
	<b>Total proprietary capital and obligations</b>		<b>53.995.526</b>	<b>35.704.958</b>	<b>51.822.134</b>

General Manager

 Lilijana Puriene

**Linās, LLC**  
Company Code 147689083  
S. Kerbedžio 23, Panevezys

## PROFIT (LOSS) REPORT

Formulated according to TFAS

Reporting cycle 01 01 2005 - 31 12 2005

No.	ARTICLES	Remarks No.	GROUP	COMPANY	
			Financial year	Financial year	Previous financial year
<b>I.</b>	<b>SALE INCOME</b>	2.11.4.	<b>73.290.024</b>	<b>45.570.106</b>	<b>74.238.125</b>
I.1	Income for sold goods		72.815.655	45.206.216	73.802.602
I.2	Income for sold services		474.369	363.890	435.523
<b>II.</b>	<b>SALE COST PRICE</b>	2.12.3.	<b>51.424.251</b>	<b>31.749.866</b>	<b>51.565.855</b>
II.1	Cost price of sold production		51.080.928	31.480.149	51.251.235
II.2	Cost price of sold services		343.323	269.717	314.620
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>	2.12.4.; 4.23.	<b>21.865.773</b>	<b>13.820.240</b>	<b>22.672.270</b>
<b>IV.</b>	<b>ACTIVITY EXPENDITURES</b>		<b>18.434.044</b>	<b>11.381.523</b>	<b>15.757.665</b>
IV.1	Sale		7.637.411	4.653.499	6.415.835
IV.2	Common and administrative		10.796.633	6.728.024	9.341.830
<b>V.</b>	<b>PROFIT (LOSS) OF STANDARD ACTIVITY</b>	4.22.	<b>3.431.729</b>	<b>2.438.717</b>	<b>6.914.605</b>
<b>VI.</b>	<b>OTHER ACTIVITIES</b>	4.24.	<b>(182.147)</b>	<b>(222.869)</b>	<b>(6.055.438)</b>
VI.1.	Income	2.11.6.	381.814	317.752	413.200
VI.2.	Expenditures	2.12.5.	563.961	540.621	6.468.638
<b>VII.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITIES</b>	4.25.	<b>410.438</b>	<b>661.869</b>	<b>(575.796)</b>
VII.1.	Income	2.11.7.	1.065.764	1.101.952	172.192
VII.2.	Expenditures	2.12.6.	655.326	440.083	747.988
<b>VIII.</b>	<b>PROFIT (LOSS) OF ROUTINE ACTIVITY</b>		<b>3.660.020</b>	<b>2.877.717</b>	<b>283.371</b>
<b>IX.</b>	<b>UNSCHEDULED</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>X.</b>	<b>LOSSES</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>3.660.020</b>	<b>2.877.717</b>	<b>283.371</b>
<b>XII.</b>	<b>PROFIT TAX</b>	2.13.; 4.1.; 4.27	859.902	475.928	374.412
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>		<b>2.800.118</b>	<b>2.401.789</b>	<b>(91.041)</b>

General Manager  Lilijana Puriene

Linas, LLC  
Enterprise number 147689083  
S. Kerbedzio 23, Panevezys

CONFIRMED by  
General shareholders' meeting  
20/04/2006  
Act No. ....

# REPORT OF OWN CAPITAL CHANGES

31 December, 2005

Report period 01.01.2005 - 31.12.2005

LTL

	Remarks No.	Paid-up authorized capital	Additions to shares	Proprietary shares (-)	Revaluation reserve (results)		Law covered reserves		Other reserves		Unappropriated 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, 2003		24.038.990	0	0	0	0	1.571.473	0	351.707	8.439.908	(1.570.159)	32.831.919
Correction results of major errors	4.27.										(139.807)	(139.807)
Net profit / loss of report period											14.896	14.896
Remainder on 31 December, 2003		24.038.990	0	0	0	0	1.571.473	0	351.707	8.439.908	(1.695.070)	32.707.008
Profit/loss not acknowledged in profit (loss) report											244.669	244.669
Net earning/ losses of report period											2.401.789	2.401.789
Formed reserves	2.8.8.						500.000		200.000	6.000.000	(6.700.000)	0
Utilized reserves									(244.669)			(244.669)
Liquidated reserves	2.8.8.									(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	2.691.297	35.108.798

General Manager  Lilijana Puriene

# REPORT OF LINAS, LLC ENTERPRISE GROUP PROPRIETARY CAPITAL ALTERATIONS

31 December, 2005

Report period 01.01.2005 - 31.12.2005

LTL

	Paid-up Authorized capital	Additions to shares	Proprietary shares (-)	Revaluation reserve (results)		Law covered reserves		Other reserves		Unappropriated profit (loss)	Total
				Long-term tangible assets	Financial assets	Obligatory	Proprietary shares procurement 1	Support reserves and other payouts according to collective agreement	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
Profit/loss not acknowledged in profit (loss) report										244.669	244.669
Result of report policy alteration											0
Net profit / loss of report period										2.800.118	2.800.118
Dividends											0
Other payouts											0
Formed reserves						500.000		200.000	6.000.000	(6.700.000)	0
Utilized reserves								(244.669)			(244.669)
Liquidates reserves									(8.439.908)	8.439.908	0
Increase/reduction of authorized capital											0
Remainder 31 on December 2005	24.038.990	0	0	0	0	2.071.473	0	307.038	6.000.000	3.082.515	35.500.016

General Manager  Lilijana Puriene

**CURRENCY CIRCULATION REPORT****31 December, 2005**

Report period 01 01 2005 - 31 12 2005

LTL

No.	Articles	GROUP	ENTERPRISE	
		Financial year	Financial year	Previous financial year
<b>I.</b>	<b>Primary activity currency circulation</b>			
<b>I.1.</b>	<b>Earnings of report period (including VAT)</b>	<b>70.680.424</b>	<b>54.437.125</b>	<b>75.411.014</b>
I.1.1.	Earnings from clients	69.248.763	50.154.931	75.040.725
I.1.2.	Other earnings	1.431.661	4.282.194	370.289
<b>I.2.</b>	<b>Report period payouts</b>	<b>(64.182.626)</b>	<b>(48.171.870)</b>	<b>(65.215.527)</b>
I.2.1.	Payouts to suppliers of products and raw materials (including VAT)	(40.784.224)	(25.826.117)	(40.953.117)
I.2.2.	Monetary payouts related to work relations	(22.022.734)	(17.983.615)	(22.158.158)
I.2.3.	Taxes paid to budget	(1.304.514)	(1.130.106)	(1.318.628)
I.2.4.	Other payouts	(71.154)	(3.232.032)	(785.624)
	<b>Cash circulation of primary activity</b>	<b>6.497.798</b>	<b>6.265.255</b>	<b>10.195.487</b>
<b>II.</b>	<b>Currency circulation of investment activity</b>			
II.1.	Procurement of long-term assets (excluding investments)	(945.912)	(945.912)	(3.659.722)
II.2.	Transfer of long-term assets (excluding investments)	522.650	519.200	476.767
II.3.	Procurement of long-term investments	(365.334)	0	(10.000)
II.4.	Procurement of short-term investments	0	0	(1.681.900)
II.5.	Transfer of long-term investments	0	0	0
II.6.	Transfer of short-term investments	2.600.000	2.600.000	7.259
II.7.	Provision of loans	(5.843.046)	(11.138.256)	(5.993.141)
II.7.1.	To branches	0	(5.312.000)	0
II.7.2.	To company workers	(326.790)	(310.000)	0
II.7.3.	To other third parties	(5.516.256)	(5.516.256)	(5.993.141)
II.8.	Return of loans	332.416	734.416	3.459.727
II.8.1.	from branches	0	402.000	0
II.8.2.	From company workers	312.416	312.416	0
II.8.3.	From other third parties	20.000	20.000	3.459.727
II.9.	Received dividends	0	0	0
II.10.	Interests received for loans granted	153.787	153.787	48.363
II.11.	Other currency circulation increases of investment activities	0	0	0
II.12.	Other currency circulation decreases of investment activities	(13.651)	(13.651)	0
	<b>Cash circulation of investment activity</b>	<b>(3.559.090)</b>	<b>(8.090.416)</b>	<b>(7.352.647)</b>
<b>III.</b>	<b>Currency circulation of financial activity</b>		0	0
III.1.	Currency circulation related to company owners	(750)	(750)	(1.979)
III.1.1.	Emission of shares	0	0	0
III.1.2.	Owners' contributions to loss reimbursements	0	0	0
III.1.3.	Procurement of own shares	0	0	0
III.1.4.	Payout of dividends	(750)	(750)	(1.979)
III.2.	Currency circulation related to other financial sources	(3.780.182)	164.884	(5.111.573)
III.2.1.	Increase of financial debts	4.887.664	3.137.916	0
III.2.1.1.	Receipt of loans from credit institutions	4.887.664	3.137.916	0
III.2.1.2.	Receipt of loans from associated and third parties	0	0	0
III.2.1.2.	Emission of bonds	0	0	0
III.2.2.	Reduction of financial debts	(8.557.403)	(2.862.331)	(5.038.926)
III.2.2.1.	Return of loans to credit institutions	(8.004.793)	(2.483.972)	(4.371.861)



No.	Articles	GROUP	ENTERPRISE	
		Financial year	Financial year	Previous financial year
III.2.2.2.	Return of loans to associated and third parties	0	0	0
III.2.2.3.	Procurement of own bonds	0	0	0
III.2.2.4.	Interests paid for	(552.610)	(378.359)	(667.065)
III.2.2.5.	Leasing (financial rent) payments	0	0	0
III.2.3.	Interests received for bank accounts	2.544	2.286	32.353
III.2.4.	Increase of company's other obligations	40.000	40.000	0
III.2.5.	Reduction of company's other obligations	(152.987)	(152.987)	(105.000)
III.3.	Other increases of currency circulation of financial activity	169.201	168.239	0
III.4.	Other reductions of currency circulation of financial activity	(197.939)	(182.891)	0
	<b>Cash circulation of financial activity</b>	<b>(3.809.670)</b>	<b>149.482</b>	<b>(5.113.552)</b>
IV.	<b>Currency circulation of special articles</b>	<b>0</b>	<b>0</b>	<b>0</b>
IV.1.	Increase of currency circulations of special articles	0	0	0
IV.2.	Reduction of currency circulations of special articles	0	0	0
V.	Impact of currency exchange rates to cash and equivalent currency remainder	6.285	(43)	(11.386)
VI.	Net currency circulation increase (reduction)	(864.677)	(1.675.722)	(2.282.098)
VII.	Currency and currency equivalents at the beginning of the period	2.022.408	2.019.125	4.301.223
VIII.	Currency and currency equivalents at the end of the period	1.157.731	343.403	2.019.125

General Manager



Lilijana Puriene

**Public Limited Company Linas**  
**Corporate identification 147689083**  
**S. Kerbedžio Street 23, Panevėžys**

Meeting of 20 April, 2006  
Resolution no. ....

**EXPLANATORY MEMORANDUM**  
**TO THE YEAR 2005 FINANCIAL ACCOUNTS**

31 December, 2005

**I. GENERAL**

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

As of 1 January, 2005, the group of companies consisted of AB Linas and its three daughter companies, i.e. UAB Lino gamybinė grupė, UAB Lino investicinis fondas, and UAB Domus Palanga.

On the basis of a decision of AB Linas, the sole shareholder, the name of UAB Lino gamybinė grupė was changed into UAB Linas Nordic on 17 May, 2005, and the name of UAB Lino investicinis fondas was changed into UAB Nordic investicija on 24 October, 2005.

The group of companies underwent several rearrangements in 2005. As of 31 December, 2005, the group consisted of AB Linas and its daughter company UAB Linas Nordic (further called the Group). UAB Linas Nordic has a corporate identification number 1485 32327 and its registered address at S. Kerbedžio Street 23, Panevėžys.

2. It is the first time the Group has prepared its consolidated financial accounts. In the previous financial year, consolidation of the Group's financial accounts was not undertaken, as the contribution of the daughter companies to the volume of the Group's business was insignificant.

3. The Group's financial year starts on January 1st, and ends on December 31st.

4. Neither the mother, nor the daughter company has any subsidiary or representative offices.

5. No changes in the share capital of the Company occurred during the reporting year.

6. The extraordinary meeting of shareholders which took place on 14 January, 2005, approved of the entitlement of the Board of the Company to adopt decisions regarding

passing of the part of the Company's business, namely that related to real estate transactions, and the part of the business related to production of textile goods, each part from the organisational point of view constituting a stand-alone business entity (including the Company's long-term assets with a balance sheet value exceeding 1/20 of the authorised capital), to its daughter companies, i.e. UAB Lino investicinis fondas (Linus Investment Fund) and UAB Lino gamybinė grupė (Linus Manufacturing Group). On the basis of the decisions adopted by the holding company's shareholders and the Board of the Company, the business of manufacturing textile goods, representing a stand-alone business entity from organisational point of view, was passed by AB Linas since 1 September, 2005, to its daughter company UAB Linas Nordic in exchange for newly emitted shares. The real estate business, representing a stand-alone entity from the organisational point of view, was similarly passed by AB Linas to its daughter company UAB Nordic investicija, in exchange for newly emitted shares.

AB Linas, being the sole shareholder of UAB Linas Nordic, passed a decision of 31 August, 2005, to increase the authorised capital of UAB Linas Nordic from 10,000 (ten thousand) Litai to 5,999,000 (five million nine hundred ninety nine thousand) Litai with a non-monetary contribution by the shareholder, i.e. the textile goods manufacturing business, by emitting 5989 (five thousand nine hundred eighty nine) registered ordinary shares with a par value 1000 (one thousand) Litai 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. The information on the linen textile manufacturing business transferred from AB Linas to UAB Linas Nordic is disclosed in note 4.3 to the Memorandum.

As a decision was adopted to focus on sole business, i.e. textile manufacturing, 100 per cent of the shareholding of UAB Nordic investicija was sold for a market price on 29 November, 2005, and 100 per cent of the shareholding of UAB Domus Palanga was similarly sold on 1 December, 2005.

Having completed the reorganisation, AB Linas is in charge of management of the financial assets (shares and loans), intends undertaking financial projects, providing consultancy on the issues of financial undertakings and management, while the daughter company is engaged in manufacturing textile goods and related activities.

7. The data provided in the annual financial accounts is based on the listing of the assets held by the Group, and the Group's liabilities.

8. In 2005, the Group's enterprises produced 1333 tons of linen and combed yarn (in 2004 – 1614 tons), 5370 thousand m. of raw fabric (in 2004 – 6055 thousand m.), and 5542 thousand m. of finished fabric (in 2004 – 6206 thousand m.).

The range of linen and combed yarn fabrics constituted as much as 75.2 per cent of the total volume of fabric production (73.1 per cent in 2004). Production of stichware consumed 37.6 per cent of the total production of fabric in 2005 (in 2004 – 24 per cent).

In 2005, a total of 577 new patterns and compositions of fabric was developed, as well as 57 authored works and 137 designs for collection articles.

The volume of sales of production and services of AB Linas group of companies in 2005 was 73.4 million Litai. Comparing to 2004, the volume of sales dropped by 1.1 per cent. The main flow of income generated by the Group came from the production of textiles. Consequently, 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. The imports of linen yarn from China to European Union grew by 182 per cent in 2005, compared to 2004, even with the quotas for this category in place. On the other hand, the price per unit dropped by 5 per cent. The volume of linen fabric 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 in an impairment of the outcome in 2005, compared to 2004.

