



**„LINAS“ AB**  
**INTERIM CONSOLIDATED REPORT FOR SIX**  
**MONTHS OF YEAR 2014**



## **Linas AB**

**Company code 147689083**  
**S. Kerbedžio 23, Panevezys**

August 28, 2014

### **CONFIRMATION BY THE RESPONSIBLE PERSONS**

Following Art.22 of the Law on Securities of the Republic of Lithuania and the Regulations for Drawing-up and Submission of the Periodic and the Additional Information issued by the Board of Lithuanian Bank, we, Ramunas Lenciauskas, Director of Linas AB, and Daiva Minkeviciene, chief accountant – chief of section of accounting and analysis of Linas AB, hereby confirm that to our best knowledge interim consolidated six months financial statements of year 2014 of Linas AB Group of companies were drawn following the International Financial Reporting Standards adopted for use in the European Union, and present the fair and accurate status of the consolidated assets, liabilities, financial condition and profit or loss and money flows of the Linas AB Group of companies, and that the review of activities and business development and the condition of Linas AB Group of companies together with the description of the principle risks and uncertainties it faces has been described correctly in the interim consolidated six months report of year 2014 of Linas AB. Interim consolidated financial statements were not audited, consolidated interim report was not evaluated by the auditors.

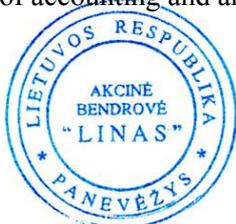
Director of Linas AB



A handwritten signature in blue ink, appearing to read "Lenciauskas".

Ramunas Lenciauskas

Chief accountant – chief of section  
of accounting and analysis of Linas AB



A handwritten signature in blue ink, appearing to read "Minkeviciene".

Daiva Minkeviciene

## INDEX

<i>1. Accounting period for which the report is prepared.....</i>	<i>4</i>
<i>2. Companies comprising the Company Group and their contact data.....</i>	<i>4</i>
<i>3. Principal nature of activity .....</i>	<i>4</i>
<i>4. Contracts with intermediaries of public trading securities.....</i>	<i>4</i>
<i>5. Data on trading in securities of the Company in regulated markets .....</i>	<i>4</i>
<i>6. Fair review of entity's position, performance and development of the entity's business, description of the principal risks and uncertainties that it faces .....</i>	<i>5</i>
<i>7. Information about the activity results of the Group .....</i>	<i>5</i>
<i>8. Main events of the accounting period .....</i>	<i>6</i>
<i>9. References and additional explanatory notes regarding the date provided in the consolidated financial statements .....</i>	<i>6</i>
<i>10. Operating plans and forecasts of the Company Group .....</i>	<i>6</i>
<i>11. Information about research and development activities of the Company Group.....</i>	<i>6</i>
<i>12. Information about financial risk management objectives, its measures for hedging major types of forecasted transactions for which hedge accounting is used, and the Company Group's exposure to the cope of price risk, credit risk, liquidity risk and cash flow risk where the Company Group uses financial instruments and where this is of importance for the evaluation of the Group's assets, equity capital, liabilities, financial position and performance results.....</i>	<i>6</i>
<i>13. Information about branches and representative offices of the Company.....</i>	<i>6</i>
<i>14. Company's structure of authorised capital and encumbrances for transfer/disposal of said securities .....</i>	<i>6</i>
<i>15. Information about the own shares acquired and held by the Company and the Group and the same acquired and transferred during the reporting period .....</i>	<i>7</i>
<i>16. Shareholders.....</i>	<i>7</i>
<i>17. Employees.....</i>	<i>7</i>
<i>18. Procedure for amendment of the Articles of association of the Company .....</i>	<i>8</i>
<i>19. Management bodies of the Company .....</i>	<i>8</i>
<i>20. Data about the Board and Audit committee members and administration of the Company. 11</i>	
<i>21. All material agreements to which the Company is a party and which would come into effect, be amended or terminated in case of change in the Company's control, also their impact except the cases where the disclosure of the nature of the agreements would cause significant damage to the Company.....</i>	<i>12</i>
<i>22. All agreements of the Company and the members of its management bodies or the employee agreements providing for a compensation in case of the resignation or in case they are dismissed without due reason or their employment is terminated in view of the change of control of the Company.....</i>	<i>12</i>
<i>23. Information on the significant transactions between related parties.....</i>	<i>12</i>
<i>24. Information about companies' compliance to management codex .....</i>	<i>13</i>
<i>25. Data about publicly disclosed information.....</i>	<i>13</i>

### **1. Accounting period for which the report is prepared**

„Linus“ AB interim consolidated six months report is prepared for January-June months of year 2014.

### **2. Companies comprising the Company Group and their contact data**

#### **Principal Company data**

Name	AB „Linus“ (hereinafter the Company)
Authorised (share) capital	24 038 990 Lt
Domicile address	S. Kerbedzio g. 23, LT-35114 Panevezys
Telephone	(8-45) 506100
Fax	(8-45) 506345
E-mail address	<a href="mailto:office@linas.lt">office@linas.lt</a>
Webpage	<a href="http://www.linas.lt">www.linas.lt</a>
Legal-organisational form	Public Limited Liability Company
Date and place of registration	08-03-1993, Company Register/ City of Panevezys
Company registration number	AB 9329
Date and place of re-registration	September 9, 2004, Register of Legal Persons, Registration Certificate No. 003429.
Company code	1476 89083
VAT code	LT476890811

#### **Principal subsidiary data**

Name	UAB „Lino apdaila“
Authorised (share) capital	10 000 Lt
Domicile address	S. Kerbedzio g. 23, LT-35114 Panevezys
Telephone	(8-45) 506111
Fax	(8-45) 506346
E-mail address	<a href="mailto:office@linas.lt">office@linas.lt</a>
Legal –organisational form	Private Limited Liability Company
Date and place of registration	May 23, 2008 Register of Legal Persons, Registration Certificate No. 114552
Company code	3017 33421
VAT code	LT100004113316

### **3. Principal nature of activity**

Principal nature of activity is production of textile products and sales.

On June 30, 2014 the Group of companies was comprised of AB “Linus” and its subsidiary company UAB “Lino apdaila”. AB “Linus” holds 100% shares of the subsidiary company. The activity of AB “Linus” is sales of linen textile items; other activity of AB “Linus” - management of financial asset (shares and granted loans), supply of thermal energy. The activity of the textile products production is carried out at the subsidiary company UAB „Lino apdaila”.

### **4. Contracts with intermediaries of public trading securities**

On December 4, 2003 AB “Linus” has signed the service contract with AB SEB Bank (company code 112021238, Gedimino avenue.12, Vilnius) regarding the management of company’s stock accounting.

### **5. Data on trading in securities of the Company in regulated markets**

The total of 24 038 990 ordinary registered shares (ISIN code LT0000100661) the total nominal value of which is 24 038 990 Litass are included into the current sales list of NASDAQ OMX Vilnius.

**6. Fair review of entity's position, performance and development of the entity's business, description of the principal risks and uncertainties that it faces**

Risk factors related to the activities of the issuer:

Credit:

- Customers' solvency.

The Group is trying to manage credit risk influence with the insurance of her customers, applying safe payments forms, asking for property guarantees or sponson of third parties.

Economic and political:

- Increase in supply of Asian and Russian textile products and dumping.
- Cyclicity of demand for linen products.
- Seasonality: les demand in winter.
- Rise of prices for energy resources.
- Rise of prices for raw materials.
- Passive policy of the Lithuanian state in regard of foreign investment and local exporters.

The Group is developing and improving marketing and production spheres, reacting to customers needs, searching for new markets, assortment possibilities, taking place in the projects witch are supplied by Lithuanian Republic or European Union.

