

AB EKTRANAS

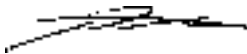
CONSOLIDATED AND PARENT COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AB EKCRANAS

1. We have audited the accompanying balance sheet of AB Ekranas (a joint stock company registered in the Republic of Lithuania, "the Company") and the consolidated balance sheet of AB Ekranas and subsidiaries ("the Group") as of 31 December 2002, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Except as discussed in paragraph 3 below, we conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants (IFAC) and Lithuanian National Auditing Standards as set forth by the Lithuanian Chamber of Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Company's and the Group's buildings are properly presented in accordance with Lithuanian Accounting Principles, however, International Financial Reporting Standards require presentation of property, plant and equipment on a basis of historical cost or fair value. In accordance with resolutions of the Lithuanian Government, the Company's and the Group's buildings have been revalued four times prior to 1 January 1996 (Note 10). Due to many movements and lack of separate registrations of the effect of indexations per asset, it is impossible to quantify the effect of indexations on the remaining balances of the buildings as of 31 December 2002 and 2001. Accordingly, we are unable to express an opinion on either historical cost or fair value of the Company's and the Group's buildings in accordance with International Financial Reporting Standards.

4. In our opinion, except for the effect of such adjustments, if any, as might have been disclosed had we been able to perform the procedures described in paragraph 3 above, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2002 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.
5. Without further qualifying our report we draw attention to Note 14, which describes two balances due from customers which account for some 78% (93% as of 31 December 2001) of the total Company's trade accounts receivable.

UAB ERNST & YOUNG BALTIC
Audit company's license No. 224



Per Moeller



Jonas Akelis
Auditor's
Licence No. 000003

The audit was completed on 21 February 2003.

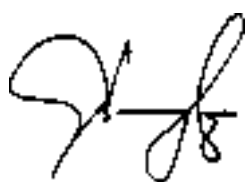
(all amounts are in LTL thousands unless otherwise stated)

Income statements**Year ended 31 December**

	Notes	Group 2002	Company 2002	Group 2001	Company 2001
Sales	3	421,339	422,082	428,607	434,825
Cost of sales	4	(355,198)	(352,029)	(331,586)	(333,528)
Gross profit		66,141	70,053	97,021	101,297
Other operating income		1,912	1,575	1,745	1,471
Distribution costs	5	(11,274)	(17,125)	(9,071)	(14,131)
Administrative expenses	6	(37,350)	(36,015)	(40,697)	(40,576)
Other operating expenses		(1,601)	(1,533)	(1,083)	(927)
Profit from operations		17,828	16,955	47,915	47,134
Finance costs, net	7	(3,799)	(3,735)	(4,077)	(4,032)
Profit before tax		14,029	13,220	43,838	43,102
Income tax	8	(1,273)	(929)	-	-
Profit after tax		12,756	12,291	43,838	43,102
Minority interest		(67)	-	(2)	-
Net profit for the year		12,689	12,291	43,836	43,102
Basic earnings per share (LTL)	9	0.37	0.35	1.36	1.34
Diluted earnings per share (LTL)	9	0.36	0.35	1.30	1.28

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Managing Director on 21 February 2003.



E. Žvybas
Managing Director

(all amounts are in LTL thousands unless otherwise stated)

Balance sheets**As of 31 December**

	Notes	Group 2002	Company 2002	Group 2001	Company 2001
ASSETS					
Non-current assets					
Property, plant and equipment	10	367,254	364,182	332,719	328,625
Intangible assets	11	13,146	13,084	9,684	9,603
Investments	12	12	4,461	9	4,458
Deferred tax asset, net	8	679	679	-	-
Non-current receivables		19	19	538	538
		381,110	382,425	342,950	343,224
Current assets					
Inventories	13	114,299	111,373	62,149	61,080
Receivables, prepayments and prepaid expenses	14	78,696	76,479	86,342	85,100
Receivable from the shareholder	16	-	-	4,160	4,160
Cash and cash equivalents	15	5,462	5,162	12,866	12,289
		198,457	193,014	165,517	162,629
Total assets		579,567	575,439	508,467	505,853
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	174,490	174,490	174,490	174,490
Reserves	17	13,635	13,094	8,047	7,587
Retained earnings		116,196	115,036	110,095	109,252
		304,321	302,620	292,632	291,329
Minority interest		701	-	634	-
Long-term borrowings	18	113,904	113,627	103,710	103,254
Current liabilities					
Current portion of long-term borrowings	18	29,323	29,099	15,269	15,053
Short-term borrowings	18	52,393	52,393	43,485	43,485
Trade and other payables	19	78,155	77,242	52,737	52,732
Income tax payable		770	458	-	-
		160,641	159,192	111,491	111,270
Total equity and liabilities		579,567	575,439	508,467	505,853

The accompanying notes are an integral part of these financial statements.

(all amounts are in LTL thousands unless otherwise stated)

Statements of changes in equity

Group	Notes	Share capital	Legal reserve	Distributable reserves	Retained earnings	Total
Balance as of 31 December 2000		151,472	6,793	121	68,392	226,778
Dividends paid		-	-	-	(1,000)	(1,000)
Transfer to reserves		-	723	410	(1,133)	-
Net profit for the year		-	-	-	43,836	43,836
Issued share capital	16	23,018	-	-	-	23,018
Balance as of 31 December 2001		<u>174,490</u>	<u>7,516</u>	<u>531</u>	<u>110,095</u>	<u>292,632</u>
Dividends paid		-	-	-	(1,000)	(1,000)
Transfer to reserves		-	5,588	-	(5,588)	-
Net profit for the year		-	-	-	12,689	12,689
Balance as of 31 December 2002		<u>174,490</u>	<u>13,104</u>	<u>531</u>	<u>116,196</u>	<u>304,321</u>

Company	Notes	Share capital	Legal reserve	Distributable reserves	Retained earnings	Total
Balance as of 31 December 2000		151,472	6,737	121	67,879	226,209
Dividends paid		-	-	-	(1,000)	(1,000)
Transfer to reserves		-	729	-	(729)	-
Net profit for the year		-	-	-	43,102	43,102
Issued share capital	16	23,018	-	-	-	23,018
Balance as of 31 December 2001		<u>174,490</u>	<u>7,466</u>	<u>121</u>	<u>109,252</u>	<u>291,329</u>
Dividends paid		-	-	-	(1,000)	(1,000)
Transfer to reserves		-	5,507	-	(5,507)	-
Net profit for the year		-	-	-	12,291	12,291
Balance as of 31 December 2002		<u>174,490</u>	<u>12,973</u>	<u>121</u>	<u>115,036</u>	<u>302,620</u>

The accompanying notes are an integral part of these financial statements.