The volume of exports in 2005 was 68.8 million Litas equalling 93.8 per cent of the total product sales. The breakdown of the sales by country is as follows: Sweden – 48.2 per cent, Italy – 7.8 per cent, Estonia – 4.3 per cent, Morocco – 3.5 per cent, USA – 3.2 per cent, Lithuania – 6.2 per cent, other countries – 26.8 per cent. The total number of countries where sales took place is 28.

The Company has attended 9 major specialist trade fairs in Germany, France, Italy, Japan, Latvia, Russia, and Lithuania.

As of 31 12 2005, the Company had 1633 persons on its payroll list. The average number of staff dropped by 2.3 per cent over a year. Remuneration for the employees has been paid in accordance with the approved provisions of work pay, the laws on employee safety and health protection, as well as other relevant provisions of the Government. Remunerations have been paid in time, no late payment fines have accrued over the reporting period.

The main raw materials used by the Company are long line linen fibre and cotton yarn. The Group's companies purchased 1394 tons of long line linen fibre in 2005, of which 38 per cent came from France, 27 per cent – from Poland, 16 per cent – from Ukraine, 14 per cent – from Lithuania, 3 per cent – Belgium, and 2 per cent – from the Netherlands. The price of the raw fibre dropped by nearly 8 per cent, compared to 2004.

The Company purchased 235 tons of cotton yarn in 2005, of which 50 per cent in Lithuania, 36 per cent in Latvia, 14 per cent in Estonia. The price per ton of cotton yarn dropped by 10 per cent, compared to 2005.

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

## **II. ACCOUNTING POLICY**

### **1. Regulations the financial accounts have been based upon**

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).

### **2. Corporate accounting strategy**

#### **2.1. Group's accounting**

2.1.1. For the purpose of financial reporting, a daughter company is an enterprise in which the Group, either directly, or indirectly has a control, in a form of private ownership or otherwise, of a block of shares representing more than a half of the total votes in that enterprise.

2.1.2. The daughter companies are included in the consolidated financial reporting since the date the Group acquires control over the daughter company, while consolidation in respect of a daughter company ceases since it is no longer controlled by the Group. Any deals between the Group's companies, outstanding balances and any outstanding profit (loss) resulting from the deals between the Group's companies, is to be eliminated. Financial accounts of a daughter company may be omitted from the consolidated reporting in case the daughter company is not significant in terms of the Group's business, i.e. the assets of the daughter company, at the end of the current financial year, do not exceed 5 per cent of the

assets of AB Linas, and the daughter company has generated no net income from the sales during the reporting year.

2.1.3. An associated company is a company in which the Group controls from 20 to 50 per cent of voting shares, or the Group has a significant influence in a different way, without controlling the shares.

## **2.2. Long-term intangibles accounting**

2.2.1. Any non-tangible asset which is employed in the activity of the Group's enterprises for longer than a year, shall be recorded as intangible property in the financial accounts provided it meets the following recognition criteria: a) the Group's enterprises are reasonably expected to generate future economic benefits on the basis of the said asset; b) the acquisition (production) cost of the asset is readily identifiable and separable from the value of the remaining assets; c) the Group's enterprises have control of the asset or are in a position to restrict other persons' access to disposal of the asset.

2.2.2. The Group has set across its companies a threshold of minimum acquisition (production) cost for intangible assets, upon surpassing of which the asset is to be classified as long-term intangible property.

2.2.3. Long-term intangible assets are shown on the balance sheet at their balance value to be estimated by subtracting accrued depreciation from the acquisition value.

2.2.4. Depreciation of long-term intangible assets is performed by applying a depreciation rate set by the Group. The linear depreciation technique is applied. Depreciation of intangible assets starts counting since the first day of the next calendar month since the commencement of the use of the asset in the company's business. Depreciation ceases counting since the first day of the next month since the writing-off of the asset, or since the date of the sale, as the case may be.

2.2.5. The liquidation value of long-term intangible assets is set at 1 Litas.

2.2.6. The cost of operation of long-term intangible assets is attributed to the cost falling within the reporting period during which the cost was incurred.

2.2.7. No changes in the policy of accounting of long-term intangible assets or valuations of long-term intangible assets for accounting purpose have taken place over the reporting period.

2.2.8. The Group's companies have no long-term intangible assets subject to depreciation over a more than 20 years period, or any intangible assets subject to legal or contractual restrictions for its disposal.

2.2.9. The Group has no mortgages of long-term intangible assets to secure its liabilities.

2.2.10. All the advance payments for long-term intangible assets have been recorded on a single intangible assets account, irrespective of the kind of the asset paid for.

2.2.11. Additional information concerning long-term intangible assets of the Group and the Company has been disclosed in notes 4.4 and 4.6 of the Memorandum.

## **2.3. Long-term tangibles accounting**

2.3.1. Tangible assets purchased by the Group's companies are classified as long-term assets subject to meeting all the following criteria: a) the asset is to be used for more than one year; b) the asset is reasonably expected to serve as a basis for generating economic benefits over future accounting periods; c) it is possible to reliably identify the cost of acquisition (production) of the asset; d) the cost of acquisition (production) of the asset is at least equal to the minimum acquisition cost for long-term assets, i.e. of 500 Litas, applied across the company; e) the company has taken all the risks related to the subject tangible asset.

2.3.2. Long-term tangible assets are recorded for accounting purposes at their actual acquisition (production) cost.

2.3.3. Advance payments for long-term tangible assets shall be recorded on a single tangible assets account, irrespective of the kind of the asset.

2.3.4. The Group's companies apply acquisition cost technique for accounting of all the long-term tangible assets. In accordance with the acquisition cost technique, the assets, either acquired or produced, are recorded in the accounting at the cost of acquisition, and shown in the financial reporting at balance value, to be estimated by subtracting from the acquisition cost the accrued depreciation and any reduction in value due to discounting in price.

2.3.5. Depreciation of long-term tangible assets is calculated on a yearly basis by applying a depreciation rate set by the head of the company or a board assigned by the head of the company, in accordance with relevant provisions of the Law on Profit Taxation.

2.3.6. Depreciation of long-term tangible assets is calculated in the Group using linear depreciation technique. Depreciation of tangible assets starts counting since the first day of the next calendar month since the commencement of the use of the asset in the company's business. Depreciation ceases counting since the first day of the next month since the writing-off of the asset, or its disposal, or since the entire value of the asset (minus liquidation value) is assigned to the cost.

2.3.7. Any disposal of long-term tangible assets by the Group's companies shall be registered showing the profit or loss occurring from such transaction. The outcome is obtained by subtracting from the sale revenues of the asset its liquidation value and the cost related to the transaction.

2.3.8. Mortgages of long-term tangible assets and long-term tangible assets rented from third parties are accounted using class 0 bookkeeping accounts.

2.3.9. No changes in the long-term tangible assets accounting policy have occurred in the Group, and the Company, over the reporting period. Accounting revaluations of tangible assets in 2005 have been insignificant and disclosed prospectively in the financial reporting.

2.3.10. More information on long-term tangible assets has been disclosed in notes 4.5 and 4.6 to the Memorandum.

## **2.4. Accounting of financial assets and other long-term property**

2.4.1. The Group classifies its financial assets as long-term and short-term assets.

2.4.2. Long-term financial assets comprise investments in daughter and associated companies, investments in other companies' shares, long-term loans issued by the Group to its employees, long-term loans issued to third parties, and any other amounts due to be received after one year. Short-term financial assets comprise short-term investments in other companies' shares, investments in other securities, and short-term loans.

2.4.3. Financial assets are valued on the basis of cost of acquisition and are shown in financial reporting in accordance with the cost approach.

2.4.4. More information related to financial assets is disclosed in notes 4.7 and 4.8 of the Memorandum.

2.4.5. The category of miscellaneous financial assets comprises the deferred tax-on-profit financial asset. The information on the deferred tax-on-profit financial asset is provided in note 4.28 to the Memorandum.

## **2.5. Stocks accounting**

2.5.1 Stocks comprise short-term assets, such as raw materials, supplies, production in progress, finished products, and purchased commodities intended for resale, which are consumed by the Company for earning revenues over one year. Any tangible assets, used in

the activities of the Group's companies, with a unit value under the minimum threshold value set by the Group for long-term tangible assets is classified as a short-term stocks asset.

2.5.2. The Group performs valuation of stocks in accordance with FIFO technique, i.e. those stocks that were acquired earliest are assumed to be the ones sold or consumed first (first in first out).

2.5.3. The stocks of the Group (except of production in progress) are accounted in accordance with continued stocks accounting method, each occasion of acquisition (production) and sale (consumption) of stocks being recorded in the accounting. Unfinished production is accounted on monthly basis.

2.5.4. Stocks are recorded in the accounting on the basis of valuation at acquisition cost, while in financial reporting stocks are reported at the lower of acquisition (production) cost and net potential sale value.

2.5.5. The cost of acquisition is valued by adding all the acquisition fees and duties to the acquisition price (except of those to be subsequently recovered), as well as shipping, preparation for use and other expenditures directly related to the acquisition of the stock. Stocks shipping, warehousing, and other expenditure may be recognised during the period these occurred, provided such expenditure is insignificant.

2.5.6. The cost of production comprises direct and indirect expenditure of manufacturing. Direct costs comprise those items of cost which are readily attributable to the products manufactured, i.e. such as main supplies (raw materials), component parts, energy supply, and direct work pay. Indirect production cost comprises the amounts of work pay and social welfare contributions of the employees who, while are not directly related to production, provide necessary conditions for the production processes to take place, depreciation of the long term assets, as well as other production expenses not directly attributable to particular products or product groups.

2.5.7. The unit cost of manufactured semi-finished products and finished products is assessed by assigning the raw materials cost to the items of produce in accordance with the raw materials consumption allowances set by the Company, while the remaining direct and indirect production costs are distributed to the produce in proportion to the allowances set by the Company.

2.5.8. The stocks are discounted to the potential net sale value by individually valuing each item of the stocks or each group of similar stocks. Assessing the net potential sale value takes account of the purpose for which the subject stock is being stored. Raw materials and other supplies stored for the purpose of product manufacturing shall not be discounted below their cost of acquisition, provided the products to be produced using the subject stocks are expected to sell at the cost of manufacturing at least, or a higher price, except when there is surplus of raw materials or other supplies in the Group. The loss incurred by discounting all the stocks to net potential sale value as well as any other loss of stock shall be recognised as an item of operational cost incurred during the period such loss occurred. Any reversion to the discounting of the stocks, undertaken due to the growth in the net potential sale value shall be accounted by making a relevant reduction of the operational cost of the period.

2.5.9. The information on the stocks of the Group and the Company is disclosed in note 4.10 of the Memorandum.

2.5.10. The information on the advance payments made by the Group and the Company for short-term assets and services is disclosed in note 4.11 of the Memorandum.

## **2. 6. Accounting of receivable amounts**

2.6.1. One year receivables comprise the entitlements to receive amounts of moneys or equivalent financial assets from third parties. Specifically, this is due amounts for products sold or services rendered, loans due for repayment, advance payments for financial assets due, as well as other kinds of debt contracted to the Company.

2.6.2. Advance payments for non-financial assets (such as intangible assets, long-term tangible assets, inventories, etc.) are not considered receivable amounts.

2.6.3. One year receivables are recorded for accounting purpose at the acquisition cost representing the value of the remuneration due.

2.6.4. Receivable amounts are shown at net value in the annual financial accounts, i.e. by subtracting the share of bad debt. The cost of bad debt is recorded as an item of the Company's operational cost and is included in the profit and loss statement of the reporting period.

2.6.5. The Group applies direct assessment technique for evaluation of bad debt costs. Any debt due to the Company whose repayment becomes doubted is moved to the bookkeeping account of supervised debt. Any receivable amount becomes a bad debt on the basis of receipt of reliable information concerning its repayment insecurity.

2.6.6. Notes 4.12 and 4.13 of the Memorandum reveal the information on the one year receivables and bad debts of the Group and the Company.

## **2. 7. Accounting of other short-term and monetary assets**

2.7.1. Financial assets of the Group comprise moneys in Litas and foreign currency in cash desk and on current bank accounts, and financial assets equivalent to moneys, i.e. short term investments, bonds, termed deposits, etc. whose maturity is shorter than 3 months. The Group had no moneys-equivalent financial assets as of the end of the financial year.

2.7.2. Miscellaneous short term assets comprise short term investments in shares and other securities, short-termed deposits (over 3 months), short-term loans issued.

2.7.3. Note 4.14 of the Memorandum provides information on long-term and short-term loans issued by the Group and the Company, indicating the type of currency, rate of interest and maturity term.

## **2. 8. Accounting of own capital stock**

2.8.1. Own capital stock comprises the share of the authorised capital which has been subscribed, the mandatory reserve stock, and undistributed profit (loss).

2.8.2. The authorised capital of AB Linas has been divided into registered ordinary shares. The number of shares is 24,038,990, with a par value of 1 Litas per share. The number of shares issued and paid for is 24,038,990. The Group has no unsubscribed shares. The shares of the Company are not material. The shareholding is recorded by making relevant entries in the personal securities' accounts of the shareholders. The information on the authorised capital of the Company is disclosed in note 4.15.

2.8.3. Neither daughter companies of AB Linas nor associated companies have any shares of the Company.

2.8.4. The Company has no its own shares purchased by itself.

2.8.5. The information on the reserves of the Company is provided in note 4.16 of the Memorandum.

2.8.6. Pursuant to the accounting policy adopted by the Group, long term tangible assets and financial assets are recorded for accounting purpose and shown in financial reporting at the value of acquisition, therefore no revaluation account is used.

2.8.7. Draft profit distribution prepared by the AB Linas management is provided in note 4.17 of the Memorandum.

2.8.8. The profit distribution approved by the shareholders meeting is included in the financial reporting of the period during which the shareholders' approving decision was passed concerning the profit distribution, irrespective of the time when the profit was actually earned.



## **2.9. Subsidy accounting**

2.9.1. The subsidy (grant) or its part is recognised as having been spent in the accounting period during which the costs related to the subsidy (grant) are incurred. The balance of the amount of the subsidy (grant) is shown on the balance sheet.

2.9.2. Note 4.18 of the Memorandum to the financial accounts provides information on the subsidies (grants) received by the Group / the Company.

## **2.10. Liabilities accounting**

2.10.1. Financial accounting of the Group records current liabilities, i.e. those liabilities acquired by the Group's companies, subject to fulfilment by the Group.

2.10.2. The liabilities are classified on the basis of their fulfilment requirements, i.e. long-term liabilities representing such liabilities which are due to be fulfilled by the Group's companies within a period exceeding one year, and short-term liabilities, representing those liabilities to be fulfilled within an ordinary cycle of business activity, i.e. twelve months.

2.10.3. The liabilities are assessed on the basis of their cost of acquisition, representing an amount of moneys, or an equivalent asset, to be paid at usual business circumstances.

2.10.4. Group's liabilities shall accrue on account of the paid leave earned by the employees of the Group's companies. The cost of paid leave shall accrue on a monthly basis. At the end of the current fiscal year, the amount of accrued leave payments shall be adjusted, by precisely calculating the amount of leave payments (including social insurance) earned by each employee over the financial year and not exhausted so far, as well as the balance of duration of leave not yet exhausted by each employee. The information on the amounts of paid leave payments, accrued as liabilities to the Group and its companies, is provided in note 4.21 to the Memorandum.