Technical-technological:

- Quite significant part of the technological equipment are old and wear-tear, requiring huge investment in to their repair and maintenance;
- Lack of modern technological equipment for performance of modern and progressive processing/finishing of fabrics.

The Group is investing into the obtaining of progressive equipment, renewing of old equipment and proper maintenance in order to increase production efficiency and productivity.

**7. Information about the activity results of the Group**

During the I<sup>st</sup> half of year 2014 AB "Linas" Company Group sold products and services for 20,44 million Lit. Compared to the results of the I<sup>st</sup> half of year 2013 the incomes of sales decreased 0,57 million Lit. or 2,72 %.

Item	Unit	I <sup>st</sup> half of year 2014	I <sup>st</sup> half of year 2013
Sales	Thousand Lt	20 444	21 016
Profit before taxes	Thousand Lt	2 208	1 244

During the I<sup>st</sup> half of year 2014 the volumes of sales and production of the Group compared to the last year the same period has remained stable because of the stability of textile items in foreign markets after the global economic crisis.

EBITDA of Ist half of year 2014 was 2,55 mln. Lt when EBITDA of January-June of year 2013 EBITDA was 1,62 mln. Lt.

More information about the activity and financial results of I<sup>st</sup> half of year 2014 of the Group is presented in the interim consolidated financial accountability of six months of year 2014 of AB "Linas".

### **8. Main events of the accounting period**

According to the decision of Shareholders meeting of the company dated May 19, 2014, the net losses of accounting year 2 978 280 Lt are covered from the obligatory reserve – 2 403 899 Lt and from unappropriated profit - 228 547 Lt. Unappropriated losses of accounting year – 345 834 Lt - transferred to other financial year.

On May 31, 2014 Ramunas Lenciauskas, AB “Linus” Chairman of the Board, took up his duties as director of AB “Linus”. He replaced Martynas Jasinskas, the current director of AB “Linus”.

Since May 30, 2014 Martynas Jasinskas resigned from the Board of AB “Linus”.

### **9. References and additional explanatory notes regarding the date provided in the consolidated financial statements**

The financial statements have been prepared following the International Financial Accounting Standards. The data provided in the six months financial reporting statements and in the explanatory note are sufficient and comprehensive.

### **10. Operating plans and forecasts of the Company Group**

In 2014 the Group of Linus, AB plans to produce linen products to customers which put value upon combination of naturalness and modernity. Companies of the Group will vouch for reliable partnership with customers and suppliers; also will vouch for safe environment to employees as before. The main objectives of the Group are: to increase volume of sales, expanding market in foreign countries and Lithuania, and to decrease cost price of production, optimizing expenses of production, buying cheaper raw materials.

### **11. Information about research and development activities of the Company Group**

The Company Group was not carrying out activities related to research and development.

**12. Information about financial risk management objectives, its measures for hedging major types of forecasted transactions for which hedge accounting is used, and the Company Group’s exposure to the cope of price risk, credit risk, liquidity risk and cash flow risk where the Company Group uses financial instruments and where this is of importance for the evaluation of the Group’s assets, equity capital, liabilities, financial position and performance results.**

The Company Group was not using the financial instruments which are of importance for the evaluation of the Group’s assets, equity capital, financial position and performance results.

### **13. Information about branches and representative offices of the Company**

The AB „Linus“ does not have any branches or representative offices.

**14. Company’s structure of authorised capital and encumbrances for transfer/disposal of said securities**

The authorised capital registered in the company register of the Republic of Lithuania is equal to 24 038 990 Lt.

The structure of the authorised capital of the AB „Linus“ according to types of shares is as below:

Type of shares	Number of shares	Nominal value (Lt)	Total nominal value	Percentage in the authorised capital
Ordinary registered shares	24 038 990	1	24 038 990	100,00
Total:	24 038 990	-	24 038 990	100,00

All shares of the AB „Linus“ have been paid in full and they are not subject to any encumbrances for transfer/disposal of said securities.

The shares of the Company present the same property and non-property rights and liabilities according to the indications of Joint Stock Company's law.

**15. Information about the own shares acquired and held by the Company and the Group and the same acquired and transferred during the reporting period**

The Company has not acquired any of its own shares. The subsidiary has also not acquired any of the Company's shares. Neither the Company nor its subsidiary has bought or sold its own shares.

**16. Shareholders**

The total number of shareholders of AB „Linās“ were 1188 acc. to the data of May 12, 2014 - the accounting date of 2014-05-19 Repeated General Meeting of Shareholders.

The shareholders who hold or control more than 5 per cent of authorised capital of the Company acc. to the data of May 12, 2014 were:

Shareholder's name, surname, company's name, type, domicile address, code in the Register of Enterprises	Number of ordinary registered shares held on property ownership right (pcs.)	Percentage of authorised capital held	Percentage of votes granted by the shares held on property ownership right	Percentage of votes held together with the persons acting together
Roocero Associated Limited, 35 Barrack Road, Belize City, Belize, code in the Register of Enterprises 106446	5 406 533	22,49%	22,49%	22,49%
Danelika Services Limited, 3 Michael Koutsofta street, Limassol, Cyprus, code in the Register of Enterprises HE289213	4 156 585	17,29%	17,29%	17,29%
“Rivena”, UAB, P.Žadeikos g. 13-35, Vilnius, code in the Register of Enterprises 302521510	2 423 030	10,08%	10,08%	10,08%
Ramunas Lenciauskas	2 399 442	9,98%	9,98%	9,98%
Nojus Lenciauskas	2 360 000	9,82%	9,82%	9,82%

None of the shareholders of the Company have any special control rights. All shareholders have equal rights, so the number of shares of AB „Linās“ carrying votes at the general meeting of shareholders is 24 038 990.

The Company has not been notified any agreements between the shareholders due to which the transfer of securities and/or voting rights could be encumbered.

**17. Employees**

The average listed number of employees in AB „Linās“ Company Group on the 1<sup>st</sup> half of year 2014 was 314. On the 1<sup>st</sup> half of year 2013 this average was 332. During the year the average number of employees decreased by 18 or 5,42%. The number of employees has been changed over the past year for reorganization of production processes of the Group of companies.

Employees	I <sup>st</sup> half of year 2014		I <sup>st</sup> half of year 2013	
	Average conditional number of employees	Average salary/wage, Lt	Average conditional number of employees	Average salary/wage, Lt
Management personnel	13	4905	13	6161
Specialists and clerks	42	2288	41	2590
Workers	229	1442	250	1396
<b>Total</b>	<b>284</b>	<b>1722</b>	<b>304</b>	<b>1742</b>

The wages to the employees of the Group were paid observing the confirmed labour payment regulations, the Law on labour safety and health and other laws of the Republic of Lithuania and decisions by the Government. Average calculated wage in the I<sup>st</sup> half of year 2014 was 1722 Lt and compared to the I<sup>st</sup> half of year 2013 decreased by 1,15 %. (in the I<sup>st</sup> half of year 2013 - 1742 Lt).

The Collective Agreement in AB “Linas“ Group of companies indicates:

1. One-off irretrievable pay is paid:

- when employee of the company dies and the family of employee grows children (adoptee) till 18 years old, also the oldest if they are studying at secondary schools at day shift, at professional or higher schools at day shift (including the period of academic holidays), but no longer till 24 – 6 base social pays;

- when spouse of company’s employee dies and the family of employee grows children (adoptee) till 18 years old, also the oldest if they are studying at secondary schools at day shift, at professional or higher schools at day shift (including the period of academic holidays), but no longer till 24 – 6 base social pays.

