

# **AB LINAS**

*Independent Auditors' Report and  
Financial Statements for  
the year ended 31 December 2003*

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## INDEPENDENT AUDITORS' REPORT


To the shareholders of AB Linas:

We have audited the accompanying balance sheet of AB Linas ("the Company") as of 31 December 2003 and the related statements of income 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.

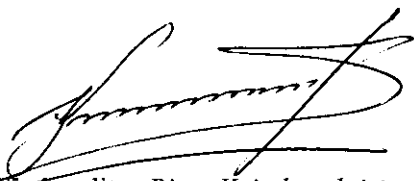
We conducted our audit in accordance with Lithuanian National and International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Company did not record an allowance for obsolete construction in progress. In our opinion, generally accepted accounting principles in the Republic of Lithuania require such an allowance to be recorded. If an allowance for obsolete construction in progress was recorded, assets as of 31 December 2003 and net profit for the year 2003 would decrease by LTL 6 292 282.

In our opinion, except for the impact of the matter described above, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2003 and the results of its operations and cash flows for the year 2003 in accordance with generally accepted accounting principles in the Republic of Lithuania.



UAB Deloitte & Touche  
Director Juozas Kabašinskas



Certified auditor Rima Kvietauskaitė  
Auditor's Certificate No. 000369

Vilnius, Lithuania  
01 April 2004

Audit • Tax • Consulting • Corporate Finance •

Member of  
Deloitte Touche Tohmatsu

# AB LINAS

## BALANCE SHEET AS OF 31 DECEMBER 2003

No.	Assets	Notes	2003 (LTL)	2002 (LTL)
<b>A.</b>	<b>Non-current assets</b>		<b>24 749 793</b>	<b>25 008 123</b>
<b>I.</b>	<b>FORMATION COSTS</b>	<b>2</b>	-	-
<b>II.</b>	<b>INTANGIBLE ASSETS</b>	<b>3</b>	<b>384 586</b>	<b>327 778</b>
II.1.	Research and development costs		-	-
II.2.	Rights obtained		384 586	327 778
<b>III.</b>	<b>FIXED ASSETS</b>	<b>4</b>	<b>24 277 169</b>	<b>24 623 409</b>
III.1.	Land		-	-
III.2.	Buildings		12 326 539	12 746 411
III.3.	Plant and machinery		3 795 487	3 690 691
III.4.	Vehicles		459 145	685 143
III.5.	Other equipment		978 469	1 153 003
III.6.	Leasing and similar rights		-	-
III.7.	Other fixed assets		71 488	54 379
III.8.	Construction in progress and prepayments		6 646 041	6 293 782
<b>IV.</b>	<b>FINANCIAL ASSETS</b>	<b>5</b>	<b>45 835</b>	<b>30 835</b>
IV.1.	Investments		15 000	-
IV.2.	Other investments		30 835	30 835
<b>V.</b>	<b>ACCOUNTS RECEIVABLE AFTER ONE YEAR</b>		<b>42 203</b>	<b>26 101</b>
V.1.	Other accounts receivable		42 203	26 101
<b>B.</b>	<b>Current assets</b>		<b>32 046 152</b>	<b>33 182 635</b>
<b>I.</b>	<b>INVENTORY AND CONTRACTS IN PROGRESS</b>		<b>17 776 434</b>	<b>22 965 404</b>
I.1	Inventory		17 350 402	22 593 716
I.1.1.	Raw materials and consumables		3 901 390	4 650 244
I.1.2.	Work in progress		7 473 473	10 922 072
I.1.3.	Finished goods		5 975 501	7 021 400
I.1.4.	Goods purchased for resale		38	-
I.2	Contracts in progress		426 032	371 688
<b>II.</b>	<b>ACCOUNTS RECEIVABLE WITHIN ONE YEAR</b>		<b>9 968 495</b>	<b>9 660 265</b>
II.1.	Trade debtors		8 867 178	8 857 189
II.2.	Other accounts receivable		1 101 317	803 076
<b>III.</b>	<b>INVESTMENTS AND TERM DEPOSITS</b>		<b>2 071 680</b>	-
III.1.	Treasury shares		-	-
III.2.	Other investments and term deposits		2 071 680	-
<b>IV.</b>	<b>CASH AT BANK AND ON HAND</b>		<b>2 229 543</b>	<b>556 966</b>
<b>C.</b>	<b>Accrued income and prepaid expenses</b>	<b>9, 10</b>	<b>151 856</b>	<b>109 529</b>
	<b>TOTAL ASSETS</b>		<b>56 947 801</b>	<b>58 300 287</b>

(Continued)