2.10.5 The information on short-term and long-term liabilities of the Group and the Company is provided in note 4.19 to the Memorandum.

2.10.6 The information on the status of the debt of the Group and the Company in respect of credit institutions is disclosed in note 4.20 to the Memorandum.

## **2.11. Income accounting**

2.11.1. Incomes are recognised in line with the accruals principle, i.e. an income is recorded in the accounting at the moment it is earned, irrespective of when the money is actually received. Upfront or similar advance payments are not recognised as income. Any revenues which are received over the reporting period, and are not recognised as income, are shown on the balance sheet as liabilities.

2.11.2. Income is assessed at its true value, i.e. the sale price indicated in the sale-purchase agreement.

2.11.3. Usual business income of the Group and the Company comprises the revenues generated by the sale of the products, i.e. fabrics, stichware, yarn, combed-away remnants of yarn, and also by provision of production manufacturing services.

2.11.4. Income from usual business is recognised as earned income, is recorded in the accounting and shown in the financial reporting at the moment the sales of production or production related services occurs, subject to availability of a reliable assessment of the amount of income. Note 4.22 to the Memorandum provides information on the income and expenditure of the Group and the Company related to usual business, on the basis of division by geographical areas and branches of business.

2.11.5. The information on the operational cost of the Group and the Company according to major items of cost is provided in note 4.23 to the Memorandum.

2.11.6. Unusual income represents income generated by miscellaneous activities, i.e. income from sale of goods intended for resale, income from sale of surplus inventories, income from sale of unusual products or provision of unusual services, the profit from disposal of long-term assets (except of financial assets), as well as income from other kinds of atypical business activity and / or singular business transactions. Note 4.24 to the Memorandum provides information on the income and cost of unusual business undertakings.

2.11.7. Financial and investment business income comprises the interest on the loans issued to physical or corporate entities, the interest on the moneys deposited with banks, any profits resulting from a change in foreign exchange rate, recognised forfeiture for delay of payments and other fines, dividend income, any profits arising from disposal of long-term investments or revaluation. Note 4.25 to the Memorandum provides the information on the income and cost of financial and investment undertakings of the Group and the Company.

2.11.8. Extraordinary business income, i.e. incidental income, comprises any income resulting from incidental business events, not assignable to usual business.

## **2.12. Costs accounting**

2.12.1 Costs are defined as any decrease in economic benefits manifesting as a reduction in value of assets, or liabilities assumed during the reporting period. For the purpose of financial accounting, only that part of expenditure which is incurred in earning the income of the reporting period, or alternatively that part of expenditure which might not be related to earning of income of any of the forthcoming reporting periods, is recognised as the costs. Any expenditures falling within different accounting periods, are distributed to such accounting periods during which they generate economic benefits to the enterprise.

2.12.2. For the purpose of recording cost in the accounting, costs are recognised in line with accruals and comparison principles, within the reporting period during which the income, related to the subject expenditure, is earned, irrespective of the time when the moneys were actually expended.

2.12.3. Sales cost comprises the cost of products sold, the cost of services provided, and the cost of commodities resold.

2.12.4. Operational costs in the Group are classified as general costs and management costs.

2.12.5. Unusual business cost comprises losses due to disposal of long-term assets, the cost of sale of products / services which are not attributable to usual business, the cost of lease of premises or provision of accounting / consulting services, as well as other miscellaneous atypical business costs, and the costs of incidental or singular business transactions.

2.12.6. Financial and investment business costs comprise interest costs, any costs occurring due to reduction in value of investments, any losses of disposal of investments, any fines and forfeitures due to delay in payment, the cost resulting from a negative change in foreign currency rate, the loss / profit of disposal of long-term investments, the cost arising from revaluation of investments, and other costs of financial and investment undertakings.

2.12.7. Atypical loss comprises any loss resulting from incidental events that are not attributable to usual business.

## **2.13. Profit taxation accounting**

2.13.1. The tax on the profit due as a result of the reporting year is shown in the financial accounting at the moment the profit of the reporting year is calculated upon the end of the accounting period, not at the moment a liability is incurred on the basis of the outstanding tax on profit amount. The profit, in accordance with the provisions of calculation

of the tax on profit, is adjusted with any cost which incurs no reduction to the tax on profit, and any income which is not taxable or is taxable in addition to regular taxation procedure. The rate of the tax on profit is 15 per cent. The loss related to profit taxation may be carried forward five years.

2.13.2. The cost of the profit tax of the reporting year is calculated by adjusting the profit tax of the reporting year with the amount of any deferred profit taxes. Deferred profit taxes are calculated in accordance with the approach applied in respect of balance sheet liabilities. Deferred tax on profit reflects the net taxation effect due to provisional differences between the value of assets and liabilities in the financial accounting and the taxation accounting. Deferred taxes, as an asset or a liability, are valued applying the taxation rate, which is expected to apply in respect of the period during which the subject property would be disposed of, or the liability discharged. The deferred profit tax, as an asset, is recognised on the balance sheet to the extent it is expected to be discharged in the near future, based on the forecast of taxable profit. In case there is a part of deferred profit tax which is not going to be discharged, it is then not recognised in the financial accounting.

2.13.3 The Company's profit tax costs and deferred profit taxes are shown in detail in note 4.27 to the Memorandum.

2.13.4 The information on the Group's deferred profit taxes is provided in note 4.28 to the Memorandum.

## **2.14. Foreign exchange**

Any transactions executed in a foreign currency are converted into Litas at the official exchange rate set by the Bank of Lithuania at the transaction date, which is roughly equal to market rate of exchange. Monetary assets and liabilities are converted into Litas at the exchange rate of the date of the balance sheet. The balance sheet as of 31 December, 2004, and 2005, is based on the following currency exchange rates:

<b>2005</b>	<b>2004</b>
1 EUR = 3.4528 Lt	1 EUR = 3.4528 Lt
1 USD = 2.9102 Lt	1 USD = 2.5345 Lt

Any profit / loss related to monetary transactions is recognised in the profit and loss statement covering the period during which the subject profit / loss occurred. Any profit / loss subject to converting, is accounted on the basis of the conversion rate valid at the end of the reporting period.

## **3. Revisions to the accounting policy and corrections of essential mistakes**

3.1. Preparing the financial accounting in 2005 in accordance with the International Financial Reporting Standards did not incur any material changes of the accounting policy related to application of IFRS.

3.2 The change in the accounting approach of the investments in daughter companies.

While preparing the financial accounting in 2004, in accordance with the National Accounting Standards, long-term investments' accounting on the basis of the cost at acquisition was abandoned in favour of accounting long-term investments in accordance with equity accounting approach. When preparing the accounting in 2005, in accordance with IFRS, the investments in daughter companies were again accounted in accordance with acquisition cost approach. This change in the accounting policy taking place in 2005 was not reflected retroactively, as it was not material and incurred no distortion to the comparison data.

3.3. The errors of the accounting of 2004 as well as earlier periods, disclosed while preparing the accounting in 2005, were reflected both retroactively and foreactively. Non-essential errors producing no material impact have been corrected in respect of the future accounting, while any essential errors with material impact have been reflected also retroactively. The costs of profit tax in the Company miscalculated in the previous years have been revised retroactively. Correction of the errors is shown in notes 4.1, 4.2, and 4.27 to the Memorandum.

#### **4. Notes to the Memorandum**

4.1. Recalculation of the 2004 balance sheet data due to correction of material errors.

4.2. Recalculation of the 2004 profit and loss account data due to correction of material errors.

4.3. Information on the textile manufacturing business transfer from AB Linas on 31 08 2005 (Table 'Textile manufacturing business transfer').

4.4. The status of the long-term intangible assets of the Group and the Company, and their change over the reporting period (Tables 4.4.1 'AB Linas long-term intangible assets change', and 4.4.2 'AB Linas Group of companies long-term intangible assets change').

4.5 The status of the long-term tangible assets of the Group and the Company, and their change over the reporting period (Tables 4.5.1 'AB Linas long-term tangible assets change', and 4.5.2 'AB Linas Group of companies long-term tangible assets change').

4.6. Additional information on the long-term tangible and intangible assets of the Group and the Company, i.e. adopted average rates of depreciation and amortisation of long-term assets according to the class of assets (Table 4.6.1 'Long-term assets average economic life), the cost of acquisition (production) of depreciated or worn-down assets still in use in the company (Table 4.6.2 'Depreciated or worn-down assets still in use), information on the mortgages of long-term assets (Table 4.6.3 'Long-term tangible assets mortgages').

4.7. Long-term financial assets and their change over the reporting period (Tables 4.7.1 'AB Linas Group of companies long-term financial assets change', and 4.7.2 'AB Linas long-term financial assets change').

4.8. Short-term financial assets and their change over the reporting period (Tables 4.8.1 'AB Linas Group of companies short-term financial assets change', and 4.8.2 'AB Linas short-term financial assets change').

4.9. The names of, share of control in, the type of activity, the net profit (loss) over the reporting period, and the amount of own capital of the daughter and associated companies of AB Linas (Table 'AB Linas daughter and associated companies').

Pursuant to item 2 of Article 6 of the Law on Consolidation of Financial Accounts, the financial accounting of the daughter companies was not consolidated in 2004, as the input of the daughter companies was insignificant in respect of the Group of companies, i.e. their assets did not exceed 5 per cent of the assets of AB Linas as of the end of the fiscal year, and the daughter companies had no net sales income over the reporting year.

4.10. Gross balance sheet value of the Group's and the Company's stocks, their balance value by type of stock, the balance sheet value of the stocks recorded in the accounting at their net potential sale value, the amount of discounting to the net potential sale value, the amount of reversion of the discounting, the balance value of mortgaged stocks, and the stocks held with third parties (Tables 4.10.1 'AB Linas Group of companies stocks' and 4.10.2 'AB Linas stocks').

4.11. Advance payments by the Group and the Company to suppliers for short term assets and services (Table 'Advance payments for short term assets and services').

4.12. The Group's and the Company's one year receivable amounts by major groups of receivable amounts, their change compared to the previous financial year (Table 'One year receivable amounts').

4.13. The Group's and the Company's one year receivable amounts recognised as bad debt in the accounting, the cost of bad debt over the financial year, and recovered bad debt (Table 'Bad debt').

4.14. Long-term and short-term loans issued by the Group and the Company, including balance sheet values, maturity terms, accrued interest (Table 'Loans issued').

4.15. The structure of the authorised capital stock of the Company, the number of shares and their par value, the numbers of shares held by the state, the municipality, the company (redeemed shares), and daughter companies, and respective amounts (Table 'AB Linas authorised capital structure').

As of 31 12 2005, the major shareholders of the Company, holding over 5 per cent of the shares, were Mr Pranas Jankevičius – 41.71 per cent of total number of shares, UAB Rentija – 17.29 per cent. Miscellaneous physical and corporate entities of Lithuania and other countries held 41 per cent of shares as of 31 12 2005. Average price of sale per share on the market in 2005 was 1.26 Litas, and in 2004 average market sale price per share was 0.87 Litas.

4.16. The information on the reserves of the Company (Table 'AB Linas reserves').

4.17. Draft distribution of the Company's profit (Table 'AB Linas draft profit distribution').

4.18. The subsidies (grants) received (or receivable) by the Group and the Company (Table 'Subsidies and grants').

4.19. Short-term and long-term liabilities of the Group and the Company in accordance with the term of maturity, showing specifically those debt liabilities which are secured with company's assets (Table 'Short-term and long-term liabilities').

4.20. The status of the debt of the Group and the Company to credit institutions, showing the term of maturity and those loans to be repaid in foreign currency (Table 'Status of debt to credit institutions').

4.21. The Group's and the Company's accruals for employee vacations (Table 'Vacation accruals').

4.22. The information on the Group's and the Company's business branches and geographical areas (Tables 4.22.1 'Typical business of Group of companies', 4.2.2 'Typical business of the Company').

4.23. The information on the operational costs of the Group and the Company (Table 'Operational costs').

4.24. The information on the cost and revenues of miscellaneous ('atypical') activities of the Group and the Company (Table 'Miscellaneous ('atypical') activities').

4.25. Financial and investment undertakings of the Group and the Company, revenues and costs shown by material items (Table 'Financial and investment undertakings').

4.26. The amounts of moneys accrued to the executives of the Group and the Company, and other persons, as well as other disposed assets and guarantees provided (Table 'Financial relations to corporate executives and other related persons').

4.27. The tax on profit due to be paid by the Company and the cost (income) of deferred profit tax, including a detailed outlay (Tables 4.27.1 'Profit tax breakdown', 4.27.2 'Recalculation of profit tax costs taking account of permanent and provisional differences of accounting and taxable profit').

4.28. Deferred profit taxes of the Group and the Company (Table 4.28 'Deferred profit taxes').

4.29. An error is treated as essential in the Company when it's amount is close to 1 per cent of the income from usual business, or due to erroneous calculations a significant distortion is brought into certain items of the financial accounting of the previous year. Non-essential errors of 2005 have been corrected in respect of future accounting. Retroactively, in 2005, the Company corrected miscalculations of profit tax cost of the previous years (Table 'The information on error correction in AB Linas').

4.30. Material out-of-balance-sheet amounts, i.e. mortgages, guarantees, securities ('Out-of-the-balance-sheet entitlements and liabilities of the company').

4.31. The Group had no material post-balance sheet events non-disclosure of which might incur a significant impact on the capability of the users of the company's financial reporting to make decisions.