2. Additional paid holidays:

- up to 3 calendar days in case of death of a family member (parents, husband, wife, child, brother, sister);

- 1 calendar day for the marriage.

3. The employees who must undergo compulsory medical examination shall be paid average wage for the time spent for such medical check-up. The employer shall also cover all the costs related to such medical checkups.

### ***18. Procedure for amendment of the Articles of association of the Company***

The Law on Companies of the Republic of Lithuania provides that the right to amend the Articles of Association shall be vested exclusively in the general meeting of shareholders. Adoption of amendment of the Articles of Association requires 2/3 majority vote of the shareholders attending the meeting.

### ***19. Management bodies of the Company***

As determined by the Articles of Association of AB “Linas” the management bodies of the Company are:

- General meeting of shareholders;
- The Board of AB “Linas”;
- Head (Director) of AB “Linas”.

The Supervisory Council shall not be formed.

General meeting of the shareholders is the highest body of the company.

Only General meeting of the shareholders has the right to:

- change the regulations of the company, except the exceptions indicated by Joint Stock Company’s law of Lithuanian Republic;
- to elect and to cancel members of the Board, audit company;
- to indicate payment conditions for audit services;
- to confirm annual financial accountability;
- to take the decision to increase the authorized capital;
- to indicate the shares class, number and nominal value of issued company’s shares and the minimal price of the emission;
- to take the decision to cancel the priority right to all shareholders to obtain company’s shares of concrete emission or convertible bonds;
- to take the decision to decrease authorized capital, except the exceptions indicated in Joint Stock Company’s law of Lithuanian Republic;
- to take the decision to issue convertible bonds;
- to take the decision to convert company’s one class shares into the other class, to confirm the order of shares convert;
- to take the decision to obtain own shares for the Company;
- to take the decision to liquidate the company, to cancel the liquidation of the company, except the cases indicated in Joint Stock Company’s law of Lithuanian Republic;
- to elect and to cancel company’s liquidator, except the cases indicated in Joint Stock Company’s law of Lithuanian Republic;
- to take the decision regarding company’s reorganization or separation and to confirm the conditions of reorganization or separation;
- to take the decision to reorganize the company;
- to take the decision to shake-up the company;
- to take the decision regarding the allotment of profit (loss);
- to take the decision regarding the reserves making, using, decreasing or cancelling.

General Meeting of shareholders can also solve other questions, which are not attributed to the competence of other company’s bodies according to Joint Stock Company’s law of Lithuanian Republic, and if they are not the function of other managing bodies.

The call order of General meeting of shareholders of the company doesn’t differ from the order indicated in Joint Stock Company’s law of Lithuanian Republic.

The Board is the collegial management body of the company. The Board is elected by General Meeting of shareholders according to the order indicated in Joint Stock Company’s law of Lithuanian Republic. If single members of the Board are elected, so they are elected only up to the end of existing Board cadence. The Board consists of 4 members for 4 years. The chief of the Board is elected by the Board from its members. The working order of the Board is indicated in the accepted work regulation of the Board.

The Board executes its functions during the period indicated in the regulations or up to time when the new Board will be elected and will start the job, but not longer General Meeting of shareholders which is held at the end of the Board’s cadence.

General Meeting of shareholders can cancel all the Board or its single members if there cadence is still not over. The member of Board can resign from his post even if the cadence is still not over and to inform the company in written not later 14 days.

The competence of the Company’s Board the procedure of it election and dismissal are not different from the same provided for in the Law on Companies of the Republic of Lithuania.

The Board shall consider and confirm:

- Activity strategy of the Company;
- Activity report of the Company;

- Organisation/management structure of the Company and list of positions;
- List of positions to which the employees are admitted following selection procedure;
- Regulations of branches and representative offices of the Company.

The Board shall elect the head of the Company and fix his salary, other terms and conditions of the employment contract with him, confirm his job description, apply motivation and disciplinary measures.

The Board shall decide on the information to be treated as commercial (production) secret of the Company.

The Board shall adopt:

- Decisions on becoming the founder or member of other legal persons;
- Decisions on establishing branches and representative offices of the Company;
- Decisions regarding the buying of long-term asset, investment, transfer, lease, mortgage and hypothec;
- Decisions regarding the sponson or guarantee of liabilities execution of other ;
- Decision to reorganise the Company in cases provided for in Law on Reorganisation of Companies;
- Other decisions attributed to the competence of the Board by the Articles of Association or by resolutions of the General meeting of shareholders;

Before investing the funds or other assets into other legal persons the Board must notify the creditors with who the Company has not settled accounts in the event the total outstanding amount to such creditors is exceeding 1/20 of the authorised capital of the Company.

The Board shall analyse and assess the materials presented by the head of the Company concerning:

- Implementation of the strategy of Company's activities;
- Organisation of company's activities;
- Financial condition of the Company;
- Results of business activities, budgets for income and expenses, data of stocktaking and other changes related to assets of the Company;
- The draft annual financial statements of the Company and the draft profit (loss) appropriation statement and present them to the General meeting of shareholders.

The competence of company's director, the order of his election or cancelation is not differ from the order indicated in Joint Stock Company's law of Lithuanian Republic.

Director of the company:

- organizes daily activity of the company, hires or fires employees, makes and terminates job contracts with them, motivates employees or signs penalties for them;
- indicates calculation normative of property deterioration of the company;
- acts in the name of the company and has the right to sign contracts autocratically;
- has to secure company's commercial (production) secrets which he knew being at this post;
- presents the questions to discuss to the Board of the company and to General Meeting of shareholders;
- represents the company at the court, in relationships with other juridical and physical persons;
- presents the authorization to other persons to execute ions which are at his competence;
- executes others functions indicated by the laws of Lithuanian Republic and law regulations.

Director of the company is responsible for:

- organization of company's activity and execution of its goals;
- preparation of annual financial accountability;

- signing the contract with audit company;
- presentation of information and documents for General Meeting of shareholders, for the Board, in the cases indicated in Joint Stock Company's law of Lithuanian Republic or according their request;
- presentation of company's documents and data to the manager of juridical persons register;
- presentation of company's documents to the Securities Commission and to Central Security Depository of Lithuania;
- public announcement of information, indicated in Joint Stock Company's law of Lithuanian Republic, in newspaper "Lietuvos rytas";
- presentation of information to shareholders;
- presentation of all necessary documents which are indicated in the contract with audit company for concrete inspection;
- others post execution indicated in Joint Stock Company's law of Lithuanian Republic and other laws and regulations, also in regulations of the company and in job description of company's manager.

According to the decision of General meeting of Shareholders dated may 12, 2009 the Audit committee is formed at AB „Linas“. Company's Audit committee consists of two members, one of which should be independent. General Meeting of shareholders elect or cancel members of Audit committee according to the offer of company's Board. The cadence period of audit committee – four years. Continuous cadence period of the member of Audit committee could not be longer than twelve years.

Main functions of Audit committee:

- to present recommendations to company's Board in relation with selection, nomination, repeated nomination and cancellation of external audit company and to present the contract conditions with audit company;
- to watch the execution process of external audit;
- to watch how external auditor keeps to the principles of objectivity and independence;
- to watch the preparation process of company's financial reports;
- to watch the system effectiveness of Company's internal control, risk management and internal audit, if it is working in the company;
- to execute other functions indicated in Lithuanian Republic laws and to keep providing recommendations of management codex of companies listed at Vilnius NASDAQ OMX.