(all amounts are in LTL thousands unless otherwise stated)

Cash flow statements**Year ended 31 December**

	Notes	Group 2002	Company 2002	Group 2001	Company 2001
Operating activities					
Profit from operations		17,828	16,955	47,915	47,134
Adjustments for:					
Depreciation and amortisation	10, 11	54,236	52,973	32,849	31,588
Impairment loss and loss from property, plant and equipment write-offs		2,894	2,306	1,636	1,294
Vacation pay accrual		41	(321)	(401)	(351)
Other non - cash items		379	389	834	792
		75,378	72,302	82,833	80,457
(Increase) in inventories		(52,593)	(50,736)	(4,356)	(5,916)
(Increase) decrease in receivables and other current assets		17,393	18,630	(28,063)	(27,553)
Increase in payables and other current liabilities		20,330	19,784	11,709	13,189
Cash provided by operations		60,508	59,980	62,123	60,177
Income tax paid		(1,182)	(1,150)	(1,707)	(1,610)
Net cash provided by operating activities		59,326	58,830	60,416	58,567
Investing activities					
(Purchase) of property, plant and equipment		(103,491)	(102,964)	(151,314)	(149,199)
(Purchase) of intangible assets		(2,190)	(2,169)	(12,376)	(12,288)
(Purchase) of investments		(279)	(279)	-	-
Proceeds from investments sales		300	300	-	-
Compensations received due to the loss of property, plant and equipment		5,960	5,960	-	-
Proceeds from sales of property, plant and equipment		380	380	784	784
Net cash (used in) investing activities		(99,320)	(98,772)	(162,906)	(160,703)

(all amounts are in LTL thousands unless otherwise stated)

Cash flow statements (cont'd)

Year ended 31 December

	Notes	Group		Company	
		2002	2002	2001	2001
Financing activities					
Proceeds from issuance of share capital	16	4,160	4,160	7,662	7,662
Proceeds from borrowings		74,834	74,834	114,876	114,125
Repayment of borrowings		(31,219)	(31,048)	(31,617)	(31,538)
Interest paid		(9,165)	(9,128)	(5,529)	(5,525)
Dividends paid		(1,000)	(1,000)	(1,000)	(1,000)
Currency exchange gain (loss)		(5,020)	(5,003)	1,807	1,833
Net cash provided by financing activities		32,590	32,815	86,199	85,557
(Decrease) in cash and cash equivalents		(7,404)	(7,127)	(16,291)	(16,579)
Cash and cash equivalents at the beginning of the year		12,866	12,289	29,157	28,868
Cash and cash equivalents at the end of the year		5,462	5,162	12,866	12,289

The accompanying notes are an integral part of these financial statements.

(all amounts are in LTL thousands unless otherwise stated)

Notes to the financial statements

1 General information

AB Ekranas ("the Company") is a joint stock company registered in the Republic of Lithuania, domiciled in Panevėžys. The address of its registered office is as follows:

Elektronikos 1
LT-5319 Panevėžys
Lithuania

The Company is involved in the manufacturing of television tubes. The average number of employees of the Company was 3,918 in 2002 and 3,655 in 2001 (4,443 in 2002 and 4,238 in 2001 in the Group). The Company's shares are traded on the Official List of the National Stock Exchange.

As of 31 December 2002 and 2001 the shareholders of the Company were:

	Number of shares held	
	2002	2001
Farimex S.A.	5,547,227	5,547,227
CPT Invested Ltd.	4,975,022	4,975,022
Profilo Sanayi L Ve Ticaret A.S.	4,500,177	4,500,177
Henley Trading Ltd.	2,793,469	2,793,469
Redoak Investments Holding Inc.	2,052,710	2,052,710
Management of the Company (less than 5% of total share capital per person)	12,296,322	12,294,314
Other minor shareholders	2,733,161	2,735,169
Total	34,898,088	34,898,088

The Group ("the Group") consists of AB Ekranas, the parent company, and its partly owned subsidiaries UAB Ekranas Įrengimai (manufacturer of equipment), UAB Ekranas Ekspedicija (transportation services provider) and UAB Vasaros Malonumai (recreation services provider), all of which are domiciled in Panevėžys. The subsidiaries are currently active, except for UAB Vasaros Malonumai, as more fully described in Note 12.

The financial statements were authorised for issue by the Board of the Company.

2 Accounting policies

The principal accounting policies adopted in preparing the Company's and the Group's financial statements as of 31 December 2002 are as follows:

A Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board, effective as of 31 December 2002, except for the accounting for buildings as disclosed in the accounting policies hereafter.

B Measurement currency

The amounts shown in these financial statements are presented in the local currency, Litas (LTL).

Lithuanian Litas was pegged to US dollar at the rate of 4 Litas for 1 US dollar, and the exchange rates in relation to other currencies were set daily by the Bank of Lithuania during the year ended 31 December 2001. However, the Bank of Lithuania took a decision to re-peg Litas from US dollar to EUR on 2 February 2002 based on the official US dollar to EUR exchange rate on 1 February 2002. The rate according to which Litas was pegged to EUR is LTL 3.4528 for EUR 1.

(all amounts are in LTL thousands unless otherwise stated)

2 Accounting policies (cont'd)

C Principles of consolidation

The consolidated financial statements of the Group include AB Ekranas and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheets and consolidated income statements, respectively.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Investments in associated companies where significant influence is exercised by AB Ekranas are accounted for using the equity method. An assessment of investment in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

All other investments are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement as further disclosed in section E.

Intercompany balances and transactions, including unrealised profits and losses, are eliminated.

Consolidated financial statements are prepared by using uniform accounting policies for like transactions and other events in similar circumstances.

In the parent's separate financial statements investments in subsidiaries and associates are carried at cost. The carrying value of investments is reduced to recognise an impairment loss of the value of the investments, such reduction being determined and made for each investment individually.

D Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives.

Licenses

Amounts paid for licences are capitalised and then amortised over the validity period.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over a period not exceeding 3 years.