**4.1. REVISION OF DATA OF BALANCE SHEET OF LINAS LLC  
OF 2004 CONCERNING MAJOR ERROR CORRECTION**

LTL

Run. No.	ASSETS	Remark No.	year 2004	Revision	2004, after revision
<b>A.</b>	<b>Non-current assets</b>		<b>20.230.964</b>		<b>20.230.964</b>
<b>I.</b>	<b>Intangible assets</b>		<b>334.619</b>		<b>334.619</b>
I.1.	Development works				
I.2.	Prestige				
I.3.	Patents, licences		45.936		45.936
I.4.	Software		288.683		288.683
I.5.	Other intangible assets				
<b>II.</b>	<b>Tangible assets</b>		<b>18.923.646</b>		<b>18.923.646</b>
II.1.	Land				
II.2.	Buildings		11.948.499		11.948.499
II.3.	Constructions		245.998		245.998
II.4.	Machinery and equipment		4.894.526		4.894.526
II.5.	Means of transport		392.057		392.057
II.6.	Other mechanisms, gear, tools and equipment		1.268.106		1.268.106
II.7.	Construction in progress		0		0
II.8.	Other tangible assets		174.460		174.460
<b>III.</b>	<b>Financial assets</b>		<b>972.699</b>		<b>972.699</b>
III.1.	Investment into branch and associated enterprises		9.855		9.855
III.2.	Loans for associated and branch enterprises				0
III.3.	Amounts receivable after one year		952.844		952.844
III.4.	Other financial assets		10.000		10.000
<b>B.</b>	<b>Current assets</b>		<b>31.591.170</b>		<b>31.591.170</b>
<b>I.</b>	<b>Inventories, prepayments and contracts in progress</b>		<b>17.178.144</b>		<b>17.178.144</b>
I.1.	Inventories		16.373.785		16.373.785
I.1.1.	Raw material and assembly products		3.209.693		3.209.693
I.1.2.	Production in progress		7.375.490		7.375.490
I.1.3.	Production produced		5.788.602		5.788.602
I.1.4.	Goods acquired for reselling purposes				
I.2.	Advance payments		804.359		804.359
I.3.	Contracts in progress				
<b>II.</b>	<b>Amounts receivable within one year</b>		<b>7.946.043</b>		<b>7.946.043</b>
II.1.	Customers' debt		7.127.191		7.127.191
II.2.	Debts of branch and associated enterprises				
II.3.	Other receivable amounts		818.852		818.852
<b>III.</b>	<b>Other current assets</b>		<b>4.447.858</b>		<b>4.447.858</b>
III.1.	Current investments		1.681.900		1.681.900
III.2.	Fixed-term deposits				
III.3.	Other currents deposits		2.765.958		2.765.958
<b>IV.</b>	<b>Cash and cash equivalent</b>		<b>2.019.125</b>		<b>2.019.125</b>
	<b>Total assets:</b>		<b>51.822.134</b>		<b>51.822.134</b>

Run. No.	EQUITY AND LIABILITIES	Remark No.	year 2004	Revision	2004, after revision
<b>C.</b>	<b>Shareholders' capital</b>		<b>32.846.815</b>		<b>32.707.008</b>
<b>I.</b>	<b>Capital</b>		<b>24.038.990</b>		<b>24.038.990</b>
I.1.	Share capital (subscribed)		24.038.990		24.038.990
I.2.	Subscribed unpaid capital				
I.3.	Appendices to shares				
I.4.	Own shares				
<b>II.</b>	<b>Revaluation reserve (results)</b>				
<b>III.</b>	<b>Reserves</b>		<b>10.363.088</b>		<b>10.363.088</b>
III.1.	Obligatory		1.571.473		1.571.473
III.2.	For acquirement of own shares				
III.3.	Other reserves		8.791.615		8.791.615
<b>IV.</b>	<b>Retained earnings (losses)</b>		<b>(1.555.263)</b>		<b>(1.695.070)</b>
IV.1.	Earnings (losses) of the reporting year		14.896		(91.041)
IV.1.1.	Earnings (losses) of the reporting year from earning (losses) report				
IV.1.2.	Unacknowledged earning (losses) in earning (losses) report		14.896	(105.937)	(91.041)
IV.2.	Earning (losses) of the last year		(1.570.159)	(33.870)	(1.604.029)
<b>D.</b>	<b>Grants, subsidies</b>		<b>10.000</b>		<b>10.000</b>
<b>E.</b>	<b>Amounts payable and liabilities</b>		<b>18.965.319</b>		<b>19.105.126</b>
<b>I.</b>	<b>Amounts payable after one year and long-term liabilities</b>		<b>7.488.488</b>		<b>7.488.488</b>
I.1.	Finanacial debts		7.488.488		7.488.488
I.1.1.	Leasing (financial lease) or similar liabilities				
I.1.2.	For credit institutions		7.488.488		7.488.488
I.1.3.	Other financial debts				
I.2.	Debts for suppliers				
I.3.	Advance payments perceived				
I.4.	Extensions		0		0
I.4.1.	Of reimbursement of liabilities and demands				
I.4.2.	Pensions and similar liabilities				
I.4.3.	Other extensions				
I.5.	Taxes extended				
I.6.	Other amounts payable and long-term liabilities				
<b>II.</b>	<b>Amounts payable within one year and short-term liabilities</b>		<b>11.476.831</b>		<b>11.616.638</b>
II.1.	The part of the current year of long-term debts		5.119.753		5.119.753
II.2.	Financial debts		116.987		116.987
II.2.1.	For credit institutions				
II.2.2.	Other debts		116.987		116.987
II.3.	Debts for suppliers		2.217.607		2.217.607
II.4.	Advance payments perceived		241.731		241.731
II.5.	Liabilities of income tax	3.3.		139.807	139.807
II.6.	Liabilities related to industrial relations		3.208.437		3.208.437
II.7.	Extensions				
II.8.	Other amounts payable and short-term liabilities		572.316		572.316
	<b>Total equity and liabilities:</b>		<b>51.822.134</b>	<b>0</b>	<b>51.822.134</b>



**4.2. DATA REVISION DUE TO THE CORRECTION OF MAJOR ERRORS  
OF EARNINGS (LOSSES) REPORT OF LINAS LLC 2004**

LTL

Run No.	ARTICLES	Remark Nr.	Year 2004	Revision	2004 after revision
<b>I.</b>	<b>SALES INCOME</b>		<b>74.238.125</b>		<b>74.238.125</b>
I.1	Income for sold goods		73.802.602		73.802.602
I.2	Income for services provided		435.523		435.523
<b>II.</b>	<b>COST OF SALES</b>		<b>51.565.855</b>		<b>51.565.855</b>
II.1	Cost of production sold		51.251.235		51.251.235
II.2	Cost of services provided		314.620		314.620
<b>III.</b>	<b>GROSS PROFIT (LOSSES)</b>		<b>22.672.270</b>		<b>22.672.270</b>
<b>IV.</b>	<b>OPERATING EXPENSES</b>		<b>15.757.665</b>		<b>15.757.665</b>
IV.1	Sales		6.415.835		6.415.835
IV.2	Total and administrative		9.341.830		9.341.830
<b>V.</b>	<b>OPERATING PROFIT (LOSSES)</b>		<b>6.914.605</b>		<b>6.914.605</b>
<b>VI.</b>	<b>OTHER ACTIVITY</b>		<b>(6.055.438)</b>		<b>(6.055.438)</b>
VI.1	Income		413.200		413.200
VI.2	Expenses		6.468.638		6.468.638
<b>VII.</b>	<b>FINANCIAL AND INVESTING ACTIVITY</b>		<b>(575.796)</b>		<b>(575.796)</b>
VII.1	Income		172.192		172.192
VII.2	Expenses		747.988		747.988
<b>VIII.</b>	<b>ORDINARY PROFIT (LOSS)</b>		<b>283.371</b>		<b>283.371</b>
<b>IX.</b>	<b>EXTRAORDINARY GAIN</b>				<b>0</b>
<b>X.</b>	<b>EXTRAORDINARY LOSS</b>				<b>0</b>
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>283.371</b>		<b>283.371</b>
<b>XII.</b>	<b>CORPORATE INCOME TAX</b>	3.3.	268.475	105.937	374.412
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>		<b>14.896</b>		<b>(91.041)</b>

#### 4.3. TRANSFER OF TEXTILE PRODUCTS PRODUCTION BUSINESS

On the basis of the shares signing agreement of 08.31.2005 and act of transfer activity of production of textile products has been trasfered from Linas, LLC to Linas Nordic LLC.

Run No.	Name of book keeping account/name of economic operation	Balance value, LTL
1.	<b>Transferred assets</b>	<b>24.099.316</b>
1.1.	Intangible non-current assets (residual value)	211.728
1.2.	Tangible non-current assets (residual value)	5.903.582
1.3.	Reserve	17.357.195
1.4.	Advance payments	618.960
1.5.	Amounts receivable within one year	7.851
2.	<b>Transferred obligations</b>	<b>17.808.382</b>
2.1.	Long-term financial debts	12.527.488
2.2.	Advance payments received	344.285
2.3.	Long-term obligations part in current year	734.698
2.4.	Obligations for suppliers	3.799.559
2.5.	Obligations related to industrial relations	402.352
3.	<b>Balance value of transferred business of textile production (1 row-2 row)</b>	<b>6.290.934</b>
4.	Following 08/31/2005 Agreement of Share Signing statutory capital of Linas Nordic, LLC has been increased by non-monetary contribution of Linas, LLC	5.989.000
5.	Difference between textile products production business and newly issued nominal value of shares, stated by the estate assessors has been registered in the account of share annexes.	301.936

#### 4.4. LONG-TERM INTANGIBLE ASSETS

##### 4.4.1. Changes of Linas, LLC long-term intangible assets

LTL						
Indicators	Developmental works	Prestige	Patents, licenses	Software	Other intangible assets	Total
Residual value at the end of previous financial year			45.936	288.683	0	334.619
a) Procurement cost price of long-term intangible assets						
At the end of previous financial year			95.275	930.108	0	1.025.383
Changes of financial year			(95.275)	(930.108)	0	(1.025.383)
· Procurement of assets			0	120	0	120
· Transferred to Linas Nordic, LLC with textile production business (-)			(95.125)	(930.228)	0	(1.025.353)
· Assets, transferred to other individuals and discarded (-)			(150)	0	0	(150)
· Transcription from one article to another +/(-)			0	0	0	0
At the end of financial year			0	0	0	0
b) Amortization						
At the end of previous financial year			49.339	641.425	0	690.764
Changes of financial year			(49.339)	(641.425)	0	(690.764)
· Amortization, transferred to Linas Nordic, LLC with textile production business (-)			(65.972)	(747.653)	0	(813.625)
· Financial year amortization			16.700	106.228	0	122.928
· Restorational records (-)			0	0	0	0
· Assets, transferred to other individuals and discarded (-)			(67)	0	0	(67)
· Transcription from one article to another +/(-)			0	0	0	0
At the end of financial year			0	0	0	0
e) Residual value at the end of financial year (a) - (b)			0	0	0	0

##### 4.4.2. Changes of Linas, LLC enterprise group long-term intangible assets

LTL						
Indicators	Developmental works	Prestige	Patents, licenses	Software	Other intangible assets	Total
Residual value at the end of previous financial year			45.936	288.683	0	334.619
a) Procurement cost price of long-term intangible assets						
At the end of previous financial year			95.275	930.108	0	1.025.383
Changes of financial year			278	18.113	0	18.391
· Procurement of assets			428	18.113	0	18.541
· Assets, transferred to other individuals and discarded (-)			(150)	0	0	(150)
· Transcription from one article to another +/(-)			0	0	0	0
At the end of financial year			95.553	948.221	0	1.043.774
b) Amortization						
At the end of previous financial year			49.339	641.425	0	690.764
Changes of financial year			24.953	139.146	0	164.099
· Financial year amortization			25.020	139.146	0	164.166
· Restorational records (-)			0	0	0	0
· Assets, transferred to other individuals and discarded (-)			(67)	0	0	(67)
· Transcription from one article to another +/(-)			0	0	0	0
At the end of financial year			74.292	780.571	0	854.863
e) Residual value at the end of financial year (a) - (b)			21.261	167.650	0	188.911

## 4.5. LONG-TERM TANGIBLE ASSETS

### 4.5.1. CHANGES OF LONG-TERM TANGIBLE ASSETS

LTL

Indicators	Land	Buildings and structures	Machinery and equipment	Means of transport	Other equipment, appliances, instruments	Other tangible assets	Current construction	Total
<b>Residual value at the end of previous financial year</b>	0	12.194.497	4.894.525	392.058	1.268.106	174.460	0	18.923.646
<b>a) Procurement of cost price long-term tangible assets</b>								
<b>At the end of previous financial</b>	0	19.037.434	21.250.545	1.800.389	3.217.149	174.460	0	45.479.977
<b>Changes of financial year</b>	0	(19.037.434)	(21.250.545)	(1.800.389)	(3.204.400)	(174.460)	0	(45.467.228)
· Procurement of assets	0	95.250	277.980	109.747	124.523	315.070	0	922.570
· Transferred to Linas Nordie, LLC with textile production business (-)	0	0	(21.091.929)	(1.575.090)	(3.074.846)	(227.105)	0	(25.968.970)
· Transferred to Nordic Investicija, LLC with realty estate business	0	(18.241.495)	(155.243)	(222.617)	(241.130)	(218.038)	0	(19.078.523)
· Assets, transferred to other individuals and discarded (-)	0	(891.189)	(281.353)	(140.090)	(13.746)	0	0	(1.326.378)
· Transcription to short-time assets +/-(-)	0	0	0	0	0	(15.927)	0	(15.927)
· Transcription from one article to another +/-(-)	0	0	0	27.661	799	(28.460)	0	0
<b>At the end of financial year</b>	0	0	0	0	12.749	0	0	12.749
<b>b) Revaluation</b>								
<b>At the end of previous financial</b>	0	0	0	0	0	0	0	0
<b>Changes of financial year</b>	0	0	0	0	0	0	0	0
· Increase (decrease) of value +/-(-)	0	0	0	0	0	0	0	0
· Assets, transferred to other individuals and discarded (-)	0	0	0	0	0	0	0	0
· Transcription from one article to another +/-(-)	0	0	0	0	0	0	0	0
<b>At the end of financial year</b>	0	0	0	0	0	0	0	0
<b>c) Depreciation (-)</b>								
<b>At the end of previous financial</b>	0	6.842.937	16.356.020	1.408.331	1.949.043	0	0	26.556.331
<b>Changes of financial year</b>	0	(6.842.937)	(16.356.020)	(1.408.331)	(1.948.689)	0	0	(26.555.977)
· Transferred to Linas Nordie, LLC with textile production business (-)	0	0	(16.759.072)	(1.276.429)	(2.049.886)	0	0	(20.085.387)
· Transferred to Nordic Investicija, LLC with realty estate business	0	(6.970.372)	(88.613)	(95.961)	(138.050)	0	0	(7.292.996)
· Financial year depreciation	0	319.971	772.969	104.146	251.787	0	0	1.448.873
· Restorational records (-)	0	0	0	0	0	0	0	0
· Assets, transferred to other individuals and discarded (-)	0	(192.536)	(281.304)	(140.087)	(12.540)	0	0	(626.467)
· Transcription from one article to another +/-(-)	0	0	0	0	0	0	0	0
<b>At the end of financial year</b>	0	0	0	0	354	0	0	354
<b>d) Decrease of value</b>								
<b>At the end of previous financial</b>	0	0	0	0	0	0	0	0
<b>Changes of financial year</b>	0	0	0	0	0	0	0	0
· Decrease of value of financial year	0	0	0	0	0	0	0	0
· Restorational records (-)	0	0	0	0	0	0	0	0
· Assets, transferred to other individuals and discarded (-)	0	0	0	0	0	0	0	0
· Transcription from one article to another +/-(-)	0	0	0	0	0	0	0	0
<b>At the end of financial year</b>	0	0	0	0	0	0	0	0
<b>e) Residual value at the end of financial year (a) + (b) - (c) - (d)</b>	0	0	0	0	12.395	0	0	12.395