## ***20. Data about the Board and Audit committee members and administration of the Company***

**RAMUNAS LENCIAUSKAS** – Chairman of the Board. University education, graduated from the Kaunas Technology University where studied machine engineering, economics and management. Qualifications – engineer-economist. 1995-2005 AB “Linas” manager (president), general director, president, temporary expert of business and finance strategic management, adviser on business and finance strategic management; 2007-2008 AB “Linas” adviser on business and finance strategic management, director. Holds 2 399 442 ordinary registered shares of the AB „Linas“. The total percentage of shares capital and votes in the total of the issuer is 9,98. The owner of R. Lenciauskas individual company. Since 31-05-2014 – director of the AB “Linas”.

**MARTYNAS JASINSKAS** – member of the Board and head of administration of the Company – the Director. University education, graduated from engineering industry and management studies in baccalaureate and engineering of technical textile studies in master's degree in the Kaunas Technology University. From 11-08-2008 to 30-05-2014- Director of the AB “Linas”. Member of the Board until 30-05-2014. Does not hold shares of the Company.

**DAIVA MINKEVICIENE** – Since 13-10-2008 chief accountant – chief of section of accounting and analysis of the Company. University education, graduated from economics studies in the Vilnius University. Does not hold shares of the Company.

**GINTARE DAMBRAUSKAITE-LENCIAUSKE** – member of the Board. Higher education, finished management and business administration bachelor studies at Management and economic university (ISM) and master studies of human resources management at Mykolo Romerio University. The director of UAB “Linus Sventoji”. The director of UAB “Salduta”. The director of UAB “NI Linasta”. The director of R. Lenciauskas individual company. Since 03-06-2013 – deputy of director of the AB “Linus”. Does not hold shares of the Company.

Members of the Board were elected on May 17, 2011 by the General meeting of shareholders for four periods in office.

The members of the management bodies of AB „Linus“ have never been convicted for property, business or financial offences.

Information about total amounts and averages per person of the salaries and annual payments from profit paid during the reporting period to the members of the Board and head of administration:

Indicator	Salary for 1 <sup>st</sup> half of year 2014 (Lt)	Payment from profit for 1 <sup>st</sup> half of year 2014 (Lt)	Other payments from profit (Lt)	Total (Lt)
Average per member of the Board	-	-	-	-
Total for all members of the Board	-	-	-	-
Average per member of administration	37 988	-	-	37 988
Total for all members of administration	113 965	-	-	113 965

Members of Audit committee were elected for four years cadence during General meeting of shareholders on May 16, 2013. Authorizations are granted to the members of Audit committee and their executing functions are according to regulations of Audit committee.

**VILMA POLIKEVICIENE** – member of Audit committee. Deputy of AB “Linus” chief accountant – manager of accounting department for taxing accounting. Does not hold shares of the Company.

**SVETLANA GREKOVA** – independent member of Audit committee. Expert of accounting and tax. Does not hold shares of the Company.

**21. All material agreements to which the Company is a party and which would come into effect, be amended or terminated in case of change in the Company’s control, also their impact except the cases where the disclosure of the nature of the agreements would cause significant damage to the Company**

None.

**22. All agreements of the Company and the members of its management bodies or the employee agreements providing for a compensation in case of the resignation or in case they are dismissed without due reason or their employment is terminated in view of the change of control of the Company**

None.

**23. Information on the significant transactions between related parties**

During six months of year 2014 there were no related parties' contracts which could make large influence on financial situation or activity of the Group. All information regarding related parties contracts will be presented in the notes of explanatory memorandum of annual financial accountability.

#### **24. Information about companies' compliance to management codex**

Company report about compliance to management codex of companies which are listed at Vilnius NASDAQ OMX was publicly announced via NASDAQ OMX system and presented to the commission of Stock Exchanges together with the consolidated annual report of year 2013. There were no changes in the information about companies' compliance to management codex during I<sup>st</sup> half of year 2014.

#### **25. Data about publicly disclosed information**

During January – June of year 2014 the Company announced following essential events:

2014-02-27 Preliminary not audited activity results of twelve months of year 2013 of company AB "Linus" and Group of companies;

2014-03-28 AB "Linus" the Ordinary General Meeting of Shareholders convocation;

2014-04-08 Draft Resolutions of the Annual General Meeting of Shareholders;

2014-04-30 AB "Linus" General Meeting of Shareholders didn't take place. Repeated General Meeting of Shareholders will be held on May 19, 2014;

2014-04-30 Draft Resolutions of the Repeated Annual General Meeting of Shareholders of AB "Linus";

2014-05-19 Resolutions of Repeated Annual General Meeting of Shareholders;

2014-05-27 activity results of three months of year 2014 of company AB "Linus" and Group of companies;

2014-05-27 Director of AB "Linus" has been changed;

2014-05-29 Regarding the resignation of the board member.

All information on material events made public during 2014 is available on the AB "Linus" webpage [www.linus.lt](http://www.linus.lt).

AB "Linus" information about general meeting of shareholders is published in the daily „Lietuvos rytas“.

Director



Ramunas Lenciauskas



**LINAS AB**  
**INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**OF THE SIX MONTHS OF 2014**

**2014 06 30**

## **SUMMARY**

Consolidated Statement of Financial Position.....	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income ...	5
Consolidated Statement of Changes in Equity .....	6
Consolidated Statement of Cash Flows .....	7
Explanatory Memorandum .....	8

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Formulated according to TFAS, not audited

Current period 01 01 2014 - 30 06 2014

LTL

No.	ASSETS	2014-06-30	2013-12-31
<b>A.</b>	<b>Long-term assets</b>	<b>13.477.850</b>	<b>13.721.564</b>
<b>I.</b>	<b>Intangible assets</b>	<b>5</b>	<b>5</b>
I.1.	Developmental works	0	0
I.2.	Prestige	0	0
I.3.	Patents, licenses	0	0
I.4.	Software	4	4
I.5.	Other intangible assets	1	1
<b>II.</b>	<b>Tangible assets</b>	<b>2.024.144</b>	<b>2.117.483</b>
II.1.	Land	0	0
II.2.	Buildings	0	0
II.3.	Structures	12.383	13.530
II.4.	Machinery and equipment	1.890.786	1.921.496
II.5.	Means of transport	37.406	71.110
II.6.	Other equipment, appliances, instruments and gear	83.569	75.645
II.7.	Constructions in progress	0	0
II.8.	Other tangible assets	0	35.702
<b>III.</b>	<b>Investment property</b>	<b>0</b>	<b>0</b>
<b>IV.</b>	<b>Financial assets</b>	<b>11.446.682</b>	<b>11.597.057</b>
IV.1.	Investments to affiliates and associated companies	0	0
IV.2.	Loans to affiliates and associated companies	0	0
IV.3.	Amounts received after one year	11.445.682	11.596.057
IV.4.	Other financial assets	1.000	1.000
<b>V.</b>	<b>Other long-term assets</b>	<b>7.019</b>	<b>7.019</b>
V.1.	Deferred corporation tax assets	7.019	7.019
V.2.	Other long-term assets	0	0
<b>B.</b>	<b>Short-term assets</b>	<b>20.156.476</b>	<b>19.329.855</b>
<b>I.</b>	<b>Stocks, prepayments and contracts in progress</b>	<b>11.316.538</b>	<b>10.703.621</b>
I.1.	Stocks	11.159.385	10.522.750
I.1.1.	Raw materials and consumables	5.783.035	5.673.595
I.1.2.	Work in progress	223.928	1.689
I.1.3.	Finished products	5.145.158	4.846.970
I.1.4.	Goods purchased for resale	7.264	496
I.1.5.	Other stocks	0	0
I.2.	Prepayments	157.153	180.871
I.3.	Contracts in progress	0	0
<b>II.</b>	<b>Amounts receivable within one year</b>	<b>6.479.186</b>	<b>7.154.051</b>
II.1.	Trade debtors	5.436.444	6.379.518
II.2.	Debts of affiliates and associated companies	0	0
II.3.	Other amounts receivable	1.042.742	774.533
<b>III.</b>	<b>Other short-term assets</b>	<b>0</b>	<b>0</b>
III.1.	Short-term investments	0	0
III.2.	Term deposits	0	0
III.3.	Other short-term assets	0	0
<b>IV.</b>	<b>Currency and its equivalents</b>	<b>2.360.752</b>	<b>1.472.183</b>
	<b>Total assets</b>	<b>33.634.326</b>	<b>33.051.419</b>