Costs incurred in order to restore or maintain the future economic benefits that an enterprise can expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

2 Accounting policies (cont'd)

E Investments

The Company adopted IAS 39, Financial Instruments: Recognition and Measurement on 1 January 2001. Accordingly, investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within twelve months of the balance sheet date. Investments held for the trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realise them within twelve months of the balance sheet date.

All purchases and sales of investments are recognised on the trade date. Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that the Company may incur on their sale or other disposal.

Gains or losses on measurement to fair value of available-for-sale investments are recognised directly in the fair value reserve in shareholders' equity, until the investment is sold or otherwise disposed off, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in financial expenses.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

F Property, plant and equipment

The Company's and the Group's buildings, acquired before 1 January 1996, are stated at indexed cost less indexed accumulated depreciation and impairment losses evaluated (Note 10). Property, plant and equipment other than buildings, acquired before 1 January 1996, are stated at cost less accumulated depreciation and impairment losses evaluated (IAS 16).

The accounting policy applied for buildings represents a departure from International Financial Reporting Standards (IAS 29), which require the use of either historical cost as adjusted for hyperinflation through a general price index, or a valuation supported by independent, professionally qualified valuers.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operations, such as repair and maintenance costs, are normally charged to income statement in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalised as an additional cost of property, plant and equipment.

2 Accounting policies (cont'd)

F Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis over the following average estimated useful lives:

Buildings	40 years
Machinery and equipment	7 years
Vehicles	5 years
Other non-current assets	7 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

G Inventories

Inventories, including work in process, are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written off.

H Receivables

Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after impairment valuation.

I Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

J Borrowings

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Borrowings are initially recognised at fair value (proceeds received), net of transaction costs. They are subsequently carried at amortised cost using the effective interest rate method, the difference between net proceeds and redemption value being recognised in the net profit or loss for the period over the life of the borrowings. The borrowings are classified as long-term, if the completion of a refinancing agreement before authorisation of the financial statements for issue provides evidence that the substance of the liability at the balance sheet date was long-term.

Convertible debt, which contains both a liability and an equity element, is separated into two components on initial issuance based on the present value of the debt's cash flows and each is accounted for separately.

2 Accounting policies (cont'd)

K Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on Lithuanian tax legislation.

In the year 2001 the standard corporate income tax rate in Lithuania was 24%. Starting from 1 January 2002 the standard rate was reduced to 15%. According to the Lithuanian tax legislation, until 1 January 2002 0% profit tax could be applied on reinvested profit, where re-investment is defined as acquisition of fixed assets less depreciation charge on the acquisition for the period and less any external financing utilised for the acquisition. Tax losses can be carried forward for 5 years. Furthermore, the Group benefits from certain other tax incentives. For more details on income tax attributable to the Group and the Company refer to Note 8.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets have been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognized in the financial statements.

L Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods are recognised when delivery has taken place and transfer of risks and rewards has been completed.

In the consolidated income statements intercompany sales are eliminated.

M Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognized in the income statement. Such balances are translated at year-end exchange rates.

N Segments

For management purposes the Group is organised into one major operating business segment – manufacturing of television tubes. Financial information on business and geographical segments is presented in Note 3 to these financial statements.

O Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards, as published by the International Accounting Standards Board, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation, bad debt provisions and impairments evaluation. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

(all amounts are in LTL thousands unless otherwise stated)

2 Accounting policies (cont'd)

P Impairment of assets

Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or have decreased. The reversal is recorded in income.

R Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

S Subsequent events

Post-year-end events that provide additional information about the Company's and Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

T Corresponding figures

Where necessary, the corresponding figures have been adjusted to conform with changes in presentation in the current year.

(all amounts are in LTL thousands unless otherwise stated)

3 Segment information**Primary reporting format – business segments**

The Group's only business segment is the manufacturing of television tubes.

Secondary reporting format – geographical segments

Group's sales are to Europe, Lithuania and the CIS countries. All of the Group's assets are located in Lithuania.

	Sales				Total assets			
	Group	Company	Group	Company	Group	Company	Group	Company
	2002	2002	2001	2001	2002	2002	2001	2001
Europe	343,699	343,699	347,046	347,046	-	-	-	-
Lithuania	75,015	75,758	78,677	84,895	579,567	575,439	508,467	505,853
CIS countries	2,625	2,625	2,884	2,884	-	-	-	-
	421,339	422,082	428,607	434,825	579,567	575,439	508,467	505,853

Total costs incurred by the Group and by the Company during the year 2002 to acquire segment property, plant and equipment and intangible assets are LTL 111,566 thousand and LTL 111,018 thousand respectively (LTL 163,690 thousand and LTL 161,487 thousand during the year 2001 respectively). As all the Group's and the Company's assets are located in Lithuania, all additions are related to the Lithuanian geographical segment.

Consolidated Group's sales in 2002 and 2001 are lower than the Company's sales because the Company's sales to subsidiaries exceeded subsidiaries' sales outside the Group.

4 Cost of sales

	Group	Company	Group	Company
	2002	2002	2001	2001
Materials	178,239	180,866	171,888	177,995
Labour costs	76,711	73,594	74,180	71,417
Depreciation	37,938	37,203	26,816	26,113
Other production overheads	62,310	60,366	58,702	58,003
	355,198	352,029	331,586	333,528

5 Distribution costs

	Group	Company	Group	Company
	2002	2002	2001	2001
Transportation expenses	10,911	16,762	8,406	13,479
Advertising	332	332	225	212
Other	31	31	440	440
	11,274	17,125	9,071	14,131

(all amounts are in LTL thousands unless otherwise stated)

6 Administrative expenses

	Group	Company	Group	Company
	2002	2002	2001	2001
Administration salaries including social security (a)	11,851	11,293	10,820	10,858
Taxes, other than income tax	3,248	3,167	5,381	5,256
Amortisation of intangible assets	3,050	3,010	3,346	3,295
Bank services	1,882	1,866	1,819	1,818
Impairment losses and accounts receivable write-offs	1,671	1,409	1,636	1,294
Depreciation of property, plant and equipment	1,217	1,209	1,315	1,314
Business trips	1,145	1,118	1,353	1,352
Communications	987	833	776	745
Insurance	796	787	932	926
Other	11,503	11,323	13,319	13,718
	37,350	36,015	40,697	40,576

(a) The total salaries of the Company's and the Group's employees during 2002 amounted to LTL 75,384 thousand and LTL 84,203 thousand respectively (LTL 70,465 thousand and LTL 79,741 thousand during 2001). The amounts of LTL 8,635 thousand and LTL 9,061 thousand (LTL 8,286 thousand and LTL 8,539 thousand for 2001) were included into administrative expenses and the remaining part amounting to LTL 66,749 thousand and LTL 75,142 thousand (LTL 62,179 thousand and LTL 71,202 thousand for 2001) was included in production cost.