## 4.5.2. Changes of Linas, LLC enterprise group long-term tangible assets

LTL

Indicators	Land	Buildings and structures	Machinery and equipment	Means of transport	Other equipment, appliances, instruments	Other tangible assets	Current construction	Total
Residual value at the end of previous financial year	0	12.194.497	4.894.525	392.058	1.268.106	174.460	0	18.923.646
<b>a) Procurement of cost price long-term tangible assets</b>								
At the end of previous financial	0	19.037.434	21.250.545	1.800.389	3.217.149	174.460	0	45.479.977
Changes of financial year	0	(19.037.434)	(91.380)	(285.782)	24.020	140.395	0	(19.250.181)
· Procurement of assets	0	95.250	445.660	134.666	311.000	409.216	0	1.395.792
· Transferred to Linas Nordic, LLC with textile production business (-)	0	(18.241.495)	(155.243)	(222.617)	(241.130)	(218.038)	0	(19.078.523)
· Assets, transferred to other individuals and discarded (-)	0	(891.189)	(309.693)	(225.492)	(46.649)	0	0	(1.473.023)
· Transcription to short-time assets +/(-)	0	0	0	0	0	(15.927)	0	(15.927)
Refunds of assets to suppliers (-)	0	0	(78.500)	0	0	0	0	(78.500)
· Transcription from one article to another +/(-)	0	0	6.396	27.661	799	(34.856)	0	0
At the end of financial year	0	0	21.159.165	1.514.607	3.241.169	314.855	0	26.229.796
<b>b) Revaluation</b>								
At the end of previous financial	0	0	0	0	0	0	0	0
Changes of financial year	0	0	0	0	0	0	0	0
· Increase (decrease) of value +/(-)	0	0	0	0	0	0	0	0
· Assets, transferred to other individuals and discarded (-)	0	0	0	0	0	0	0	0
· Transcription from one article to another +/(-)	0	0	0	0	0	0	0	0
At the end of financial year	0	0	0	0	0	0	0	0
<b>c) Depreciation (-)</b>								
At the end of previous financial	0	6.842.937	16.356.020	1.408.331	1.949.043	0	0	26.556.331
Changes of financial year	0	(6.842.937)	771.057	(187.320)	177.321	0	0	(6.081.879)
· Transferred to Nordic Investicija, LLC with realty estate business	0	(6.970.372)	(88.613)	(95.961)	(138.050)	0	0	(7.292.996)
· Depreciation of financial year	0	319.971	1.169.301	134.052	359.745	0	0	1.983.069
· Restorational records (-)	0	0	0	0	0	0	0	0
· Assets, transferred to other individuals and discarded (-)	0	(192.536)	(309.631)	(225.411)	(44.374)	0	0	(771.952)
· Transcription from one article to another +/(-)	0	0	0	0	0	0	0	0
At the end of financial year	0	0	17.127.077	1.221.011	2.126.364	0	0	20.474.452
<b>d) Decrease of value</b>								
At the end of previous financial	0	0	0	0	0	0	0	0
Changes of financial year	0	0	0	0	0	0	0	0
· Decrease of value of financial year	0	0	0	0	0	0	0	0
· Restoration records (-)	0	0	0	0	0	0	0	0
· Assets, transferred to other individuals and discarded (-)	0	0	0	0	0	0	0	0
· Transcription from one article to another +/(-)	0	0	0	0	0	0	0	0
At the end of financial year	0	0	0	0	0	0	0	0
<b>e) Residual value at the end of financial year (a) + (b) - (c) - (d)</b>	0	0	4.032.088	293.596	1.114.805	314.855	0	5.755.344

#### 4.6. OTHER INFORMATION ON LONG-TERM INTANGIBLE AND TANGIBLE ASSETS

##### 4.6.1. Average useful service period of long-term assets

No.	Long-term asset groups	GROUP	COMPANY
1.	Long-term intangible asset groups		
1.1.	Patents, licenses etc.	4	
1.2.	Software	2	
2.	Long-term tangible asset groups		
2.1.	Machines and equipment	11	
2.2.	Means of transport	5	
2.3.	Other equipment, appliances, instruments, gear, inventory	7	3

##### 4.6.2. Utilized totally amortized or depreciated long-term assets

No.	Title of asset group	GROUP		COMPANY	
		Number of exploited inventory units	Purchase cost price (Lt)	Number of exploited inventory units	Purchase cost price (LTL)
1.	Long-term intangible asset groups				
1.1.	Patents, licenses etc.	2	20.250	0	0
1.2.	Software	229	626.765	0	0
	Total	231	647.015	0	0
2.	Long-term tangible asset groups				
2.1.	Machines and equipment		11.948.394		0
2.2.	Means of transport		1.035.638		0
2.3.	Other equipment, appliances, instruments, gear, inventory		1.301.842		0
	Total		14.285.874		0

##### 4.6.3. Mortgages of long-term tangible assets

No.	Title of mortgaged assets	GROUP		COMPANY		
		Mortgage termination date	Base value* (Lt)	Market value according to mortgage sheets (Lt)	Balance value* (Lt)	Market value according to mortgage sheets (LTL)
1	Machines, equipment and appliances*	2006-06-20	993.728	3.090.000	0	0
2	Other long-term tangible assets		0	0	0	0
	Total mortgaged long-term tangible assets		993.728	3.090.000	0	0

\* assets, mortgaged for loans granted by Vilniaus bankas, SEB, LLC

#### 4.7. NON-CURRENT FINANCIAL ASSETS

##### 4.7.1. Changes of non-current financial assets of Linas, LLC enterprise group (LTL)

Run. No.	Indicators	Other amounts receivable after one year					Other financial assets	Total
		Other long-term loans	Loans for employees of the enterprise to be returned in 1 year	Amounts receivable after one year	Uncertain debts (-)	All other amounts receivable after one year		
1.	Remainder in the beginning of financial year	924.539	17.000	73.305	(62.000)	952.844	10.000	962.844
2.	Changes of financial year	184.363	(13.000)	7.530	0	178.893	0	178.893
2.1.	Result of change of accounting policy					0		0
2.2.	Acquisitions, granting of loans, appearance of receivable amounts	2.999.363		8.428		3.007.791		3.007.791
2.3.	Sales, return of loans and other receivable amounts (-)			(898)		(898)		(898)
2.4.	Transfer to current financial assets (-)	(2.815.000)	(13.000)			(2.828.000)		(2.828.000)
2.5.	Decrease of value (-)					0		0
3.	Remainder in the end of financial year (1 + 2)	1.108.902	4.000	80.835	(62.000)	1.131.737	10.000	1.141.737

##### 4.7.2. Changes of current financial assets of Linas, LLC

(LTL)

Run. No.	Indicators	Branch and associated enterprises	Loans for branch enterprises	Other amounts receivable after one year					Other financial assets	Total
				Other long-term loans	Loans for employees of the enterprise to be returned in 1 year	Amounts receivable after one year	Uncertain debts (-)	All other amounts receivable after one year		
1.	Remainder in the beginning of financial year	9.855	0	924.539	17.000	73.305	(62.000)	952.844	10.000	972.699
2.	Changes of financial year	6.299.653	0	184.363	(13.000)	7.530	0	178.893	0	6.478.546
2.1.	Result of change of accounting policy	10.145						0		10.145
2.2.	Acquisitions, granting of loans, appearance of receivable amounts	18.694.766		2.999.363		8.428		3.007.791		21.702.557
2.3.	Sales, return of loans and other receivable amounts (-)	(12.405.258)				(898)		(898)		(12.406.156)
2.4.	Transfer to current financial assets (-)			(2.815.000)	(13.000)					0
2.5.	Decrease of value (-)							0		0
3.	Remainder in the end of financial year (1 + 2)	6.309.508	0	1.108.902	4.000	80.835	(62.000)	1.131.737	10.000	7.451.245

#### 4.8. CURRENT FINANCIAL ASSETS

##### 4.8.1. Changes of current financial assets of Linas, LLC enterprise group

(LTL)

Run. No.	Indicators	Current investment			Current loans			Total
		Shares of other enterprises	Other securities	Total	Loans for employees of the enterprise to be returned in 1 year	Other current loans	Total	
		<i>book acc.</i>		<i>book acc.</i>	<i>book acc.</i>	<i>book acc. No</i>		
1.	Remainder in the beginning of financial year	1.681.900	0	1.681.900	13.000	2.581.855	2.594.855	4.276.755
2.	Changes of financial year	(1.681.900)	0	(1.681.900)	16.420	5.395.794	5.412.214	3.730.314
2.1.	Acquisitions, granting of loans	680.000		680.000	326.790	3.625.794	3.952.584	4.632.584
2.2.	Transfer of non-current financial assets				13.000	2.815.000	2.828.000	2.828.000
2.3.	Sales, return of loans (-)	(2.361.900)		(2.361.900)	(323.370)	(1.045.000)	(1.368.370)	(3.730.270)
2.4.	Decrease of value (-)			0			0	0
3.	Remainder in the end of financial year (1 + 2)	0	0	0	29.420	7.977.649	8.007.069	8.007.069

##### 4.8.2. Changes of current financial assets of Linas, LLC

(LTL)

Run. No.	Indicators	Current investment			Current loans			Total	Total
		Shares of other enterprises	Other securities	Total	Loans for branch enterprises	Loans for employees of the enterprise to be returned in 1 year	Other current loans		
1.	Remainder in the beginning of financial year	1.681.900	0	1.681.900	0	13.000	2.581.855	2.594.855	4.276.755
2.	Changes of financial year	(1.681.900)	0	(1.681.900)	4.910.000	1.083	5.395.794	10.306.877	8.624.977
2.1.	Acquisitions, granting of loans	680.000		680.000	5.312.000	310.000	3.625.794	9.247.794	9.927.794
2.2.	Transfer of non-current financial assets					13.000	2.815.000	2.828.000	2.828.000
2.3.	Sales, return of loans (-)	(2.361.900)		(2.361.900)	(402.000)	(321.917)	(1.045.000)	(1.768.917)	(4.130.817)
2.4.	Decrease of value (-)			0				0	0
3.	Remainder in the end of financial year (1 + 2)	0	0	0	4.910.000	14.083	7.977.649	12.901.732	12.901.732



#### 4.9. Branch and associated enterprises of Linas, LLC

(LTL)

Run. No.	Name of enterprise	Financial year			Last financial year		
		Part governed %	Amount of own capital at the end of financial year	Net profit (losses) of financial year	Part governed %	Amount of own capital at the end of financial year	Net profit (losses) of financial year
<b>1.</b>	<b>Branch enterprises</b>						
1.1.	Linas Nordic, LLC, ent. number 148532327 (until 05/17/2005 former Lino gamybine grupe, LLC)	100%	6.700.726	406.901	100%	2.889	(7.111)
1.2.	Nordic investicija, LLC, ent. number 300031867 (until 10/24/2005 former Lino investicinis fondas, LLC)	0%			100%	6.966	(3.034)
<b>2.</b>	<b>Associated enterprises</b>						
2.1.	Domus Palanga, LLC	0%			50%	1.143.456	(227.210)

#### 4.10. RESERVES

##### 4.10.1. Reserves of enterprise group of Linas, LLC

(LTL)

Run. No.	Indicators	Raw material and assembly products	Current construction	Production produced	Goods purchased for reselling purposes	Total
1.1.	At the end of last financial year	3.279.117	7.375.490	5.788.602	0	16.443.209
1.2.	At the end of financial year (incl. reserves en route and by the third parties)	3.421.751	7.696.046	4.606.488	0	15.724.285
2.	Depreciation until net possible selling value (restitution)					
2.1.	At the end of last financial year	69.424				69.424
2.2.	At the end of financial year	67.992				67.992
3.	Net value possible sales at the end of financial year (1-2)					
3.1.	At the end of last financial year (1.1.-2.1.)	3.209.693	7.375.490	5.788.602	0	16.373.785
3.2.	At the end of financial year (incl. reserves en route and by the third parties) (1.2-2.2)	3.353.759	7.696.046	4.606.488	0	15.656.293
4.	Balance value of mortgage reserves at the end of financial year (12/31/2005)	1.053.528	6.057.308	4.074.298	0	11.185.134
5.	Value of mortgage reserves according to mortgage papers	1.000.000	7.000.000	4.000.000	0	12.000.000

##### 4.10.2. Reserves of Linas, LLC

(LTL)

Run. No.	Indicators	Raw material and assembly products	Current construction	Production produced	Goods purchased for reselling purposes	Total
1.1.	At the end of last financial year	3.279.117	7.375.490	5.788.602	0	16.443.209
1.2.	At the end of financial year (incl. reserves enroute and by the third parties)	0	0	0	0	0
2.	Depreciation until net possible selling value (restitution)					
2.1.	At the end of last financial year	69.424				69.424
2.2.	At the end of financial year	0	0	0	0	0
3.	Net value possible sales at the end of financial year (1-2)	0	0	0	0	0
3.1.	At the end of last financial year (1.1.-2.1.)	3.209.693	7.375.490	5.788.602	0	16.373.785
3.2.	At the end of financial year (incl. reserves enroute and by the third parties) (1.2-2.2)	0	0	0	0	0

**4.11. ADVANCE PAYMENT FOR CURRENT ASSETS  
AND SERVICES**

Run. No.	Biggest advance payment groups	GROUP	COMPANY	
		Financial year	Financial year	Last financial year
1	Advance payment to the reserve providers	53.752	0	502.052
2	Advance payment to the service providers	66.140	2	103.710
3	Balance value of uncertain advance payment	0	0	0
3.1.	Uncertain advance payment	75.811	0	29.360
3.2.	Part of uncertain advance payment written-off to the expenses (-)	(75.811)	0	(29.360)
4.	Expenses of coming period acknowledged as uncounted within one year	165.019	0	198.597
5.	<b>Advance payment</b>	<b>284.911</b>	<b>2</b>	<b>804.359</b>

**4.12. AMOUNTS RECEIVABLE WITHIN ONE YEAR**

Run. No.	Biggest advance payment groups	GROUP	COMPANY	
		Financial year	Financial year	Last financial year
1.	<b>Debts of consumer</b>	<b>20.976.084</b>	<b>12.986.422</b>	<b>7.127.191</b>
t.sk. 1.1.	debts of branch enterprise		88.442	
1.2.	debts of other consumers	9.105.084	1.026.980	
1.3.	Debt for the sold financial asset - shares of branch enterprise	11.871.000	11.871.000	
2.	<b>Other amount receivable within one year</b>	<b>725.251</b>	<b>1.963.277</b>	<b>818.852</b>
t.sk. 2.1.	Receivable VAT	347.882	22.603	389.211
2.2.	Budget debt to the enterprise	27.288	27.288	
2.3.	Debt of social insurance to the enterprise			
2.4.	Amounts receivable from accountable persons	16.824		16.293
2.5.	interest receivable from branch enterprises for loans provided		37.413	
2.6.	Other interest accumulated receivable for loans provided	256.920	256.920	99.135
2.7.	Amounts receivable from employees for loans provided	29.420	14.083	
2.8.	Amounts receivable from branch enterprises		1.588.714	
2.9.	Advance payment for employees	8.857		
2.10.	Other amounts receivable (amounts receivable from var. debtors, except for the debt of branch enterprise)	38.060	16.256	314.213
	<b>Amount receivable within one year, total</b>	<b>21.701.335</b>	<b>14.949.699</b>	<b>7.946.043</b>

## 4.13. UNCERTAIN DEBTS

(LTL)