No.	PRIVATE ASSETS AND LIABILITIES	2014-06-30	2013-12-31
<b>C.</b>	<b>Private assets</b>	<b>26.970.016</b>	<b>24.762.229</b>
<b>I.</b>	<b>Capital</b>	<b>24.038.990</b>	<b>24.038.990</b>
I.1.	Subscribed capital	24.038.990	24.038.990
I.2.	Signed unpaid capital (-)	0	0
I.3.	Shares premiums	0	0
I.4.	Private shares(-)	0	0
<b>II.</b>	<b>Revaluation reserve (results)</b>	<b>0</b>	<b>0</b>
<b>III.</b>	<b>Reserves</b>	<b>601.000</b>	<b>2.704.899</b>
III.1.	Obligatory	1.000	2.404.899
III.2.	For purchase of proprietary shares	0	0
III.3.	Other reserves	600.000	300.000
<b>IV.</b>	<b>Profit (loss) brought forward</b>	<b>2.330.026</b>	<b>(1.981.660)</b>
<b>IV.1.</b>	<b>Profit (loss) of the current year</b>	<b>2.207.787</b>	<b>(2.509.976)</b>
IV.1.1.	Profit (loss) acknowledged in statement of profit or loss and other comprehensive income	2.207.787	(2.509.976)
IV.1.2.	Profit (loss) not acknowledged in statement of profit or loss and other comprehensive income	0	0
<b>IV.2.</b>	<b>Profit (loss) of the previous year</b>	<b>122.239</b>	<b>528.316</b>
<b>V.</b>	<b>Non-controlling interest</b>	<b>0</b>	<b>0</b>
<b>D.</b>	<b>Amounts payable and liabilities</b>	<b>6.664.310</b>	<b>8.289.190</b>
<b>I.</b>	<b>Amounts payable after one year and long-term liabilities</b>	<b>431.499</b>	<b>431.499</b>
I.1.	Financial debts	0	0
I.1.1.	Leasing (financial rents) or similar liabilities	0	0
I.1.2.	To credit organizations	0	0
I.1.3.	Other financial debts	0	0
I.2.	Grants, subsidies	0	0
I.3.	Debts to suppliers	0	0
I.4.	Received prepayments	73.739	73.739
I.5.	Suspensions	0	0
I.5.1.	Reimbursement of liabilities and demands	0	0
I.5.2.	Pensions and similar liabilities	0	0
I.5.3.	Other suspensions	0	0
I.6.	Suspended taxes	0	0
I.7.	Other amounts payable and long-term liabilities	357.760	357.760
<b>II.</b>	<b>Amounts payable within one year and short-term liabilities</b>	<b>6.232.811</b>	<b>7.857.691</b>
II.1.	Short term portion of long-term debts	0	0
II.2.	Financial debts	0	0
II.2.1.	To credit organizations	0	0
II.2.2.	Other financial debts	0	0
II.3.	Debts to suppliers	3.752.499	5.155.513
II.4.	Received prepayments	789.320	1.256.871
II.5.	Liabilities of income taxes	0	237.732
II.6.	Liabilities related to work relations	1.149.480	921.255
II.7.	Suspensions	0	0
II.8.	Other amounts payable and short-term liabilities	541.512	286.320
	<b>Total proprietary capital and liabilities</b>	<b>33.634.326</b>	<b>33.051.419</b>

Director



Ramunas Lenciauskas

Chief accountant – chief of section of  
accounting and analysis



Daiva Minkeviciene

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Formulated according to TFAS, not audited  
Current period 01 01 2014 - 30 06 2014

LTL

No.	ARTICLES	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	II <sup>nd</sup> quarter of 2014	II <sup>nd</sup> quarter of 2013
<b>I.</b>	<b>SALE INCOME</b>	<b>20.443.597</b>	<b>21.016.069</b>	<b>11.290.701</b>	<b>10.753.787</b>
I.1.	Income for sold goods	19.249.891	19.742.637	10.711.068	10.273.945
I.2.	Income for sold services	1.193.706	1.273.432	579.633	479.842
<b>II.</b>	<b>SALE COST PRICE</b>	<b>13.406.457</b>	<b>13.767.639</b>	<b>7.289.486</b>	<b>7.158.486</b>
II.1.	Cost price of sold production	12.843.835	13.114.351	7.014.571	6.909.270
II.2.	Cost price of sold services	562.622	653.288	274.915	249.216
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>	<b>7.037.140</b>	<b>7.248.430</b>	<b>4.001.215</b>	<b>3.595.301</b>
<b>IV.</b>	<b>OPERATING EXPENSES</b>	<b>4.822.051</b>	<b>6.042.185</b>	<b>2.387.501</b>	<b>2.715.946</b>
IV.1	Sale	1.146.584	1.515.522	542.147	695.765
IV.2	General and administrative	3.675.467	4.526.663	1.845.354	2.020.181
<b>V.</b>	<b>PROFIT (LOSS) OF STANDARD ACTIVITY</b>	<b>2.215.089</b>	<b>1.206.245</b>	<b>1.613.714</b>	<b>879.355</b>
<b>VI.</b>	<b>OTHER OPERATIONS</b>	<b>(370)</b>	<b>24.713</b>	<b>12.004</b>	<b>3.992</b>
VI.1.	Income	316.241	269.293	188.281	117.228
VI.2.	Expenses	316.611	244.580	176.277	113.236
<b>VII.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITIES</b>	<b>(6.932)</b>	<b>13.472</b>	<b>(3.598)</b>	<b>(6.308)</b>
VII.1.	Income	401	22.697	147	36
VII.2.	Expenses	7.333	9.225	3.745	6.344
<b>VIII.</b>	<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>	<b>2.207.787</b>	<b>1.244.430</b>	<b>1.622.120</b>	<b>877.039</b>
<b>IX.</b>	<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>2.207.787</b>	<b>1.244.430</b>	<b>1.622.120</b>	<b>877.039</b>
X.	PROFIT TAX	0	0	0	0
<b>XI.</b>	<b>PROFIT (LOSS) BEFORE NON- CONTROLLING INTEREST</b>	<b>2.207.787</b>	<b>1.244.430</b>	<b>1.622.120</b>	<b>877.039</b>
XII.	NON-CONTROLLING INTEREST	0	0	0	0
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>	<b>2.207.787</b>	<b>1.244.430</b>	<b>1.622.120</b>	<b>877.039</b>
<b>XIV.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>XV.</b>	<b>Earnings (loss) per share</b>	<b>0,09</b>	<b>0,05</b>	<b>0,07</b>	<b>0,04</b>

Director

Ramunas Lenciauskas

Chief accountant – chief of section of  
accounting and analysis

Daiva Minkeviciene

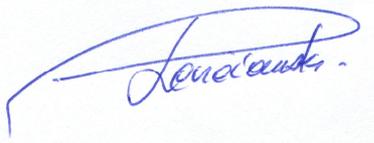
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Current period 01 01 2014 - 30 06 2014