7 Finance costs, net

	Group	Company	Group	Company
	2002	2002	2001	2001
Interest expenses	(8,327)	(8,290)	(5,890)	(5,886)
Net foreign exchange gains	5,439	5,456	1,807	1,833
Other financial income (expenses)	(911)	(901)	6	21
	(3,799)	(3,735)	(4,077)	(4,032)

8 Income tax

The tax on the Company's and the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of 15% (24% for the year 2001) as follows:

	Group	Company	Group	Company
	2002	2002	2001	2001
Income tax expenses				
Profit before income tax	14,029	13,220	43,838	43,102
Changes in temporary differences	375	375	(351)	(351)
Tax non-deductible expenses	9,329	7,845	2,811	2,471
Taxable profit for the year	23,733	21,440	46,298	45,222

(all amounts are in LTL thousands unless otherwise stated)

8 Income tax (cont'd)

	Group	Company	Group	Company
	2002	2002	2001	2001
Income tax expenses (cont'd)				
Profit taxable at a rate of 0%	-	-	46,298	45,222
Profit taxable at a rate of 7.5% (12% for the year 2001)	21,440	21,440	-	-
Profit taxable at a rate of 15% (24% for the year 2001)	2,293	-	-	-
Income tax calculated at a rate of 7.5% (12% for the year 2001)	(1,608)	(1,608)	-	-
Income tax calculated at a rate of 15% (24% for the year 2001)	(344)	-	-	-
Current income tax expenses	(1,952)	(1,608)	-	-
Opening deferred tax before valuation allowance	311	311	337	337
Change in deferred tax before valuation allowance	368	368	(26)	(26)
Closing valuation allowance	-	-	(311)	(311)
Deferred tax income	679	679	-	-
Income tax expenses charged to the income statement	(1,273)	(929)	-	-
Deferred tax asset				
Accruals	497	497	262	262
Inventories	165	165	49	49
Property, plant and equipment	17	17	-	-
Deferred tax asset before valuation allowance	679	679	311	311
Less: valuation allowance	-	-	(311)	(311)
Deferred tax asset, net	679	679	-	-

There have been no tax losses carried forward at 31 December 2002 and 2001.

Profit taxable at a rate of 0% for the year 2001 represents capital expenditure relating to acquisition of property, plant and equipment.

On 1 August 1999 expired a tax holiday, which was applicable to the Company. In the following three years after 1 August 1999 corporate income tax was payable at a 50% discounted rate. Starting from 1 August 2002 the Company is paying income tax at a full rate.

(all amounts are in LTL thousands unless otherwise stated)

8 Income tax (cont'd)

Deferred income tax assets were estimated at 15% in 2002 and 7.5% in 2001. Movements in pre-tax components of temporary differences for the Company and the Group are as follows:

	Balance as of 31 December 2001	Recognised in the income statement	Balance as of 31 December 2002
Accruals	3,493	(183)	3,310
Inventories	656	443	1,099
Property, plant and equipment	-	115	115
Total temporary differences	4,149	375	4,524
Less: valuation allowance	(4,149)	4,149	-
Total temporary differences, net	-	4,524	4,524
Deferred tax asset, net	-	-	679
Change in deferred tax	-	679	-

9 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued and paid during the year.

	Group 2002	Company 2002	Group 2001	Company 2001
Net profit attributable to the shareholders	12,689	12,291	43,836	43,102
Number of shares (thousand), opening balance	34,066	34,066	30,294	30,294
New shares (thousand)*	832	832	3,772	3,772
Number of shares (thousand), closing balance	34,898	34,898	34,066	34,066
Weighted average number of shares (thousand)**	34,730	34,730	32,180	32,180
Basic earnings per share (LTL)	0.37	0.35	1.36	1.34

* the amount represents the shares issued in 2001 that were partly paid in 2001 (3,772 thousand) and the remaining part in 2002 (832 thousand) (Note 16).

** weighted average number of shares for the year 2002 was calculated as follows: $34,066/12 + 34,362/12 + 34,529/12 + 34,623/12 + 34,898/12 * 8 = 34,730$.

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. One of categories of dilutive potential ordinary shares is a convertible loan under the Amended and Restated Investment Agreement with International Finance Corporation (IFC) (Note 18). For the convertible loan, calculation is made to determine the number of shares that could be acquired according to the terms of the loan agreement. In addition to that, issued and partly paid share capital as of 31 December 2001 is also included in diluted earnings per share calculation (for more details on increase in share capital please refer to Note 16).

(all amounts are in LTL thousands unless otherwise stated)

9 Earnings per share (cont'd)

	Group	Company	Group	Company
	2002	2002	2001	2001
Net profit attributable to the shareholders	12,689	12,291	43,836	43,102
Net profit attributable to shareholders, adjusted for interest on the convertible loan	13,186	12,788	43,836	43,102
Weighted average number of ordinary shares issued and paid (in thousands)	34,730	34,730	32,180	32,180
Adjustment for convertible loan (in thousands)*	1,562	1,562	1,515	1,515
Proportion of partly paid ordinary shares not in basic earnings per share**	168	168	416	416
Number of shares that would have been issued at fair value	-	-	(356)	(356)
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	36,460	36,460	33,755	33,755
Diluted earnings per share (LTL)	0.36	0.35	1.30	1.28

* adjustment for convertible loan for the year 2002 is calculated as follows: $5\% \times 30,294 / 12 \times 6 + 2,200 / (5.90 / 3.4528 \times 80\%) / 12 \times 6 = 1,562$ (Note 18). The amount of LTL 5.90 represents the market value of the Company's share as of 31 December 2002.

** proportion of partly paid ordinary shares not in basic earnings per share for the year 2002 is calculated as follows: $34,898 - 34,730 = 168$.