Run. No.	Uncertain debts by groups	Remark No.	GROUP		COMPANY			
			Financial year		Financial year		Last financial year	
			Uncertain debts	Expenses of uncertain debts	Uncertain debts	Expenses of uncertain debts	Uncertain debts	Expenses of uncertain debts
1.	Uncertain debts at the beginning of the financial year		2.802.867		2.802.867		3.105.367	
incl.	advance payment for suppliers		29.360		29.360		29.073	
	debts of foreign consumers		2.448.124		2.448.124		2.750.906	
	debts of Lithuanian consumers		319.524		319.524		319.524	
	various amounts receivable		5.859		5.859		5.864	
2.	Part of uncertain debts written-off to the expenses at the beginning of the financial year (-)		(2.802.867)		(2.802.867)		(3.105.367)	
incl.	uncertain advance payment for suppliers		(29.360)		(29.360)		(29.073)	
	uncertain debts of foreign consumers		(2.448.124)		(2.448.124)		(2.750.906)	
	uncertain debts of Lithuanian consumers		(319.524)		(319.524)		(319.524)	
	uncertain various amounts receivable		(5.859)		(5.859)		(5.864)	
3.	Balance value of uncertain debt at the beginning of the financial year		0		0		0	
incl.	uncertain advance payment for suppliers		0		0		0	
	uncertain debts of foreign consumers		0		0		0	
	uncertain debts of Lithuanian consumers		0		0		0	
	uncertain various amounts receivable		0		0		0	
4.	Monitory contribution- along with textile products production business from transfered uncertain debt of Linas, LLC		0		(29.107)			0
incl.	advance payment for suppliers				(29.107)			
	debts of foreign consumers							
	debts of Lithuanian consumers							
	various amounts receivable							
5.	Monitory contribution- along with textile products production business written-off to expenses from transfered uncertain debt of Linas, LLC		0		29.107			0
incl.	advance payment for suppliers				29.107			
	debts of foreign consumers							
	debts of Lithuanian consumers							
	various amounts receivable							
6.	Debts acknowledge as uncertain within financial year	2.6.3.	63.418		17.192			0
incl.	advance payment for suppliers		46.226				490	
	debts of foreign consumers		17.192		17.192		294.235	
	debts of Lithuanian consumers							
	various amounts receivable						(5)	
7.	Part of uncertain debt written-off to expenses within financial year	2.6.4.	(63.418)		(17.192)		294.730	
incl.	advance payment for suppliers		(46.226)		0		490	
	debts of foreign consumers		(17.192)		(17.192)		294.235	
	debts of Lithuanian consumers		0		0		0	
	various amounts receivable		0		0		5	
8.	Uncertain debts acknowledge as expenses within financial year	2.6.4.		63.418		17.192		294.720
incl.	advance payment for suppliers			46.226				490
	debts of foreign consumers			17.192		17.192		294.235
	debts of Lithuanian consumers							
	various amounts receivable							(5)

Run. No.	Uncertain debts by groups	Remark No.	GROUP		COMPANY			
			Financial year		Financial year		Last financial year	
			Uncertain debts	Expenses of uncertain debts	Uncertain debts	Expenses of uncertain debts	Uncertain debts	Expenses of uncertain debts
9.	Written-off to expenses without transferring debt into uncertain debts of foreign consumer account			0		0		4.738
10.	Uncertain debts recovered within financial year (restoring of written-off debts (-))			(1.375)		(1.375)		(423.941)
incl.	advance payment for suppliers			(253)		(253)		(203)
	debts of foreign consumers			(1.122)		(1.122)		(423.738)
	debts of Lithuanian consumers							
	various amounts receivable							
11.	Impact of currency exchange rates to advance payment		483	483	0	0	0	0
12.	Impact of currency exchange to debts of foreign consumer		287.350	287.350	287.350	287.350	(168.541)	(168.541)
13.	Uncertain debts written-off financial accounting (-)		(219.321)		(219.316)			
	uncertain advance payment for suppliers		(5)					
	uncertain debts of foreign consumers							
	uncertain debts of Lithuanian consumers		(219.316)		(219.316)			
	uncertain various amounts receivable							
14.	Uncertain debt at the end of financial year		2.933.422		2.857.611		2.802.867	
incl.	uncertain advance payment for suppliers		75.811		0		29.360	
	uncertain debts of foreign consumers		2.751.544		2.751.544		2.448.124	
	uncertain debts of Lithuanian consumers		100.208		100.208		319.524	
	uncertain various amounts receivable		5.859		5.859		5.859	
15.	Part of uncertain debt written-off to expenses within financial year (-)		(2.933.422)		(2.857.611)		(2.802.867)	
incl.	uncertain advance payment for suppliers		(75.811)		0		(29.360)	
	uncertain debts of foreign consumers		(2.751.544)		(2.751.544)		(2.448.124)	
	uncertain debts of Lithuanian consumers		(100.208)		(100.208)		(319.524)	
	uncertain various amounts receivable		(5.859)		(5.859)		(5.859)	
16.	Balance value of uncertain debt at the beginning of the financial year		0		0		0	
incl.	uncertain advance payment for suppliers		0		0		0	
	uncertain debts of foreign consumers		0		0		0	
	uncertain debts of Lithuanian consumers		0		0		0	
	uncertain various amounts receivable		0		0		0	

#### 4.14. SERVICES PROVIDED

Run. No.	Loans provided	Currency of loan	GROUP			COMPANY		
			Balance value 12 31 2005, LTL	Term of recovery	Interest payable for loan provided 12 31 2005 LTL	Balance value 12 31 2005, LTL	Term of recovery	Interest payable for loan provided 12 31 2005 LTL
<b>1.</b>	<b>Long-term loans provided</b>		<b>1.112.902</b>		<b>8.428</b>	<b>1.112.903</b>		<b>8.428</b>
1.1	Long-term loans provided for employees of enterprise	LTL	4.000		0	4.000		0
1.2	Long-term loans provided for shareholders	LTL	0		0	0		0
1.3	Long-term loans provided for other third parties	LTL	1.108.902	iki 2007.11.04	8.428	1.108.903	iki 2007.11.04	8.428
<b>2.</b>	<b>Short-term loans provided</b>		<b>8.007.069</b>		<b>256.920</b>	<b>12.901.732</b>		<b>294.333</b>
2.1	Short-term loans provided for employees of enterprise and part of long-term for current year	LTL	29.420	iki 2006.12.31	0	14.083	iki 2006.12.31	0
2.2	Provided for shareholders part of long-term for current year	LTL	2.300.000	iki 2006.06.14	98.829	2.300.000	iki 2006.06.14	98.829
2.3	Short-term loans provided for shareholders	LTL	2.297.394	iki 2006.12.31	106.924	2.297.394	iki 2006.12.31	106.924
2.4	Short-term loans provided for branch of enterprise	LTL		iki 2006.08.31		4.910.000	iki 2006.08.31	37.413
2.5	Provided for other third parties part of long-term for current year	LTL	515.000	iki 2006.12.31	11.260	515.000	iki 2006.12.31	11.260
2.6	Short-term loans provided for other third parties	LTL	2.865.255	iki 2006.03.10	39.907	2.865.255	iki 2006.03.10	39.907
<b>3.</b>	<b>Total (1+2)</b>		<b>9.119.971</b>		<b>265.348</b>	<b>14.014.635</b>		<b>302.761</b>

#### 4.15. STRUCTURE OF STATUTORY CAPITAL OF LINAS, LLC

Run. No.	Indicators	Number of shares	Amount (LTL)
	According to type of shares		
	1.1. Ordinary shares	24.038.990	24.038.990
	1.2. Preference shares	0	0
	1.3. Shares of employees	0	0
	1.4. Special shares	0	0
	1.5. Other shares	0	0
	<b>TOTAL:</b>	<b>24.038.990</b>	<b>24.038.990</b>
2	State or municipal capital	0	0
3	Own shares, owned by the enterprise itself	0	0
4	Shares, owned by branch enterprises	0	0

#### 4.16. RESERVES OF LINAS, LLC

Run. No.	Indicators	At the end of financial year	At the end of last financial year
1	Legal reserve	2.071.473	1.571.473
2	Other reserves	6.307.038	8.791.615
2.1.	Unappropriated reserve for investment		1.476.227
2.2.	Other reserves		6.963.681
2.3.	Reserve for support and benefits in line with collective agreement	307.038	351.707
2.4.	Reserve for investment of textile business	2.000.000	0
2.5.	Reserve for improvement of textile business management	1.000.000	0
2.6.	Reserve for development of real estate business	3.000.000	0
3	Total reserves	8.378.511	10.363.088

#### 4.17. PROJECT OF LINAS, LLC PROFIT APPROPRIATION

(LTL)

Run. No.	Articles	Amount
1.	Unappropriated profit (losses) at the end of last financial year	(1.695.070)
2.	Change of unappropriated profit (losses) due to appropriation of profit and correction of major mistakes	1.984.578
3.	Net profit (losses) of reporting financial year	2.401.789
4.	Contributions by shareholders to cover losses	0
5.	Transfers from reserves	6.307.038
5.1.	- from reserve to support and benefits in line with collective agreement	307.038
5.2.	- from reserve to investment of textile business	2.000.000
5.3.	- from reserve to improvement of textile business management	1.000.000
5.4.	- from reserve to development of real estate business	3.000.000
6.	Appropriated profit	8.998.335
7.	Appropriation of profit	8.998.335
7.1.	- to compulsory reserve	332.426
7.2.	- to other reserves	8.665.909
7.2.1.	to reserve for support	0
7.2.2.	to reserve for project of business development	8.665.909
7.3.	- dividends	0
7.4.	- other	0
8.	Unappropriated profit (losses)	0



#### 4.18. GRANTS AND SUBVENTIONS

(LTL)

Run. NO.	Type of grants (subventions)	Remainder at the beginning of period	Received amounts of grants (subventions)	Received amounts of grants (subventions)	Used amounts of grants (subventions)	Returned amounts of grants (subventions)	Remainder at the end of period
<b>1.</b>	<b>GROUP</b>						
1.1.	Grants related to income (compensation of expenses)	10.000	3.945	0	13.945	0	0
1.2.	Grants related to assets						
1.3.	Subventions						
<b>2.</b>	<b>COMPANY</b>						
2.1.	Grants related to income (compensation of expenses)	10.000	3.945	0	13.945	0	0
2.2.	Grants related to assets						
2.3.	Subventions						

#### 4.19. LONG-TERM AND SHORT-TERMS OBLIGATIONS

(LTL)

Run. No.	Indicators	GROUP			COMPANY			
		Debts payable or parts thereof		Total debt at the end of financial year	Debts payable or parts thereof		Total debt at the end of financial year	Total debt at the end of last financial year
	Splitting of amounts payable by types	within one financial year	after one year		within one financial year	after one year		
1.	<b>Financial debts:</b>	9.491.112	0	9.491.112	0	0	0	12.725.228
1.1.	For leasing (financial lease) or similar obligations	0	0	0	0	0	0	0
1.2.	For credit institution	9.491.112	0	9.491.112	0	0	0	12.608.241
1.3.	Other financial debts	0	0	0	0	0	0	116.987
2.	<b>Other debts</b>	8.885.299	119.099	9.004.398	596.160	0	596.160	6.240.090
2.1.	Debts for suppliers	4.475.496	0	4.475.496	52.170	0	52.170	2.217.607
2.2.	Received advance payment	326.547	0	326.547	15.109	0	15.109	241.731
2.3.	Other amounts received in advance	214.226	0	214.226	214.226	0	214.226	
2.4.	Obligations related to industrial relations	2.704.863	0	2.704.863	4.220	0	4.220	3.208.436
2.4.1	wage payable	803.594		803.594	2.898		2.898	1.155.201
2.4.2	social insurance payable	562.925		562.925	476		476	698.237
2.4.3	payable RIT from wage	298.231		298.231	430		430	324.816
2.4.4	leave accumulation	1.037.228		1.037.228	413		413	1.027.035
2.4.5	Payable contributions to the Guarantee Foundation	2.885		2.885	3		3	3.147
2.5.	Other taxes payable	6.799	0	6.799	0	0	0	73.165
2.6.	Extended profit tax	83.964	119.099	203.063	0	0	0	0
2.7.	Obligations of profit tax	524.470	0	524.470	272.509	0	272.509	0
2.8.	Payable dividends	36.661	0	36.661	36.661	0	36.661	37.412
2.9.	Payable amounts for sales services	462.671	0	462.671	1.112	0	1.112	408.904
2.10.	Various other payable amount	49.602	0	49.602	153	0	153	52.835
	<b>Total</b>	<b>18.376.411</b>	<b>119.099</b>	<b>18.495.510</b>	<b>596.160</b>	<b>0</b>	<b>596.160</b>	<b>18.965.318</b>

#### Guarantee debts of Linas, LLC enterprise group

Run. No.		Debts guaranteed by	
		Government	Group of enterprises by mortgaged assets
1.	<b>Financial debts:</b>	<b>0</b>	<b>9.491.112</b>
1.1.	Leasing (financial lease) or similar obligations		0
1.2.	For credit institution		9.491.112
1.3.	Other financial debts		0
2.	<b>Other debts</b>	<b>0</b>	<b>0</b>

#### 4.20. SITUATION OF DEBTS FOR CREDIT INSTITUTIONS

Run. No.	Debts for credit institutions	GROUP			COMPANY				
		At the end of the financial year*			At the end of financial		At the end of the last financial year		
		Amount of loan currency	Amount of loan in LTL	Date of loan return	Amount of loan currency	Amount of loan in LTL	Amount of loan currency	Amount of loan in LTL	Date of loan return
1.	Enterprise debts for credit institutions, payable in LTL		0Lt			0Lt		0Lt	
2.	Enterprise debts for credit institutions, payable in EUR								
2.1.		580.000 EUR	2.002.624 Lt	30.05.2006	0 EUR	0Lt	482.783 EUR	1.666.953 Lt	31.12.2005
2.2.		1.465.416 EUR	5.059.788 Lt	20.06.2006	0 EUR	0Lt	1.465.416 EUR	5.059.788 Lt	20.06.2006
2.3.		703.400 EUR	2.428.700 Lt	20.06.2006	0 EUR	0Lt	703.400 EUR	2.428.700 Lt	20.06.2006
							1.000.000 EUR	3.452.800 Lt	04.05.2005
	<b>Total</b>	<b>2.748.816 EUR</b>	<b>9.491.112 Lt</b>		<b>0 EUR</b>	<b>0Lt</b>	<b>3.651.599 EUR</b>	<b>12 608 241Lt</b>	

\* for loans granted by Vilniaus bankas, SEB, LLC mortgaged assets:

1. Linas Nordic, LLC reserve and equipment, the market value whereof according to mortgaged papers is LTL 20.090.000
2. Nordic investicija, LLC owned real estate, the value whereof according to hypothecary papers is LTL 12.660.000

#### 4.21. ACCUMULATIONS OF LEAVES

(LTL)