LTL

	Paid-up authorized capital	Additions to shares	Pro-proprietary shares (-)	Revaluation reserve (results)		Law covered reserves		Other reserves		Profit (loss) brought forward	Total
				Long-term tangible assets	Financial assets	Obligatory	Proprietary shares procurement	Support reserves and other payouts according to collective agreement	Other reserves		
	1	2	3	4	5	6	7	8	9	10	11
<b>Remainder on 31 December, 2012</b>	<b>24.038.990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>212.087</b>	<b>0</b>	<b>0</b>	<b>200.000</b>	<b>2.821.128</b>	<b>27.272.205</b>
Profit/loss not acknowledged in statement of profit or loss and other comprehensive income											0
Net profit / loss of the current period										1.244.430	1.244.430
Formed reserves						2.192.812			300.000	(2.492.812)	0
Liquidates reserves									(200.000)	200.000	0
<b>Remainder on 30 June, 2013</b>	<b>24.038.990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2.404.899</b>	<b>0</b>	<b>0</b>	<b>300.000</b>	<b>1.772.746</b>	<b>28.516.635</b>
Profit/loss not acknowledged in statement of profit or loss and other comprehensive income											0
Net profit / loss of the current period										(3.754.406)	(3.754.406)
Formed reserves											0
Liquidates reserves											0
<b>Remainder on 31 December, 2013</b>	<b>24.038.990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2.404.899</b>	<b>0</b>	<b>0</b>	<b>300.000</b>	<b>(1.981.660)</b>	<b>24.762.229</b>
Profit/loss not acknowledged in statement of profit or loss and other comprehensive income											0
Net profit / loss of the current period										2.207.787	2.207.787
Formed reserves									600.000	(600.000)	0
Liquidates reserves						(2.403.899)			(300.000)	2.703.899	0
<b>Remainder on 30 June, 2014</b>	<b>24.038.990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.000</b>	<b>0</b>	<b>0</b>	<b>600.000</b>	<b>2.330.026</b>	<b>26.970.016</b>

Director



Ramunas Lenciauskas

Chief accountant – chief of section of accounting and analysis



Daiva Minkeviciene

CONSOLIDATED STATEMENT OF CASH FLOWS

Current period 01 01 2014 - 30 06 2014

Formed in direct pattern, not audited

LTL

No.	Articles	Ist half of 2014	Ist half of 2013
<b>I.</b>	<b>Primary activity currency circulation</b>		
<b>I.1.</b>	<b>Earnings of report period (including VAT)</b>	<b>21.905.087</b>	<b>24.892.610</b>
I.1.1.	Earnings from clients	21.729.750	23.978.606
I.1.2.	Other earnings	175.337	914.004
<b>I.2.</b>	<b>Report period payouts</b>	<b>(20.926.229)</b>	<b>(23.275.759)</b>
I.2.1.	Payouts to suppliers of products, raw materials and services(including VAT)	(16.879.433)	(18.861.491)
I.2.2.	Monetary payouts related to work relations	(3.823.440)	(4.181.619)
I.2.3.	Taxes paid to budget	(49.307)	(2.392)
I.2.4.	Other payouts	(174.049)	(230.257)
	<b>Cash circulation of primary activity</b>	<b>978.858</b>	<b>1.616.851</b>
<b>II.</b>	<b>Currency circulation of investment activity</b>		
II.1.	Procurement of long-term assets (excluding investments)	(228.153)	(156.788)
II.2.	Transfer of long-term assets (excluding investments)	0	0
II.3.	Procurement of long-term investments	0	0
II.4.	Procurement of short-term investments	0	0
II.5.	Transfer of short-term investments	0	0
II.6.	Transfer of long-term investments	0	0
II.7.	Provision of loans	(5.000)	0
II.8.	Return of loans	150.000	11.704
II.9.	Received dividends	0	0
II.10.	Interest received for loans granted and investment	0	0
II.11.	Other currency circulation increases of investment activities	0	0
II.12.	Other currency circulation decreases of investment activities	0	0
	<b>Cash circulation of investment activity</b>	<b>(83.153)</b>	<b>(145.084)</b>
<b>III.</b>	<b>Currency circulation of financial activity</b>		
III.1.	Currency circulation related to company owners	0	0
III.1.1.	Emission of shares	0	0
III.1.2.	Owners' contributions to loss reimbursements	0	0
III.1.3.	Procurement of own shares	0	0
III.1.4.	Payout of dividends	0	0
III.2.	Currency circulation related to other financial sources	(3.661)	(675.990)
III.2.1.	Increase of financial debts	0	916.101
III.2.1.1.	Receipt of loans from credit institutions	0	916.101
III.2.1.2.	Receipt of loans from associated and third parties	0	0
III.2.1.3.	Emission of bonds	0	0
III.2.2.	Reduction of financial debts	(3.721)	(1.592.126)
III.2.2.1.	Return of loans to credit institutions	0	(1.151.436)
III.2.2.2.	Return of loans to associated and third parties	0	0
III.2.2.3.	Procurement of own bonds	0	0
III.2.2.4.	Returned interests	(3.721)	(44.068)
III.2.2.5.	Leasing (financial rent) payments	0	(396.622)
III.2.3.	Interests received for bank accounts	60	35
III.2.4.	Increase of company's other liabilities	0	0
III.2.5.	Reduction of company's other liabilities	0	0
III.3.	Other increases of currency circulation of financial activity	88	1.497
III.4.	Other reductions of currency circulation of financial activity	(2.115)	(2.962)
	<b>Cash circulation of financial activity</b>	<b>(5.688)</b>	<b>(677.455)</b>
<b>IV.</b>	<b>Impact of currency exchange rates to cash and equivalent currency remainder</b>	<b>(1.448)</b>	<b>1.321</b>
<b>V.</b>	<b>Net currency circulation increase (reduction)</b>	<b>888.569</b>	<b>795.633</b>
<b>VI.</b>	<b>Currency and currency equivalents at the beginning of the period</b>	<b>1.472.183</b>	<b>104.148</b>
<b>VII.</b>	<b>Currency and currency equivalents at the end of the period</b>	<b>2.360.752</b>	<b>899.781</b>

Director



Ramunas Lenciauskas

Chief accountant – chief of section of  
accounting and analysis



Daiva Minkeviciene

## EXPLANATORY MEMORANDUM OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 June, 2014

### 1. General

The Linas company was launched in 1957. A public limited company Linas (further called the Company) was registered in 1993. The Company is the company of limited property liability. Company registration code is 1476 89083. Company is registered in Juridical body register, in the department of legal body registration in Public company Register center, Panevezys branch, the number of registration is 003429. Address: S. Kerbedzio Street 23, Panevezys; LT-35114. Telephone (370-45) 506100, fax (370-45) 506345. E-mail address: [office@linas.lt](mailto:office@linas.lt); web page: [www.linas.lt](http://www.linas.lt).

As of 30<sup>th</sup> of June, 2014, the Linas AB group of companies (further called as the Group) consisted of holding company Linas AB and it's affiliated company UAB Lino apdaila. UAB Lino apdaila was registered on May 23, 2008 at Legal entity register, registration No.114552, company code 301733421. Affiliated company is registered at address S. Kerbedzio Street 23, Panevezys. AB Linas own 100 % of affiliated company shares.

The shares of Linas AB are included into the current sales list of AB NASDAQ OMX Vilnius.

Authorized capital of Linas AB is 24.038.990 Lt, it is divided into 24.038.990 ordinary registered shares the nominal value of which is 1 Lt, there are no issued and not paid shares. There were no changes in authorized capital during accounting period.

The Company and its affiliated company do not have subsidiaries and representatives.

On 30<sup>th</sup> of June, 2014 the average number of listed employees of the Group was 314, on 30<sup>th</sup> of June, 2013 – 332 employees.