(all amounts are in LTL thousands unless otherwise stated)

10 Property, plant and equipment

Group	Buildings	Plant, machinery and equipment	Vehicles	Other non-current assets	Construction in progress	Total
Cost, historical or indexed:						
Balance as of 31 December 2001	162,339	324,486	6,361	18,329	24,037	535,552
Additions	2,749	2,372	1,223	239	98,471	105,054
Disposals	(18,069)	(16,855)	(637)	(2,625)	-	(38,186)
Reclassifications	24,975	33,816	1,424	7,402	(67,617)	-
Balance as of 31 December 2002	171,994	343,819	8,371	23,345	54,891	602,420
Accumulated depreciation:						
Balance as of 31 December 2001	(50,142)	(138,460)	(3,504)	(10,727)	-	(202,833)
Depreciation charge	(4,251)	(41,056)	(1,125)	(4,754)	-	(51,186)
Disposals	7,606	8,321	318	2,608	-	18,853
Balance as of 31 December 2002	(46,787)	(171,195)	(4,311)	(12,873)	-	(235,166)
Net book value as of 31 December 2002	125,207	172,624	4,060	10,472	54,891	367,254
Net book value as of 31 December 2001	112,197	186,026	2,857	7,602	24,037	332,719
Company	Buildings	Plant, machinery and equipment	Vehicles	Other non-current assets	Construction in progress	Total
Cost, historical or indexed:						
Balance as of 31 December 2001	161,264	324,100	2,140	16,594	23,917	528,015
Additions	2,749	2,212	-	139	99,427	104,527
Disposals	(18,061)	(16,761)	(44)	(2,585)	-	(37,451)
Reclassifications	24,975	34,724	261	8,355	(68,315)	-
Balance as of 31 December 2002	170,927	344,275	2,357	22,503	55,029	595,091
Accumulated depreciation:						
Balance as of 31 December 2001	(49,988)	(138,000)	(997)	(10,405)	-	(199,390)
Depreciation charge	(4,184)	(40,814)	(374)	(4,591)	-	(49,963)
Disposals	7,604	8,218	44	2,578	-	18,444
Balance as of 31 December 2002	(46,568)	(170,596)	(1,327)	(12,418)	-	(230,909)
Net book value as of 31 December 2002	124,359	173,679	1,030	10,085	55,029	364,182
Net book value as of 31 December 2001	111,276	186,100	1,143	6,189	23,917	328,625

10 Property, plant and equipment (cont'd)

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2002 amounts to LTL 51,186 thousand and LTL 49,963 thousand respectively (LTL 29,503 thousand and LTL 28,293 thousand in the year 2001 respectively). Amounts of LTL 1,217 thousand and LTL 1,209 thousand for the year 2002 (LTL 1,315 thousand and LTL 1,314 thousand for the year 2001) have been included into administrative expenses in the Group's and the Company's income statement respectively. The remaining amounts have been included into production cost for the year.

Property, plant and equipment of the Group and the Company with a net book value of LTL 150,192 thousand as of 31 December 2002 (LTL 163,348 thousand as of 31 December 2001) is pledged to banks as a collateral for the loans (see Note 18).

Certain property, plant and equipment items of the Group and the Company with gross carrying amounts of LTL 68,005 thousand are fully depreciated as of 31 December 2002 (LTL 60,117 thousand as of 31 December 2001), but are still in active use.

During the year 2002 capitalised borrowing costs amounted to LTL 1,563 thousand (LTL 2,178 thousand during the year 2001), which were incurred in connection with the construction of certain assets. Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.39%.

Four revaluations of property, plant and equipment were performed during a period of hyperinflation prior to 1 January 1996. Revaluations of property, plant and equipment were performed by indexing the cost and accumulated depreciation of property, plant and equipment, applying indexation rates set by the Lithuanian Government for different asset categories. The revalued amounts have not been specifically assessed by independent, professionally qualified valuers, as required by International Financial Reporting Standards.

Indexation rates used for the four revaluations were as follows (depending upon the date of acquisition and category of property, plant and equipment):

Revaluation	The range of indexes for property, plant and equipment revaluation
Revaluation effective 1 July 1991	2.2 times
Revaluation effective 1 January 1992	2 – 5 times
Revaluation effective 1 April 1994	1.4 – 14 times
Revaluation effective 31 December 1995	1.6 – 1.7 times

Indexation was performed on all property, plant and equipment items, acquired before 1 January 1996. However, due to significant acquisitions of assets other than buildings as well as depreciation of this group of assets after the last indexation as of 31 December 1995, the indexation effect on assets other than buildings has been reduced to the level that it is not considered to be material as of 31 December 2002 and 2001. As a consequence, only buildings, acquired before 31 December 1995, are stated at indexed values as of 31 December 2002 and 2001.

In order to assess and determine the fair value of its buildings, machinery and equipment in 2000 the Company contracted an independent valuation firm PricewaterhouseCoopers to perform an appraisal of some of these assets. Based on the valuation as of 31 October 2000, the market price of the buildings and machinery and equipment amounted to LTL 127,608 thousand and LTL 84,696 thousand respectively while the net book values amounted to LTL 94,281 thousand and LTL 49,078 thousand respectively. The valuation was not recorded in the financial statements of the Company.

(all amounts are in LTL thousands unless otherwise stated)

11 Intangible assets

	Group	Company
Cost		
Balance as of 31 December 2001	12,434	12,288
Additions	6,512	6,491
Balance as of 31 December 2002	18,946	18,779
Amortisation		
Balance as of 31 December 2001	(2,750)	(2,685)
Charge for the year	(3,050)	(3,010)
Balance as of 31 December 2002	(5,800)	(5,695)
Net book value as of 31 December 2002	13,146	13,084
Net book value as of 31 December 2001	9,684	9,603

The Group has no internally generated intangible assets. Amortisation expenses of intangible assets are included within administrative expenses in the income statement.

In October 2002 the Company signed a Product Design and Process Agreement with Hitachi Displays Ltd. According to this agreement, Hitachi Displays Ltd. agreed to provide the technical information and assistance, and the right and license to manufacture and sell certain kinds of colour cathode ray tubes. Based on the terms of this agreement in November 2002 the Company paid a part of the initial fee in the amount of JPY 56,600 thousand (LTL 1,589 thousand). The remaining part of the initial fee amounting to JPY 156,400 thousand (LTL 4,322 thousand as of 31 December 2002) was accounted for as trade accounts payable in the balance sheet as of 31 December 2002. The agreement is valid for five years, therefore, the above described total amount is amortised during a five-year period.