Run. No.	Indicators	GROUP	COMPANY	
		Financial year	Financial year	Last financial year
1.	<b>Remain of accumulative leaves at the beginning of the year</b>	<b>1.027.035</b>	<b>1.027.035</b>	<b>954.206</b>
1.1.	Accumulative leaves at the beginning of the year	783.996	783.996	728.401
1.2.	Social insurance of accumulative leaves at the beginning of the year	243.039	243.039	225.805
2.	<b>Accumulative amount transfered from Linas, LLC (textil products production business amd real estate business constituents)</b>	<b>(332.338)</b>	<b>(332.338)</b>	
2.1.	Accumulative leaves amount transfered from Linas, LLC- textile products production business constituent	(250.271)	(250.271)	
2.2.	Social insurance of accumulative leaves amount transfered from Linas, LLC- textile products production business constituent	(77.584)	(77.584)	
2.3.	Accumulative leaves amount transfered from Linas, LLC- real estate business constituent	(3.422)	(3.422)	
2.4.	Social insurance of accumulative leaves amount transfered from Linas, LLC- real estate business constituent	(1.061)	(1.061)	
3.	<b>Accumulated leaves transfered to Linas Nordic, LLC (textile products production business constituent)</b>	<b>327.855</b>		
3.1.	Accumulated leaves amount transfered to Linas Nordic, LLC	250.271		
3.2.	Social insurance from accumulated leaves amount transfered to Linas Nordic, LLC	77.584		
4.	<b>Accumulated leaves within a year (loans with social insurance directed to expenses)</b>	<b>2.475.361</b>	<b>1.611.318</b>	<b>2.748.541</b>
3.1.	Accumulated loans	1.889.589	1.230.014	2.098.123
3.2.	Accumulated loans from social insurance	585.772	381.304	650.418
5.	<b>Accumulated loans amount covered by accumulated loans (within a financial year for employees practically counted loans with social insurance)</b>	<b>(2.460.686)</b>	<b>(2.305.603)</b>	<b>(2.675.712)</b>
5.1.	Leaves expenses covered by accumulated leaves	(1.878.386)	(1.760.002)	(2.042.528)
5.2.	Leaves with social insurance expenses covered by accumulated leaves	(582.300)	(545.601)	(633.184)
6.	<b>Remain of accumulative leaves at the end of the year</b>	<b>1.037.227</b>	<b>412</b>	<b>1.027.035</b>
6.1.	Accumulated leaves at the end of the year	791.777	315	783.996
6.2.	Social insurance from accumulated leaves at the end of the year	245.450	97	243.039
7.	<b>Change of accumulated leave remain within a year (6 - 1)</b>	<b>10.192</b>	<b>(1.026.623)</b>	<b>72.829</b>
7.1.	Change of accumulated leave remain	7.781	(783.681)	55.595
7.2.	Change of social insurance from accumulated leave remain	2.411	(242.942)	17.234

## 4.22. TYPICAL ACTIVITY

### 4.22.1. TYPICAL ACTIVITY OF GROUP OF ENTERPRISES

(textile products production activity: Linas, LLC - until 08.31.2005; Linas Nordic, LLC - since 09.01.2005)

#### Information about segments of textile products production business

(LTL)

Indicators	Book Acc. No.	Segments (production, goods, types of activity)										All enterprises	
		Fabric		Sewn products		Yarns		Noils		Production services			
		2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.
Income	50	35.643.818	46.694.937	36.591.390	26.184.947	524.823	655.155	55.624	267.563	474.369	435.523	73.290.024	74.238.125
Expenses	60	29.164.240	35.051.784	21.482.034	15.325.905	377.394	584.847	57.260	288.700	343.323	314.619	51.424.251	51.565.855
Gross profit (losses)	50-60	6.479.578	11.643.153	15.109.356	10.859.042	147.429	70.308	(1.636)	(21.137)	131.046	120.904	21.865.773	22.672.270
Expenditure on activity	61											18.434.044	14.613.412
Profit (losses) of typical activity	50-60-61	6.479.578	11.643.153	15.109.356	10.859.042	147.429	70.308	(1.636)	(21.137)	131.046	120.904	3.431.729	8.058.858

#### Information about segments of textile products production business

(LTL)

Indicators	Book Acc. No.	Segments (regions)										All enterprises	
		Skandinavian countries		European countries		USA		Lithuania		Other countries			
		2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.
Income	50	36.635.939	29.091.947	24.828.092	29.879.037	2.423.232	6.782.837	4.544.479	5.635.736	4.858.282	2.848.568	73.290.024	74.238.125
Expenses	60	22.502.330	17.719.662	18.569.532	22.511.044	1.865.203	4.362.506	4.393.934	4.905.954	4.093.252	2.066.689	51.424.251	51.565.855
Gross profit (losses)	50-60	14.133.609	11.372.285	6.258.560	7.367.993	558.029	2.420.331	150.545	729.782	765.030	781.879	21.865.773	22.672.270
Expenditure on activity	61											18.434.044	14.613.412
Profit (losses) of typical activity	50-60-61	14.133.609	11.372.285	6.258.560	7.367.993	558.029	2.420.331	150.545	729.782	765.030	781.879	3.431.729	8.058.858

#### 4.22.2. TYPICAL ACTIVITY OF COMPANY

(textile products production activity has been transferred since 09.01.2005 to Linas Nordic, LLC)

##### Information about segments of textile products production business

(LTL)

Indicators	Book Acc. No.	Segments (production, goods, types of activity)										All enterprises	
		Fabric		Sewn products		Yarns		Noils		Production services			
		2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.
Income	50	22.277.517	46.694.937	22.521.752	26.184.947	351.704	655.155	55.243	267.563	363.890	435.523	45.570.106	74.238.125
Expenses	60	18.109.973	35.051.784	13.065.080	15.325.905	248.135	584.847	56.961	288.700	269.717	314.619	31.749.866	51.565.855
Gross profit (losses)	50-60	4.167.544	11.643.153	9.456.672	10.859.042	103.569	70.308	(1.718)	(21.137)	94.173	120.904	13.820.240	22.672.270
Expenditure on activity	61											11.381.524	14.613.412
Profit (losses) of typical activity	50-60-61	4.167.544	11.643.153	9.456.672	10.859.042	103.569	70.308	(1.718)	(21.137)	94.173	120.904	2.438.716	8.058.858

##### Information about segments of textile products of geographical production business

(LTL)

Indicators	Book Acc. No.	Segments (regions)										All enterprises	
		Scandinavian countries		European countries		USA		Lithuania		Other countries			
		2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.	2005 y.	2004 y.
Income	50	22.492.751	29.091.947	16.733.282	29.879.037	1.427.578	6.782.837	3.224.231	5.635.736	1.692.264	2.848.568	45.570.106	74.238.125
Expenses	60	13.728.208	17.719.662	12.644.178	22.511.044	1.023.846	4.362.506	2.939.200	4.905.954	1.414.434	2.066.689	31.749.866	51.565.855
Gross profit (losses)	50-60	8.764.543	11.372.285	4.089.104	7.367.993	403.732	2.420.331	285.031	729.782	277.830	781.879	13.820.240	22.672.270
Expenditure on activity	61											11.381.524	14.613.412
Profit (losses) of typical activity	50-60-61	8.764.543	11.372.285	4.089.104	7.367.993	403.732	2.420.331	285.031	729.782	277.830	781.879	2.438.716	8.058.858

#### 4.23. EXPENSES OF ACTIVITY

(LTL)

Run. No.	Indicators	GROUP	COMPANY	
		Financial year	Financial year	Last financial year
<b>1</b>	<b>Expenses of sales</b>	<b>7.637.411</b>	<b>4.653.499</b>	<b>6.415.835</b>
1.1	Expenses of commissions	3.528.094	2.165.479	2.850.341
1.2	Expenses of transporting of sold production	950.574	553.695	987.336
1.3	Expenses of production advertising and fair	407.712	182.710	616.612
1.4	Expenses of sales number employees wage and other with employees related relations	902.858	575.478	772.627
1.5	Expenses of production packing materials	1.289.861	821.261	1.017.765
1.6	Expenses of production storage premises rent	61.676	0	0
1.7	Other sales expenses	496.636	354.876	171.154
<b>2</b>	<b>General and administration expenses</b>	<b>10.796.633</b>	<b>6.728.025</b>	<b>9.341.830</b>
	Expenses related with employees wage and other with employees related	5.747.768	3.299.860	4.953.395
2.1				
2.2	Rent, exploitation and repairing expenses	1.718.903	990.337	1.418.793
2.3	Expenses of security services	325.566	217.044	325.110
2.4	Expenses of deterioration and amortization of non-current asset	491.641	384.455	665.009
2.5	Expenses of info technologies	308.046	205.345	128.267
2.6	Connection expenses	207.716	134.452	198.072
2.7	Expenses of bank services	148.228	115.680	163.930
2.8	Legal services expenses	207.368	180.820	171.033
2.9	Expenses of support provided	161.763	159.541	81.869
2.10	Expenses of social guarantees, stated in collective agreement	122.372	86.808	107.456
2.11	Representation expenses	126.844	89.166	127.327
2.12	Various other general and administration expenses	736.091	448.197	506.315
2.13	Expenses of activity tax	430.909	399.128	624.475
2.14	Uncertain debts expenses	63.418	17.192	(129.221)
<b>3</b>	<b>TOTAL EXPENSES OF ACTIVITY</b>	<b>18.434.044</b>	<b>11.381.524</b>	<b>15.757.665</b>

#### 4.24. OTHER (NON TYPICAL) ACTIVITY

(LTL)

Run. No.	Indicators	GROUP	COMPANY	
		Financial year	Financial year	Last financial year
<b>1.</b>	<b>INCOME OF OTHER ACTIVITY - TOTAL</b>	<b>381.814</b>	<b>317.752</b>	<b>413.200</b>
	Specification of significant amount:			
1.1.	profit of non-current asset transferring	20.282	17.650	13.120
1.2.	Income of various storages selling	274.560	223.964	198.634
1.3.	Income of rent	79.008	72.202	103.505
1.4.	Income of accounting and personnel hire services	3.231		
1.5.	Various other non-typical activity income	4.733	3.936	97.941
<b>2.</b>	<b>EXPENSES OF OTHER ACTIVITY - TOTAL</b>	<b>563.961</b>	<b>540.621</b>	<b>6.468.638</b>
	Specification of significant amount:			
2.1.	Loss of non-current asset transferring	229.452	229.137	5.971.228
2.2.	Net cost of sold various storages	122.499	112.162	115.610
2.3.	Net cost of rent	204.468	191.780	363.248
2.4.	Various other non-typical activity expenses	7.542	7.542	18.552
<b>3.</b>	<b>RESULT OF OTHER ACTIVITY (1-2)</b>	<b>(182.147)</b>	<b>(222.869)</b>	<b>(6.055.438)</b>

Loss of non-current asset transferring of the company in 2004 year\*

LTL 5.937.398 - loss of selling workshop finish current construction.

#### 4.25. FINANCIAL AND INVESTMENT ACTIVITY

(LTL)

Run. No.	Indicators	GROUP	COMPANY	
		Financial year	Financial year	Last financial year
<b>1.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITY INCOME - TOTAL</b>	<b>1.042.860</b>	<b>1.104.986</b>	<b>172.192</b>
	Specification of significant amount:			
1.1.	Positive result of changes of currency exchange	16.940	42.878	0
1.2.	Income of bank interests	1.276	1.018	30.095
1.3.	Income of other interests	403.902	441.315	142.075
1.4.	Profit of investment transferring	238.100	238.100	0
1.5.	Income of other financial-investment activity	382.642	381.675	22
<b>2.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITY EXPENSE - TOTAL</b>	<b>632.422</b>	<b>443.117</b>	<b>747.988</b>
	Specification of significant amount:			
2.1.	Expenses of interests	563.691	389.440	667.065
2.2.	Fines and delay fees	840	840	252
2.3.	Positive result of changes of currency exchange	0	0	57.672
2.4.	Loss of investment transferring	34.258	34.258	13.576
2.5.	Expenses of investment value decrease	0	0	9.391
2.6.	Expense of other financial-investment activity	33.633	18.579	32
<b>3.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITY RESULT (1-2)</b>	<b>410.438</b>	<b>661.869</b>	<b>(575.796)</b>



#### 4.26. FINANCIAL CONNECTIONS WITH MANAGERS AND OTHER RELATED PERSONS

(LTL)

Run. No.	Indicators	GROUP		COMPANY			
		Financial year	Remain at the end of financial year	Financial year	Remain at the end of financial year	Last financial year	Remain at the end of last financial year
<b>A.</b>	<b>Amount, related with industrial relations, calculated within a year:</b>	<b>1.034.882</b>	<b>199.632</b>	<b>745.354</b>	<b>1.715</b>	<b>980.307</b>	<b>74.345</b>
1.	For managers	1.007.065	191.330	734.269	1.715	928.075	70.195
2.	For other related persons	27.817	8.302	11.085	0	52.232	4.150
<b>B.</b>	<b>Loans granted by Group (Company):</b>	<b>6.935.159</b>	<b>9.097.385</b>	<b>12.247.159</b>	<b>14.007.385</b>	<b>6.021.617</b>	<b>2.589.394</b>
1.	For managers	310.000	10.833	310.000	10.833	0	17.000
2.	For other related persons	6.625.159	9.086.552	11.937.159	13.996.552	6.021.617	2.572.394
<b>C.</b>	<b>Receivable loans:</b>	<b>40.000</b>	<b>0</b>	<b>40.000</b>	<b>0</b>	<b>242.041</b>	<b>116.987</b>
1.	From managers	40.000	0	40.000	0	242.041	116.987
2.	From other related persons	0	0	0	0	0	0
<b>D.</b>	<b>Gratuitously transfered asset and gifts:</b>	<b>0</b>	<b>X</b>	<b>0</b>	<b>X</b>	<b>74</b>	<b>X</b>
1.	For managers	0		0		64	
2.	For other related persons	0		0		10	
<b>E.</b>	<b>Various guarantees provided by name of Group (Company):</b>	<b>0</b>	<b>634.186</b>	<b>0</b>	<b>634.186</b>	<b>0</b>	<b>957.974</b>
1.	For managers	0	634.186	0	634.186	0	957.974
2.	For other related persons	0	0	0	0	0	0
<b>F.</b>	<b>Other significant amount, calculated within a year (obligations of Group (Company) to related persons):</b>	<b>1.390.136</b>	<b>650.484</b>	<b>501.976</b>	<b>322</b>	<b>244.283</b>	<b>15.088</b>
1.	For managers	215.387	0	215.387		74.000	7.300
2.	For other related persons	1.174.749	650.484	286.589	322	170.283	7.788
<b>G.</b>	<b>Other significant obligations for Group (Company):</b>	<b>2.152.571</b>	<b>299.597</b>	<b>4.619.496</b>	<b>2.003.256</b>	<b>135.272</b>	<b>141.141</b>
1.	Of managers	0	21.743	0	10.833		
2.	Of other related persons	2.152.571	277.854	4.619.496	1.992.423	135.272	141.141
<b>H.</b>	<b>Sold asset:</b>	<b>14.971.000</b>	<b>X</b>	<b>15.046.438</b>	<b>X</b>	<b>355.000</b>	<b>X</b>
1.	For managers	0	0	0	0	5.000	
2.	For other related persons	14.971.000	11.871.000	15.046.438	11.871.000	350.000	
	<b>Average number of managers within a year</b>			<b>8</b>	<b>X</b>	<b>8</b>	<b>X</b>

## 4.27. PROFIT TAX OF LINAS, LLC

### 4.27.1. Specification of profit tax

(LTL)

Run. No.	Expenses of profit tax	Financial year	Last financial year
1.	<b>Payable profit tax (overpay of profit tax) at the end of financial year</b>	<b>272.509</b>	<b>(184.103)</b>
1.1.	Reporting year profit tax according to Profit tax declaration	525.250	268.475
1.2.	Corrections of profit tax of last year in perspective way	(3.649)	0
1.3.	Corrections of profit tax of last year in retrospective way	139.807	0
1.4.	Profit tax paid in advance	(388.899)	(452.578)
2.	<b>Expenses (incomes) of delayed taxes</b>	<b>(45.673)</b>	<b>0</b>
2.1.	Expenses (incomes) of delayed taxes, determined by appearance and (or) disappearance of temporary differences	(45.673)	
2.2.	Expenses of delayed taxes, determined by change of rate of profit tax	0	
3.	<b>Expenses of profit tax, stated in profit (loss) report</b>	<b>475.928</b>	<b>268.475</b>

### 4.27.2. Recalculation of expenses of profit taxes, according to regular and

(LTL)