The main Group activity is production of textile products and selling of it. AB Linas activity is sales of linen textile items; other activity of the company – management of financial asset (shares and lend loans), supply of thermal energy. Activity of UAB Lino apdaila is production of linen textile products.

Linas AB group of companies presents to the customer all yarn dyeing, weaving, finishing and sewing services from the linen yarn preparation for weaving to final product presentation. The main incomes of group of companies was received from the activity of textile goods production and sales during the 6 months of 2014. Linas AB group of companies sold linen textile goods and services for 20.444 thousand Lt during the 6 months of 2014. Comparing to the 6 months of 2013 the volume of sales decreased by 572 thousand Lt or 2,7 %.

During the 6 months of 2014 the Group's typical activity result was 2.215 thousand Lt profit and the result of the 6 months of 2013 was 1.206 thousand Lt profit.

During the 6 months of year 2014 the Group was produced and technologically processed: linen and tow yarns – 32 tons (6 months of year 2013 – 41 tons); raw fabrics – 365 thousand mtrs (6 months of year 2013 – 381 thousand mtrs); ready made fabrics – 1.049 thousand mtrs (6 months of year 2013 – 1.114 thousand mtrs). 34,6 % of all produced fabrics were used for sewn items during 6 months of year 2014 (6 months of year 2013 – 34,9 %). The volume of exports during 6 months of 2014 was 85,8 % of the total product sales.

The Group of companies activity results for six-month of year 2014 were influenced by decreased operating expenses.

During the six months of 2014 Group earned 2.208 thousand Lt profit before taxation, the result of the same period of 2013 was 1.244 thousand Lt profit.

On 24 February, 2014 BUAB "Savoja" (company code 110650969) was removed from the Register of Legal Entities. The bankrupt company "Savoja" transferred claim rights on the debtor Linas AB 358 thousand Lt to UAB "Verslo dizainas" (company code 302529076).

500 thousand Lt credit sum is granted to the Company acc.to the account lending contract which was signed between the bank and AB “Linus” on 2012 04 10. Company’s reserves, the balancing value of which are 5 mln Lt acc.to the mortgage sheets, are mortgaged for the credit sum. For the insurance of credit sum the warranty for all credit sum and term is received from UAB “Lino apdaila”. The validation term of account credit contract is till April 10, 2015. Alternate interests are paid for used credit, which are accounted as three months term Lt VILIBOR plus bank margin.

Acc.to the financial obligations limit contract signed between the bank and AB “Linus” on 07 10 2013, the credit of 1.000 thousand Lt is granted to the Company, for which company resources are mortgaged with the latest mortgage, the balance value of which acc.to the mortgage sheets are 5 mln.Lt. For the insurance of credit sum the warranty for all credit sum and term is received from UAB “Lino apdaila”. The validation term of the financial obligations limit contract is till October 07, 2014. Alternate interests are paid for used credit, which are accounted as six months term Lt VILIBOR plus bank margin.

AB "Linus" Group of companies long-lived experience, the ability to anticipate and reflect market trends and implementation of technological innovations led to a strong position in the textile market. Modern technologies used by the Group preserve the best quality of linen fiber, create exceptional combinations of elegance and functionality. AB “Linus” Group of companies produces and supplies reliable linen textile items for the customers who evaluate natural and modern combination, high quality of products, flexibility, production acc.to the individual orders, execution speed of orders.

Group of companies develops and improves spheres of marketing and production, tries to increase sales volumes in local and foreign markets, decrease cost prices – tries to optimize production costs and to obtain cheaper raw materials. The Group is developing projects for creating new range of products, improving quality and reducing costs.

Only significant information is presented in this explanatory memorandum which reflects accounting period economic operations and economic events which have the impact on financial state and results of the Group’s accounting period. Data presented in interim financial statements and explanatory memorandum are corresponding International Financial Reporting Standards (IFRS) which are accepted to apply in European Union (there are no deviation from international standards).

## **2. Accounting policy**

The Group executes accounting and prepares financial statements 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 Financial Reporting Standards (IFRS) which are accepted to apply in European Union (EU).

Accounting policy was not changed during the interim accounting period. The same accounting policy is applied to interim financial statements as to annual financial statements. Accounting policy applicable of the group of companies is more described in explanatory memorandum to the year of 2013 financial statements.

## **3. Notes of the memorandum**

3.1. The information about the changes Group’s long-term tangible assets is presented in table 1.

3.2. Usual business income of the Group comprises the revenues generated by the sale of the products, i.e. fabrics, sewn items, yarn; by provision of production manufacturing services. The information about textiles items production business branches and geographical areas segments disclosed in tables 2 and 3. It is impossible to attribute property and liabilities of the Group to abstracted segments.

3.3. The information on Group’s operating expenses (Table 4 “Operating expenses”).

3.4. The information on the cost and revenues of other (non typical) activity of the Group (Table 5 “Other (non typical) activity”).

3.5. Financial and investment activity of the Group, revenues and costs shown by material items in table 6 “Financial and investment activity”.

3.6. Basic the profit for one share is calculated dividing net profit (loss) of period in weighted average of ordinary shares issued during the period. The Group hasn’t potentially converting ordinary shares, so the diluted profit attributed to one share correspond the basic profit which is given for one share. The information about the profit which is given for one share is presented in table (Table 7 “Earnings (loss) per share”).

3.7. The monetary assets and liabilities items were converted into Lt at the currency rate of the balance making date.

3.8. There are no significant events after last interim accounting period day.

Table 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	13.530	1.921.496	71.110	75.645	35.702	0	2.117.483
<b>a) Procurement of cost price long-term tangible assets</b>								
<b>At the end of previous financial year</b>	0	18.360	3.041.249	457.554	127.542	35.702	0	3.680.407
<b>Changes of financial year</b>	0	0	241.486	0	18.619	(35.702)	0	224.403
· Procurement of assets	0	0	205.784	0	18.619	0	0	224.403
· Written-off property because of the accounting evaluation change (-)	0	0	0	0	0	0	0	0
· Assets, transferred to other individuals and discarded (-)	0	0	0	0	0	0	0	0
· Transcription to short-time assets +/-)	0	0	0	0	0	0	0	0
· Transcription from one article to another +/-)	0	0	35.702	0	0	(35.702)	0	0
<b>At the end of interim accounting period</b>	0	18.360	3.282.735	457.554	146.161	0	0	3.904.810
<b>b) Revaluation</b>								
<b>At the end of previous financial year</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 interim accounting period</b>	0	0	0	0	0	0	0	0
<b>c) Depreciation (-)</b>								
<b>At the end of previous financial year</b>	0	4.830	1.119.753	386.444	51.897	0	0	1.562.924
<b>Changes of financial year</b>	0	1.147	272.196	33.704	10.695	0	0	317.742
· Written-off property because of the accounting evaluation change (-)	0	0	0	0	0	0	0	0
· Depreciation of financial year	0	1.147	272.196	33.704	10.695	0	0	317.742
· 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 interim accounting period</b>	0	5.977	1.391.949	420.148	62.592	0	0	1.880.666
<b>d) Decrease of value</b>								
<b>At the end of previous financial year</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
· 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
<b>At the end of interim accounting period</b>	0	0	0	0	0	0	0	0
<b>e) Residual value at the end of interim accounting period (a) + (b) - (c) - (d)</b>	0	12.383	1.890.786	37.406	83.569	0	0	2.024.144