In October 2000, a Technical Assistance Agreement was signed between the Company and Toshiba Corporation. Under the terms of this agreement, Toshiba Corporation agreed to furnish and grant certain technical information, services and licenses for the manufacture of certain kinds of colour cathode ray tubes. In relation to the above described agreement the Company made an USD 2,800 thousand (LTL 11,200 thousand) initial non-refundable payment in 2001. The agreement is valid for five years, therefore, the above described amount is amortised during a five-year period.

The net book value of the above described licenses and related expenses as of 31 December 2002 was LTL 12,600 thousand. The remaining amount of net book value of the Group's and the Company's intangible assets represents various software.

(all amounts are in LTL thousands unless otherwise stated)

12 Investments

The details of the Company's investments (including subsidiary undertakings) are as follows:

Name	Ref.	Country of incorporation	Percentage of holdings	Cost	
				2002	2001
UAB Ekranu Ekspedicija		Lithuania	90	3,066	3,066
UAB Ekranu Įrengimai		Lithuania	95	657	657
UAB Vasaros Malonumai	(a)	Lithuania	91	726	726
			4,449	4,449	
UAB Šiaulių Tauro Televizoriai	(b)	Lithuania	21	822	212
Other		Lithuania	-	12	9
Less: impairment adjustment				(822)	(212)
				4,461	4,458

(a) On 11 November 2002 the Board Meeting of the Company took a decision to liquidate UAB Vasaros Malonumai, the subsidiary of the Company, and to sell the recreation houses that it owned. The management of the Company believes, that all assets of this subsidiary will be sold during 2003 for the value not less than net book value and consequently the investment value will be recovered.

(b) On 15 July 2002 the General Shareholders' Meeting of UAB Šiaulių Tauro Televizoriai took a decision to cover the accumulated losses of this company by the additional cash contribution. Based on this decision, the Company paid LTL 279 thousand. In addition, the shareholders decided to increase the share capital of UAB Šiaulių Tauro Televizoriai by issuing additional shares for the total nominal amount of LTL 2,500 thousand (a nominal value of UAB Šiaulių Tauro Televizoriai share is LTL 1 thousand). All new issued shares were acquired by the Company for the nominal value by converting the outstanding accounts receivable for sold production.

In December 2002 the Company signed the agreements with UAB Hustinus and UAB Ertresa and sold 1,667 and 300 shares of UAB Šiaulių Tauro Televizoriai respectively for the nominal value of the shares. The difference in the amount of LTL 202 thousand between the gross book value of the sold shareholding and the sales proceeds was charged to the income statement.

An impairment adjustment was made for the full remaining value of the investment in this company as it is considered that there has been an impairment loss in the investment value. As of 31 December 2002 and 2001 the Company owned 21% of UAB Šiaulių Tauro Televizoriai shares.

13 Inventories

	Group	Company	Group	Company
	2002	2002	2001	2001
Raw materials	37,931	35,206	28,641	27,572
Work in progress	23,201	23,000	16,148	16,148
Finished goods	53,155	53,155	17,321	17,321
Goods for resale	12	12	39	39
	114,299	111,373	62,149	61,080

(all amounts are in LTL thousands unless otherwise stated)

13 Inventories (cont'd)

The initial cost value of the Company's and Group's inventories accounted for at net realisable value as of 31 December 2002 and 2001 amounted to LTL 11,057 thousand and LTL 937 thousand respectively. Write-down in the amounts of LTL 1,099 thousand and LTL 656 thousand was recorded in the balance sheets as of 31 December 2002 and 2001 respectively.

As of 31 December 2002 inventory amounting to LTL 84,139 thousand (LTL 55,790 thousand as of 31 December 2001) was pledged to the banks as collateral (Note 18).

14 Receivables, prepayments and prepaid expenses

	Group	Company	Group	Company
	2002	2002	2001	2001
Trade receivables	55,309	54,352	81,381	80,269
Other debtors and prepaid expenses	22,212	20,750	4,249	3,885
Prepayments	1,669	1,614	1,937	1,829
Impairment for doubtful trade receivables	(494)	(237)	(1,225)	(883)
	78,696	76,479	86,342	85,100

Included within trade receivables are receivables of LTL 35,081 thousand (LTL 61,251 thousand as of 31 December 2001) from Farimex S.A., a shareholder of the Company and LTL 7,356 thousand (LTL 13,408 thousand as of 31 December 2001) from UAB Šiaulių Tauro Televizoriai. Receivables of LTL 19,620 thousand (LTL 45,399 thousand as of 31 December 2001) from Farimex S.A. are secured by irrevocable letters of credit issued by various banks.

As explained in Note 18, in order to secure the repayment of loans to Kredyt Bank S.A. the Company pledged the claim to receivables from Sanyo Industries, Otava Electronics A.S. and UAB Šiaulių Tauro Televizoriai. The receivables from these companies as of 31 December 2002 amounted to LTL 8,026 thousand.

Other debtors and prepaid expenses balances include a receivable of LTL 11,770 thousand from an insurance company for part of the compensation in relation to the fire accident (see Note 21).

15 Cash and cash equivalents

	Group	Company	Group	Company
	2002	2002	2001	2001
Cash at bank	5,307	5,030	12,667	12,153
Cash on hand	155	132	199	136
	5,462	5,162	12,866	12,289

The Company's foreign and local currency accounts in Kredyt Bank S.A. are pledged to the bank as collateral in relation to the loan issued on 9 August 2001. Cash held in the Company's accounts in AB Bankas Snoras as well as future cash inflows into these accounts are pledged to secure the repayment of the credit line received from this bank. Cash and future cash inflows in the Company's accounts in AB Bankas Hansa-LTB are also pledged to secure the repayment of loan received from this bank. The Company is also obliged to ensure that the monthly balance of the collateralised funds in its current accounts at AB Vilniaus Bankas is at least USD 4,000 thousand calculated as the average per one quarter (Note 18).

(all amounts are in LTL thousands unless otherwise stated)

16 Share capital

	Shares (thousands)		Share capital (LTL thousands)	
	2002	2001	2002	2001
Ordinary shares issued 1 January	34,898	30,294	174,490	151,472
Issued ordinary shares	-	4,604	-	23,018
Ordinary shares issued 31 December	34,898	34,898	174,490	174,490

The nominal value of ordinary shares is LTL 5 each.