Run. No.	Expenses of profit tax	Financial year	Last financial year
1.	<b>Accountable profit (loss) before taxing (according to profit (loss) report)</b>	<b>2.877.717</b>	<b>283.371</b>
2.	<b>Profit tax before correction cause of regular and temporary differences</b>	<b>431.658</b>	<b>42.506</b>
3.	<b>Correction of expenses of profit tax</b>	<b>44.270</b>	<b>225.969</b>
3.1.	Correction of profit tax expenses cause of regular differences	105.050	
3.2.	Correction of profit tax expenses cause of temporary differences	(57.131)	
3.4.	Correction of profit tax of last period in perspective way	(3.649)	2.874
4.	<b>Expenses of profit tax, stated in profit (loss) report</b>	<b>475.928</b>	<b>268.475</b>
5.	Correction of profit tax of last financial year in retrospective way		105.937
6.	<b>Expense of profit tax</b>		<b>374.412</b>

#### 4.28. EXTENDED PROFIT TAX

(LTL)

Run. No.	Reasons of originated extended tax	GROUP		COMPANY			
		Financial year		Financial year		Last financial year	
		Balance	Perofit (losses) report	Balance	Perofit (losses) report	Balance	Perofit (losses) report
1.	Obligation of extended tax at the beginning of financial year	0		0		0	
2.	Asset of extended tax at the beginning of financial year	0		0		0	
3.	Changes of obligations of extended tax (increase +, decrease -)	203.063		0		0	
3.1.	due to investment deduction (II investment way)	203.063					
3.2.	due to other reasons						
4.	Changes of asset of extended tax (increase +, decrease -)	116.723		45.673		0	
4.1.	due to social insurance from accumulative leaves amount unacknowledgment (acknowledgment) permitted deduction	25.180		15			
4.2.	due to social insurance from accumulative variable wage part unacknowledgment (acknowledgment) permitted deduction	45.885					
4.3.	due to uncertain debts unacknowledgment (acknowledgment) permitted deduction	45.658		45.658			
4.4.	for other reasons						
5.	Expenses (incomes) of extended tax		86.340		(45.673)		0
5.1.	Expenses (income) due to changes of obligations of profit tax		203.063		0		0
5.2.	Expenses (income) due to changes of asset of profit tax		(116.723)		(45.673)		0
6.	Obligation of extended tax at the end of financial year	203.063		0		0	
7.	Asset of extended tax at the end of financial year	116.723		45.673		0	

#### 4.29. INFORMATION CONCERNING ERROR CORRECTION ON LINAS LLC

(LTL)

Run. No.	Name of the corrected article of financial accountability and error description	Note No.	Error amount	Amount before	Amount after correction
1.	<b>Payable income tax</b> (obligations of income tax)		<b>139.807</b>	<b>132.702</b>	<b>272.509</b>
1.1.	Revision of declaration of IT of 2002 and recalculation of payable income tax		155.376		
1.2.	Revision of declaration of IT of 2003 and recalculation of payable income tax		(121.506)		
1.3.	Revision of declaration of IT of 2004 and recalculation of payable income tax		105.937		
2.	<b>Expenditures of income tax</b> (retrospective discovery)	3.3.	<b>139.807</b>	<b>0</b>	<b>139.807</b>
2.1.	Revision of IT declarations for the periods earlier than compared one and recalculation of payable income tax		33.870		
2.2.	Revision of IT declaration of the compared period - year 2004 - and recalculation of payable income tax		105.937		

#### 4.30. RIGHTS AND OBLIGATIONS, NOT STATED IN THE BALANCE SHEET

(LTL)

Run. No.	Indicators	Note No.	GROUP	COMPANY	
			Financial year	Financial year	Previous financial year
1	The value of deposit for the loans granted by bank		20.090.000	0	36.750.000
2	Guarantee granted as real estate		0	0	5.718.000
3	Sponson		3.134.186	3.134.186	3.457.974
4	Confirmed notes in circulation		0	0	0
5	The asset of the third parties in the enterprise		958.792	0	954.000
6	Assets of the third parties, deposited for the enterprise by the third parties (value as agreed by the parties)				1.850.000

#### Remarks:

1. It was sponsored for Vilniaus bank on 06-03-2004for the credit granted for Savoja LLC. Amount sponsored- LTL 2.500.000, the end of sponsorship period 06-03-2006.
2. It has been sponsored for the credits granted to the natural persons LTL 634.186.

## COMPANY'S 2005 ACTIVITY REPORT

### I. OVERVIEW OF THE ACTIVITY

As of 1 January, 2005, AB Linas Group of companies consisted of the holding company AB Linas and its three secondary companies, i.e. UAB Lino gamybinė grupė, UAB Lino investicinis fondas, and UAB Domus Palanga. The Group of companies underwent some reorganisation in 2005. As of 31 December, 2005, the Group consisted of AB Linas, and its daughter company UAB Linas Nordic.

In 2005, the Board held 16 meetings. The board meetings dealt with such issues as production of textiles, real estate business, strategy, management, organisation of work processes and payments, investing, marketing, and other issues, as well as the results of business and financial activity. The board also focused on macro-economy, development of linen industry, promotion of favourable conditions for business in Lithuania, development of textile industry, and the outlook of real estate business. The proceedings of the Lithuanian Apparel and Textile Industry Association, Panevėžys Trade and Industry Chamber, Panevėžys Entrepreneurs Association, and the European Flax and Hemp Confederation were attended.

The extraordinary meeting of shareholders taking place on 14 January, 2005, authorised the board to make decisions regarding passing of the part of the Company's business, namely that related to real estate transactions, and the part of the business related to production of textile goods, each part from the organisational point of view constituting a stand-alone business entity (including the Company's long-term assets with a balance sheet value exceeding 1/20 of the authorised capital), to its daughter companies, i.e. UAB Lino investicinis fondas (Linas Investment Fund), corporate identification 3000 31867, headquartered at S.Kerbedžio Street 23, Panevėžys, and UAB Lino gamybinė grupė (Linas Manufacturing Group), corporate identification 4853232, headquartered at S.Kerbedžio Street 23, Panevėžys, in exchange of the shares of the said companies. In line with the decision of AB Linas, as sole shareholder, on 17 May, 2005, the name of UAB Lino gamybinė grupė was replaced with the name of UAB Linas Nordic, and the name of UAB Lino investicinis fondas, on 24 October, 2005, was replaced with the name of UAB Nordic investicija. On the basis of the decisions adopted by the holding company's shareholders and the Board of the Company, the business of manufacturing textile goods, representing a stand-alone business entity from organisational point of view, was passed by AB Linas since 1 September, 2005, to its daughter company UAB Linas Nordic in exchange for newly emitted shares. The real estate business, representing a stand-alone entity from the organisational point of view, was similarly passed by AB Linas to its daughter company UAB Nordic investicija, in exchange for newly emitted shares.

As a decision was adopted to focus on sole business, i.e. textile manufacturing, 100 per cent of the shareholding of UAB Nordic investicija was sold for a market price of 12,7 million Litas on 29 November, 2005, and 100 per cent of the shareholding of UAB Domus Palanga was similarly sold on 1 December, 2005, for a market price of 2,6 million Litas.

Having completed the reorganisation, AB Linas is in charge of management of the financial assets (shares and loans), intends undertaking financial projects, providing consultancy on the issues of financial undertakings and management, while the daughter company is engaged in manufacturing textile goods and related activities.

As of 31 08 2005, the principal business of AB Linas was manufacturing of textile products, which was transferred to daughter company UAB Linas Nordic, as of 01 09 2005. The text below will deal with the joint activity of the companies (further – Group of companies) in 2005. Within the said year, in line with the intended engineering, technological, and organisational renovation of manufacturing of textile articles, as provided for in the strategy provisions, a number of measures was implemented for a total value of 1.9 million Litas. The pressing rollers of the tensioning assemblies of spinning machines were replaced, major overhaul of yarn bleaching machine performed, weft accumulation implements installed, an upgrade to the weaving machines performed, a dimensioning doubling machine acquired, as well as a number of stitching and other

equipment units. To improve the quality of products, a number of pilot tests was performed in cooperation with the experts from renowned international companies.

The Group's companies have supplied:

<i>Item description</i>	<i>Unit of measure.</i>	<i>2005</i>	<i>2004</i>	<i>Change</i>
Yarn	Thousand tons	1333	1614	-281
Raw fabric	Thousand meters	5370	6055	-685
Finished fabric	Thousand meters	5542	6206	-664

The range of linen and noil fabrics constituted as much as 75.2 per cent of the total volume of fabric production (73.1 per cent in 2004). Production of stichware consumed 37.6 per cent of the total production of fabric in 2005 (in 2004 – 24 per cent). Selection of fabric for exports constituted 94.7 per cent.

In 2005, a total of 577 new patterns and compositions of fabric was developed, as well as 57 authored works and 137 designs for collection articles.

The volume of sales of production and services of AB Linas group of companies in 2005 was 73.4 million Lit. Comparing to the most believable forecast, the sale income over the similar period dropped by 0.9 per cent. Comparing to 2004, the volume of sales dropped by 1.1 per cent. The main flow of income generated by the Group came from the production of textiles. Consequently, 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. The imports of linen yarn 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. On the other hand, the price per unit dropped by 5 per cent. The volume of linen fabric 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.

The Group's companies earned 3.4 million Lit. in profit of usual business. The profit before tax was 3.7 million Lit. According to forecast, the said period should have yielded 3.5 million Lit. of profit before tax. The profit before interest, profit tax, depreciation, and amortisation (EBITDA) was 7.2 million Lit., and EBITDA margin was 10 per cent (in 2004, AB Linas had an EBITDA margin of 12.5 per cent).

The volume of exports in 2005 was 68.8 million Lit. equalling 93.8 per cent of the total product sales. The breakdown of the sales by country is as follows: Sweden – 48.2 per cent, Italy – 7.8 per cent, Estonia – 4.3 per cent, Morocco – 3.5 per cent, USA – 3.2 per cent, Lithuania – 6.2 per cent, other countries – 26.8 per cent. The total number of countries where sales took place is 28.

The Company has attended 9 major specialist trade fairs in Germany, France, Italy, Japan, Latvia, Russia, and Lithuania.

As of 31 12 2005, the Company had 1633 persons on its payroll list, in average. The average number of staff dropped by 2.3 per cent over a year. Remuneration for the employees has been paid in accordance with the approved provisions of work pay, the laws on employee safety and health protection, as well as other relevant provisions of the Government. Remunerations have been paid in time, no late payment fines have accrued over the reporting period. The actual spendings on work pay were 20 million Lit., a reduction of 5 per cent compared to 2004. Average payroll salary in 2005 was 971 Lit., and did not change compared to 2004.

The Group's companies purchased 1394 tons of long line linen fibre in 2005, of which 38 per cent came from France, 27 per cent – from Poland, 16 per cent – from Ukraine, 14 per cent – from Lithuania, 3 per cent – from Belgium, and 2 per cent – from the Netherlands. The price of the raw fibre dropped by nearly 8 per cent, compared to 2004.

The Company purchased 235 tons of cotton yarn in 2005, of which 50 per cent in Lithuania, 36 per cent in Latvia, 14 per cent in Estonia. The price per ton of cotton yarn dropped by 10 per cent, compared to 2005.

Most of the chemicals and dyes was procured from Germany, Switzerland, and Scandinavian countries. Discounts usually applied for these purchases, as well as postponed payment in 2-3 months since the receipt of the goods.

In 2005, the debt of the Group to the banks was reduced by 3.1 million Litas. Average loan interest rate dropped by 0.06 point over the previous year. As a result of consistent effort towards reduction of volume of loans and interest rates, the spendings on loans dropped by 20 per cent, compared to the same period in 2004.

The amount of taxes paid to the state budget was 5.3 million Litas in 2005, and to the Social Insurance Fund – 6.6 million Litas, a total of 11.9 million Litas. This has constituted 16.2 per cent of total sales revenues or 41 per cent of the newly created value.

AB Linas has an authorised capital stock of 24 million Litas, as of 31 12 2005. As of the said date, the following shareholders held more than 5 per cent of the shareholding: Mr Pranas Jankevičius – 41.71%, UAB Rentija - 17.29%. Other physical and corporate entities of Lithuania and foreign countries held 41 per cent of the shares as of 31 12 2005. Par value of the shares was 1 Litas. Book value per share, as of 31 12 2005, was 1.46 Litas. Average market sale price per share in 2005 was 1.26 Litas, while average market sale price per share in 2004 was 0.87 Litas.

The indicators of business outcome not shown in this overview, have been provided in other documents delivered to the shareholders' meeting, i.e. the 2005 balance sheet, the profit and loss statement, the memorandum, and the notes to the memorandum. The financial reporting has been prepared in accordance with the International Financial Reporting Standards.

## II. DAUGHTER COMPANIES

As of 31 December, 2005, AB Linas daughter company had an authorised capital of 5,999,000 Litas, consisting of 5999 registered ordinary shares of par value 1000 Litas. All the shares are owned by AB Linas. The principal business of the daughter company is manufacturing of textile products and related activities.

On 29 November, 2005, UAB Nordic Investicija sold its 12,371 registered ordinary shares, constituting 100 per cent of the authorised capital stock of the company. Par value of share was 1000 Litas.

On 4 December, 2005, UAB Domus Palanga sold its 12,100 registered ordinary shares, constituting 100 per cent of the authorised capital stock of the company. Par value of share was 100 Litas.

## III. GROUP OF COMPANIES PROJECTED ACTIVITY AND FORECAST

Three scenarios have been adopted in forecasting the activity and the outcome of the Group of companies in 2006.

Forecast:

<i>Indicator</i>	<i>Unit of measure</i>	<i>Scenario</i>		
		<i>Pessimistic</i>	<i>Realistic</i>	<i>Optimistic</i>
Income	Million Litas	68.8	73.8	77.8
Profit before tax	Million Litas	1	3.5	5.5

In 2005, up to 3.3 million Litas of own funds is to be allocated for purchases and upgrading of process equipment for the daughter company, and implementation of advanced management processes.

In 2006, linen products trade, as well as the entire flax industry will continue suffering, either directly or indirectly, the increasing supply of cheap products from China. European industry has been behind the world-wide branding and value building of linen. However, rapid

development of the Chinese supply in this field, has made linen products more widespread, thus depriving the European manufacturers of their formerly possessed added value. Constantly increasing level of work pay, shortage of skilled work force, and the growing prices on energy resources represent the factors making a significant impact on the business outcomes.

UAB Linas Nordic, to strengthen it's competitive stance internationally, and to create better value, shall have to suite it's products to individual customer requirements, cut the response times in respect of market changes, modify it's logistics and distribution framework. To achieve this, the Company has carried on collaboration with the consultants of Goldratt Consulting Ltd, i.e. a long-term, 4 year, project 'Ambitious Goal'. The project seeks to induce a growth in sales and, consequently, help the Company earn greater profits. The fundamental principles and rules of the project have been already developed and put in place, with numerous organisational and technical changes in marketing, sales, manufacturing, finance, and logistics in progress. The rearrangements, the responsibility taken by the employees for achievement of the results, as well as future's intended undertakings, are expected to help achieve the ambitious goals.

Chairman of the Board

A handwritten signature in black ink, appearing to read 'Ramūnas Lenčiauskas', written over a horizontal line.

Ramūnas Lenčiauskas