Table 2

INFORMATION ABOUT SEGMENTS OF TEXTILE PRODUCTS PRODUCTION BUSINESS

LTL

Indicators	Segments (production, goods, types of activity)										All enterprises	
	Fabrics		Sewn products		Yarns		Production services					
	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013
Income	10.832.407	10.928.110	8.284.631	8.657.278	132.853	157.249	1.193.706	1.273.432	20.443.597	21.016.069		
Cost price	6.660.395	6.751.712	6.069.995	6.210.928	113.445	151.711	562.622	653.288	13.406.457	13.767.639		
<b>Gross profit (losses)</b>	<b>4.172.012</b>	<b>4.176.398</b>	<b>2.214.636</b>	<b>2.446.350</b>	<b>19.408</b>	<b>5.538</b>	<b>631.084</b>	<b>620.144</b>	<b>7.037.140</b>	<b>7.248.430</b>		
Operating expenses									4.822.051	6.042.185		
<b>Profit (losses) on typical activity</b>	<b>4.172.012</b>	<b>4.176.398</b>	<b>2.214.636</b>	<b>2.446.350</b>	<b>19.408</b>	<b>5.538</b>	<b>631.084</b>	<b>620.144</b>	<b>2.215.089</b>	<b>1.206.245</b>		

Table 3

INFORMATION ABOUT GEOGRAPHICAL SEGMENTS OF TEXTILE ITEMS PRODUCTION

LTL

Indicators	Segments (regions)										All enterprises	
	Scandinavian countries		European countries		USA		Lithuania		Other countries			
	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013
Income	4.726.641	6.329.953	10.245.968	9.436.999	1.074.326	1.060.060	2.898.327	2.661.776	1.498.335	1.527.281	20.443.597	21.016.069
Cost price	2.993.339	4.036.596	6.980.618	6.410.066	579.820	553.628	1.779.294	1.639.525	1.073.386	1.127.824	13.406.457	13.767.639
<b>Gross profit (losses)</b>	<b>1.733.302</b>	<b>2.293.357</b>	<b>3.265.350</b>	<b>3.026.933</b>	<b>494.506</b>	<b>506.432</b>	<b>1.119.033</b>	<b>1.022.251</b>	<b>424.949</b>	<b>399.457</b>	<b>7.037.140</b>	<b>7.248.430</b>
Operating expenses											4.822.051	6.042.185
<b>Profit (losses) on typical activity</b>	<b>1.733.302</b>	<b>2.293.357</b>	<b>3.265.350</b>	<b>3.026.933</b>	<b>494.506</b>	<b>506.432</b>	<b>1.119.033</b>	<b>1.022.251</b>	<b>424.949</b>	<b>399.457</b>	<b>2.215.089</b>	<b>1.206.245</b>

Table 4

OPERATING EXPENSES

LTL

Run No.	Indicators	1 <sup>st</sup> half of 2014	1 <sup>st</sup> half of 2013
<b>1</b>	<b>Expenses on sales</b>	<b>1.146.584</b>	<b>1.515.522</b>
1.1	Expenses on commissions	537.378	734.238
1.2	Expenses on transporting of sold production	174.524	181.058
1.3	Expenses on production advertising and fair	128.281	183.380
1.4	Expenses on sales number employees wage and other with employees related relations	225.235	305.718
1.5	Evaluate of customers creditworthiness and insurance costs of marketable credits	44.341	83.478
1.6	Other sales expenses	36.825	27.650
<b>2</b>	<b>General and administration expenses</b>	<b>3.675.467</b>	<b>4.526.663</b>
2.1	Expenses related with employees wage and other with employees related relations	1.632.166	1.789.965
2.2	Training costs of administration employees	20.638	37.239
2.3	Rent, exploitation and repairing expenses	1.557.010	2.173.258
2.4	Expenses of security services	77.500	84.000
2.5	Expenses of deterioration and amortization of non-current asset	93.077	154.911
2.6	Expenses of info technologies	58.727	71.961
2.7	Connection expenses	23.780	23.539
2.8	Expenses of bank services	9.136	12.967
2.9	Legal services expenses	19.683	20.833
2.10	Expenses of support provided	7.599	400
2.11	Expenses of social guarantees, stated in collective agreement	2.000	2.700
2.12	Representation expenses	15.200	19.101
2.13	Expenses of activity tax	15.898	9.425
2.14	Low-value assets acquisition expenses	35.701	9.566
2.15	Uncertain debts expenses	0	(110)
2.16	Provisioning costs	0	0
2.17	Various other general and administrative expenses	107.352	116.908
<b>3</b>	<b>TOTAL EXPENSES OF ACTIVITY</b>	<b>4.822.051</b>	<b>6.042.185</b>

Table 5

OTHER (NON TYPICAL) ACTIVITY

LTL

Run.No.	Indicators	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013
<b>1.</b>	<b>INCOME OF OTHER ACTIVITY - TOTAL</b>	<b>316.241</b>	<b>269.293</b>
	Specification of significant amount:		
1.1.	Profit of non-current asset transferring	0	0
1.2.	Income of various storages selling	184.815	114.892
1.3.	Income of rent	126.320	146.992
1.4.	Income for accounting and administration services	0	0
1.5.	Income for thermal heating supply	729	1.233
1.6.	Various other non-typical activity income	4.377	6.176
<b>2.</b>	<b>EXPENSES OF OTHER ACTIVITY - TOTAL</b>	<b>316.611</b>	<b>244.580</b>
	Specification of significant amount:		
2.1.	Loss of non-current asset transferring	0	0
2.2.	Net cost of sold various storages	137.553	61.045
2.3.	Net cost of rent	67.254	76.550
2.4.	Costs for accounting and administration services	100.145	100.145
2.5.	Costs for thermal heating supply	11.303	5.112
2.6.	Various other non-typical activity expenses	356	1.728
<b>3.</b>	<b>RESULTS OF OTHER ACTIVITY (1-2)</b>	<b>(370)</b>	<b>24.713</b>

Table 6

FINANCIAL AND INVESTMENT ACTIVITY

LTL

Run.No.	Indicators	I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013
<b>1.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITY INCOME - TOTAL</b>	<b>401</b>	<b>22.697</b>
	Specification of significant amount:		
1.1.	Positive result of changes of currency exchange	0	9.442
1.2.	Income of bank interests	60	35
1.3.	Income of other interests	48	0
1.4.	Fines and penalties for the drawn debts	191	0
1.5.	Profit of incorporated activity	0	0
1.6.	Income of loans provided by the revaluation	0	11.704
1.7.	Income of currency buying-selling	88	1.497
1.8.	Income of other financial-investment activity	14	19
<b>2.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITY EXPENSES - TOTAL</b>	<b>7.333</b>	<b>9.225</b>
	Specification of significant amount:		
2.1.	Expenses of interest	3.721	6.145
2.2.	Fines and delay fees	284	64
2.3.	Negative result of changes of currency exchange	1.190	0
2.4.	Expenses of currency buying-selling	2.115	3.007
2.5.	Expenses of loans provided by the revaluation	0	0
2.6.	Financial assets depreciation amounts (BUAB „Nordic investicija“ financial debts)	0	0
2.7.	Expenses of other financial-investment activity	23	9
<b>3.</b>	<b>FINANCIAL AND INVESTMENT ACTIVITY RESULT (1-2)</b>	<b>(6.932)</b>	<b>13.472</b>

Table 7

**EARNINGS (LOSS) PER SHARE**

Run. No.	Indicators	GROUP	
		I <sup>st</sup> half of 2014	I <sup>st</sup> half of 2013
1.	Weighted average number of ordinary shares	24.038.990	24.038.990
2.	Net profit (loss), in LTL	2.207.787	1.244.430
3.	<b>Basic and diluted earnings (loss) per share, in LTL</b>	<b>0,09</b>	<b>0,05</b>