On 27 April 2001 the General Shareholders' Meeting took a decision to increase the share capital by LTL 23,018 thousand and approved the sale of the newly issued shares to Farimex S.A. for the amount of LTL 13,018 thousand by capitalising the long-term debt and to Henley Trading Ltd. for the amount of LTL 10,000 thousand to be paid in cash. The issue price of shares was equal to their nominal value. Corresponding shares purchase agreements with Farimex S.A. and Henley Trading Ltd. were signed on 25 June 2001.

According to the share purchase agreement with Henley Trading Ltd. the total amount for the shares should have been paid within a year from the date of the agreement. As of 31 December 2001 the unpaid amount for the shares issued to Henley Trading Ltd. was equal to LTL 4,160 thousand and was included into receivable from the shareholder caption in the balance sheet as of 31 December 2001. The amount was fully paid in 2002.

17 Reserves

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of accumulated distributable profit calculated in accordance with Lithuanian Accounting Principles are compulsory until the reserve reaches 10% of the share capital.

Non-restricted (distributable) reserves are formed based on the decision of the General Shareholders' Meeting on appropriation of distributable profit. This reserve can be used only for the purposes approved by the General Shareholders' Meeting.

18 Borrowings

	Group	Company	Group	Company
	2002	2002	2001	2001
Long-term				
Bank borrowings	113,575	113,575	103,048	103,048
Other borrowings	329	52	662	206
	113,904	113,627	103,710	103,254
Short-term				
Bank borrowings	52,393	52,393	43,485	43,485
Current portion of long-term borrowings	29,323	29,099	15,269	15,053
	81,716	81,492	58,754	58,538
Total borrowings	195,620	195,119	162,464	161,792

The total amount of borrowings that were short-term under the terms of loan agreements in force at 31 December 2002, however, which were classified as long-term in these financial statements due to the fact that the substance of the liability at the balance sheet date was long-term is LTL 34,432 thousand.

(all amounts are in LTL thousands unless otherwise stated)

18 Borrowings (cont'd)

Repayments of the long-term debt are scheduled as follows:

	31 December 2002			
	Group		Company	
	Fixed rate	Variable rate	Fixed rate	Variable rate
2003	909	28,414	685	28,414
2004	643	59,989	419	59,989
2005	262	28,499	209	28,499
2006	-	18,532	-	18,532
2007	-	5,979	-	5,979
	1,814	141,413	1,313	141,413

	31 December 2001			
	Group		Company	
	Fixed rate	Variable rate	Fixed rate	Variable rate
2002	779	14,490	563	14,490
2003	2,693	41,393	2,462	41,393
2004	413	25,484	188	25,484
2005	-	20,072	-	20,072
2006	-	13,655	-	13,655
	3,885	115,094	3,213	115,094

Weighted average effective interest rates of borrowings outstanding at the year-end:

	2002	2001
Short-term bank borrowings	5.03%	7.33%
Long-term bank borrowings	5.39%	8.10%

Principal amount of borrowings outstanding as of the year-end in local and foreign currencies was as follows:

Borrowings denominated in:	Group	Company	Group	Company
	2002	2002	2001	2001
EUR	110,417	109,938	84,482	84,482
USD	50,276	50,276	69,081	69,081
LTL	34,927	34,905	8,901	8,229
	195,620	195,119	162,464	161,792

As of 31 December 2002 the Company was in non-compliance with a quick ratio, set by AB Vilniaus Bankas. According to the loan agreement, the quick ratio of the Company should be not less than 0.6, however, as of 31 December 2002 the ratio was 0.51. The bank has been informed of the non-compliance, however has taken no action until the release of these financial statements. Furthermore, as described in the end of this note, it has extended another loan to the Company subsequent to the year-end. The management of the Company believes, that no penalties or any other actions will be imposed or taken by the bank in respect of this non-compliance. Accordingly no adjustments have been made in these financial statements in relation to this issue.

(all amounts are in LTL thousands unless otherwise stated)

18 Borrowings (cont'd)

As of 31 December 2002 the Company had unused funds in credit lines amounting to LTL 76,415 thousand (LTL 47,985 thousand as of 31 December 2001), maturity of which is on different dates, the final one on 31 December 2009.

Property, plant and equipment with the net book value amounting to LTL 150,192 thousand as of 31 December 2002 (LTL 163,348 thousand as of 31 December 2001) and inventory amounting to LTL 84,139 thousand (LTL 55,790 thousand as of 31 December 2001) have been pledged as a security for borrowings. In addition to that, in order to secure the repayment of loans to Kredyt Bank S.A. the Company pledged the claim to receivables from Sanyo Industries, Otava Electronics A.S. and UAB Šiaulių Tauro Televizoriai. The receivables from these companies as of 31 December 2002 amounted to LTL 8,026 thousand. The Company's foreign and local currency accounts in Kredyt Bank S.A. as well as cash and future cash inflows in AB Bankas Snoras and AB Bankas Hansa-LTB accounts are pledged to the respective banks as collateral, too. The Company is also obliged to ensure that the monthly balance of the collateralised funds in its current accounts at AB Vilniaus Bankas is at least USD 4,000 thousand calculated as the average per one quarter.

In April 2000, the Company signed an Amended and Restated Investment Agreement with IFC. According to this agreement IFC committed to grant the Company a credit facility consisting of two loans amounting to EUR 11,800 thousand and EUR 2,200 thousand respectively. The latter loan is convertible into the Company's shares. The number of shares to be issued depends on the date of conversion:

- In the period commencing on the date immediately after the convertible loan has been disbursed and expiring on 30 June 2002 shares to be issued shall represent 5% of total share capital issued on the date of the agreement signed between IFC and the Company.
- In the period commencing on 1 July 2002 and expiring on 30 June 2004 the number of shares to be issued shall be the amount equal to the result obtained by dividing the amount of loan outstanding by the number obtained by multiplying 80% times market price per share using exchange rate of EUR into LTL announced by the Central Bank of Lithuania at the date of conversion.
- In the period commencing on 1 July 2004 and expiring 30 June 2005 the number of shares to be issued shall be the amount equal to the result obtained by dividing the amount of loan outstanding by the number obtained by multiplying 90% times market price per share using exchange rate of EUR into LTL announced by the Central Bank of Lithuania at the date of conversion.

The equity component of the convertible loan was not valued separately as prevailing market interest rate for a similar liability having no conversion right is similar to the interest applied for the convertible loan to the Company.

For the purpose of diluted earnings per share calculation (Note 9), the weighted average number of shares in issue was adjusted to assume conversion of all potential ordinary shares in the respective period.

Subsequently to the year-end, the loan received from IFC was refinanced by AB Vilniaus Bankas without the conversion option. Until the repayment, IFC has not utilized any of the conversion options available.

19 Taxes payable, trade and other payables

	Group 2002	Company 2002	Group 2001	Company 2001
Trade payables	55,310	56,539	33,155	32,496
Advances received	2,107	2,106	10	8
Other taxes, salaries and social security payable	7,151	5,829	7,133	6,338
Other payables and accruals	13,587	12,768	12,439	13,890
	<u>78,155</u>	<u>77,242</u>	<u>52,737</u>	<u>52,732</u>

(all amounts are in LTL thousands unless otherwise stated)

20 Financial instruments and risk management

Credit risk

The Group has significant concentration of trading counterparties. The main two customers of the Group – Farimex S.A., a major shareholder of the Group, and UAB Šiaulių Tauro Televizoriai – on 31 December 2002 account for approximately 78% (93% as of 31 December 2001) of total trade receivables.

The Group's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. Furthermore, part of the receivable from Farimex S.A. is secured by irrevocable letters of credit issued by various banks, as discussed in Note 14.

The Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the balance sheet. Consequently, the Group considers that its maximum exposure is reflected by the amount of trade receivables (Note 14), net of impairment losses recognised at the balance sheet date.

Interest rate risk

The major part of the Group's borrowings is with variable rates, related to LIBOR, which creates an interest rate risk. There are no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2002 and 2001.

Liquidity risk

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

Foreign exchange risk

Major currency risks of AB Ekranas occur due to the fact that the Group borrows foreign currency denominated funds as well as is being involved in imports and exports. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group does not use any financial instruments to manage its exposure to foreign exchange risk other than aiming to borrow in currencies to which LTL is pegged (USD until 2 February 2002, and EUR thereafter).

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (a) The carrying amount of current trade accounts receivable, current accounts payable and short-term borrowings approximates fair value.
- (b) The fair value of the non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

21 Commitments and contingencies

Commitments

As described in Note 11, in October 2002 the Company signed the Product Design and Process Agreement with Hitachi Displays Ltd. According to this agreement, Hitachi Displays Ltd. agreed to provide the technical information and assistance, and the right and license to manufacture and sell of certain kinds of colour cathode ray tubes. The Company is obliged to pay a royalty calculated as a percentage of the selling price of the licensed products, which are sold or otherwise disposed off during the period of five years from the commencement of commercial production of licensed products. Selling price is determined as price including integrated tube components (ITC) based on ex-works conditions without packaging.

In October 2000, a Technical Assistance Agreement was signed between the Company and Toshiba Corporation (Note 11). The Company is required to pay a running royalty calculated as a percentage of the gross selling price for certain products manufactured and used, sold or otherwise disposed of by the Company for the five-year period from the commencement date of commercial production of those products.

In December 2000 the Company renewed the Technical License Agreement with Techneglas Inc. According to this agreement from 2001 and thereafter for the term of this agreement, the Company shall pay Techneglas Inc. royalty fees for the licensed products produced. The amount of the royalty fees depends on the production volumes, size of the products and whether the licensed products are consumed by the Company's tube assembly shop or sold outside the Company.

As of 31 December 2002 the Company had purchase commitments for the acquisition of property, plant and equipment of LTL 53,737 thousand (LTL 4,989 thousand as of 31 December 2001).

Contingencies

On 3 October 2002 the Company had a fire accident in one of its production buildings. During the fire accident the Company lost part of the production building, the major part of machinery and equipment as well as inventories located in that building, all of which have been written off in the financial statements as of 31 December 2002. The main part of the building as well as main part of machinery and equipment was not used in the production process at that time, therefore, the production process due to the fire was stopped only for a few days. All assets of the Company as well as business interruption and third party liability were insured in UADB Zurich Draudimas. As of the date of release of these financial statements, the Company and the insurance company agreed on the total claim compensation amounting to LTL 20,860 thousand mostly related to the compensation for buildings and inventories, which has been reflected as income in the financial statements as of 31 December 2002 in the same caption where the write-off of assets has been recorded. However, the negotiations are in process regarding the compensation related to machinery and equipment, business interruption and third party liability. The total amount of insurance compensation related to these items has not been agreed as of the date of release of these financial statements.

(all amounts are in LTL thousands unless otherwise stated)

22 Related party transactions

The Group has a sales agreement with one of the largest Company's shareholders Farimex S.A. The Company also owns 21% of UAB Šiaulių Tauro Televizoriai. In addition to that, the Group had transactions with UAB Kagris and UAB Ekmecha, which shareholders are related to the Company's management. The following transactions were carried out with related parties:

	2002	2001
i) Sales		
Farimex S.A	342,422	337,068
UAB Šiaulių Tauro Televizoriai	18,109	26,676
UAB Kagris	692	199
UAB Ekmecha	511	76
	361,734	364,019
ii) Purchases		
UAB Kagris	4,988	2,916
UAB Ekmecha	2,976	1,555
	7,964	4,471
iii) Year-end receivables balances		
Farimex S.A	35,081	61,251
UAB Šiaulių Tauro Televizoriai	7,356	13,408
UAB Kagris	25	-
	42,462	74,659
iv) Year-end payables balances		
UAB Kagris	357	143
UAB Ekmecha	1,021	-
	1,378	143
v) Other year-end balances with related parties		
Advances received from Henley Trading Ltd. (shareholder)	2,103	-
	2,103	-

All transactions with related parties were carried on an arm-length basis.

Emoluments of the management

In 2002 total remuneration paid to the management of the Company was LTL 3,052 thousand (LTL 2,053 thousand in 2001). The number of shares of the Company held by the management increased from 12,294,314 shares as of 31 December 2001 to 12,296,322 shares as of 31 December 2002. No loans were granted to the management of the Company in the years 2002 and 2001.

(all amounts are in LTL thousands unless otherwise stated)

23 Subsequent events

On 16 January 2003 the Board of the Company took a decision to propose to the General Shareholders' Meeting to approve the dividends for the year 2002 amounting to LTL 1,000 thousand, which is LTL 0.03 per share (paid dividends for the year 2001 were LTL 0.03 per share). However, based on the loan agreements, signed with AB Vilniaus Bankas, in order to propose and pay the dividends the approval from this bank is required. As of the date of release of these financial statements the approval from bank was not yet received.