**AB LINAS****BALANCE SHEET  
AS OF 31 DECEMBER 2003**

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No.	Liabilities and Shareholders' Equity	Notes	2003 (LTL)	2002 (LTL)
<b>A.</b>	<b><i>Share capital and reserves</i></b>		<b>32 832 673</b>	<b>32 137 045</b>
<b>I.</b>	<b>SHARE CAPITAL</b>	<b>6</b>	<b>24 038 990</b>	<b>24 038 990</b>
I.1.	Subscribed share capital		24 038 990	24 038 990
<b>II.</b>	<b>SHARE PREMIUM</b>		-	-
<b>III.</b>	<b>REVALUATION RESERVE</b>		-	-
<b>IV.</b>	<b>RESERVES</b>		<b>10 200 288</b>	<b>10 263 031</b>
IV.1.	Legal reserves		1 571 473	1 571 473
IV.2.	Reserves not available for distribution		1 476 227	1 476 227
IV.3.	Reserves available for distribution		7 152 588	7 215 331
<b>V.</b>	<b>PROFIT (LOSS) BROUGHT FORWARD</b>		<b>(1 406 605)</b>	<b>(2 164 976)</b>
V.1.	Current year profit (loss)		758 371	2 893 300
V.2.	Previous year profit (loss)		(2 164 976)	(5 058 276)
<b>B.</b>	<b><i>Financing (grants and subsidies)</i></b>			
<b>C.</b>	<b><i>Provisions and deferred taxes</i></b>			
<b>I.</b>	<b>PROVISIONS</b>			
<b>II.</b>	<b>POSTPONED TAXES</b>			

(Continued)

# AB LINAS

## BALANCE SHEET

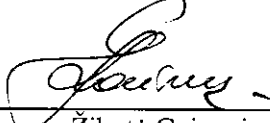
AS OF 31 DECEMBER 2003

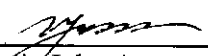
No.	Liabilities and Shareholders' Equity	Notes	2003 (LTL)	2002 (LTL)
<b>D.</b>	<b>Accounts payable and liabilities</b>	<b>7</b>	<b>23 160 922</b>	<b>26 163 242</b>
<b>I.</b>	<b>Accounts payable after one year</b>		<b>7 265 307</b>	<b>11 941 102</b>
<b>I.1.</b>	<b>FINANCIAL DEBTS</b>		<b>7 265 307</b>	<b>11 941 102</b>
I.1.1.	Credit institutions		7 265 307	11 941 102
<b>I.2.</b>	<b>TRADE CREDITORS</b>		-	-
<b>I.3.</b>	<b>ADVANCES RECEIVED ON CONTRACTS IN PROGRESS</b>		-	-
<b>I.4.</b>	<b>OTHER ACCOUNTS PAYABLE AND NON-CURRENT LIABILITIES</b>		-	-
<b>II.</b>	<b>Accounts payable within one year and current liabilities</b>		<b>15 895 615</b>	<b>14 222 140</b>
<b>II.1.</b>	<b>CURRENT PORTION OF NON-CURRENT DEBTS</b>		<b>9 714 795</b>	<b>7 265 307</b>
<b>II.2.</b>	<b>FINANCIAL DEBTS</b>		-	-
<b>II.3.</b>	<b>TRADE CREDITORS</b>		<b>3 589 557</b>	<b>3 632 048</b>
II.3.1.	Suppliers		3 589 557	3 632 048
<b>II.4.</b>	<b>ADVANCES RECEIVED ON CONTRACTS IN PROGRESS</b>		<b>187 873</b>	<b>149 973</b>
<b>II.5.</b>	<b>TAXES, REMUNERATION AND SOCIAL SECURITY PAYABLE</b>		<b>1 948 377</b>	<b>2 814 236</b>
II.5.1.	Taxes		778 798	839 457
II.5.2.	Remuneration		650 509	1 278 279
II.5.3.	Social security payable		519 070	696 500
<b>II.6.</b>	<b>OTHER ACCOUNTS PAYABLE AND CURRENT LIABILITIES</b>		<b>455 013</b>	<b>360 576</b>
<b>E.</b>	<b>Accrued expenses and deferred income</b>	<b>11, 12</b>	<b>954 206</b>	-
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>56 947 801</b>	<b>58 300 287</b>

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

(Concluded)

These financial statements were approved on 01 April 2004 and signed by:

  
Zibutė Gaivenienė  
General Manager

  
Virginija Jukonienė  
Chief Accountant


# AB LINAS


## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

No.	Items	Notes	2003 (LTL)	2002 (LTL)
<b>I.</b>	<b>SALES AND SERVICES</b>		<b>70 508 193</b>	<b>69 880 018</b>
I.1.	Revenue from goods sold		69 134 222	68 457 353
I.2.	Revenue from services granted		1 373 971	1 422 665
<b>II.</b>	<b>COST OF GOODS SOLD AND SERVICES RENDERED</b>		<b>53 386 837</b>	<b>46 819 684</b>
II.1.	Cost of raw materials and goods for resale		52 546 729	45 879 047
II.2.	Cost of services		840 108	940 637
<b>III.</b>	<b>GROSS PROFIT (LOSS)</b>		<b>17 121 356</b>	<b>23 060 334</b>
<b>IV.</b>	<b>OPERATING EXPENSES</b>		<b>14 685 798</b>	<b>16 026 502</b>
IV.1.	Selling expenses		5 530 124	5 388 170
IV.2.	General and administrative expenses		9 155 674	10 638 332
<b>V.</b>	<b>PROFIT (LOSS) FROM OPERATIONS</b>		<b>2 435 558</b>	<b>7 033 832</b>
<b>VI.</b>	<b>OTHER ACTIVITY</b>		<b>(253 768)</b>	<b>(262 632)</b>
VI.1.	Revenue		256 528	185 374
VI.2.	Expenses		510 296	448 006
<b>VII.</b>	<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>14</b>	<b>(946 186)</b>	<b>(2 651 549)</b>
VII.1.	Revenue		255 940	361 613
VII.2.	Expenses		1 202 126	3 013 162
<b>VIII.</b>	<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>		<b>1 235 604</b>	<b>4 119 651</b>
IX.	Extraordinary gain	15	415 210	124 026
X	Extraordinary loss	15	463 402	865 338
<b>XI.</b>	<b>CURRENT YEAR PROFIT (LOSS) BEFORE TAXES</b>		<b>1 187 412</b>	<b>3 378 339</b>
XII.	INCOME TAX		429 041	485 039
<b>XIII.</b>	<b>NET PROFIT (LOSS)</b>		<b>758 371</b>	<b>2 893 300</b>

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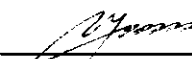
## APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

No.	Items	Notes	2003 (LTL)	2002 (LTL)
I.	Profit (loss) brought forward from previous years		(2 164 976)	(5 058 276)
II.	Current year profit (loss)		758 371	2 893 300
III.	Profit (loss) to be appropriated at the end of the year		(1 406 605)	(2 164 976)
IV.	Shareholders' contribution against losses		-	-
V.	Transfers from reserves		-	-
VI.	Profit (loss) to be appropriated		-	-
VII.	Appropriation of profit (loss):		-	-
VII.1.	To legal reserves		-	-
VII.2.	To other reserves		-	-
VII.3.	Dividends		-	-
VII.4.	Other		-	-
VIII.	Profit (loss) to be carried forward at the end of the year		(1 406 605)	(2 164 976)

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

These financial statements were approved on 01 April 2003 and signed by:

  
Zibutė Gaivenienė  
General Manager

  
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# AB LINAS

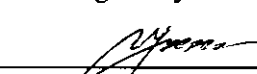
## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

No.	Items	2003 (LTL)	2002 (LTL)
<b>I.</b>	<b>Cash flow from operating activities</b>		
I.1.	Net profit (loss)	758 371	2 893 300
I.2.	Depreciation and amortization	2 036 662	2 247 227
I.3.	Currency exchange (gain) loss	124 653	1 306 666
I.4.	Loss (gain) from fixed assets transfers	16 146	5 445
I.5.	Decrease (increase) in debtors	(9 990)	(225 738)
I.6.	Increase (decrease) in trade creditors	(42 491)	483 368
I.7.	Increase (decrease) in other liabilities	5 466 916	(2 080 439)
I.8.	Increase (decrease) in payables to local authorities	(60 659)	383 739
I.9.	Decrease (increase) in prepayments	(411 014)	753 544
I.10.	Financial and investment activity loss	829 578	1 344 896
	<b>Net cash flow from operating activities (+/-)</b>	<b>8 708 172</b>	<b>7 112 008</b>
<b>II.</b>	<b>Cash flow from investing activities</b>		
II.1.	Sale (acquisition) of non-current assets	(1 763 375)	(4 072 627)
II.2.	Sale (acquisition) of investments	(15 000)	-
	<b>Net cash flow from investing activities (+/-)</b>	<b>(1 778 375)</b>	<b>(4 072 627)</b>
<b>III.</b>	<b>Cash flow from financing activities</b>		
III.1.	Issue of preferred and common shares	-	-
III.2.	Purchase of treasury shares (-)	-	-
III.3.	Issue of bonds	-	-
III.4.	Repayment of finance lease liabilities (-)	-	-
III.5.	Increase (decrease) in financial debts	(2 226 307)	(1 293 418)
III.6.	Other Companies:		
III.6.1.	Increase (decrease) in accounts payable	-	-
III.6.2.	Decrease (increase) in accounts receivable	(2 071 680)	-
III.7.	Dividends paid	(5 001)	(3 569)
III.8.	Other cash inflow (outflow)	(954 232)	(2 651 562)
	<b>Net cash flow from financing activities (+/-)</b>	<b>(5 257 220)</b>	<b>(3 948 549)</b>
<b>IV.</b>	<b>Cash flow from extraordinary activities</b>		
IV.1.	Cash inflow (outflow) from extraordinary activities	-	-
	<b>Net cash flow from extraordinary activities (+/-)</b>	<b>-</b>	<b>-</b>
<b>V.</b>	<b>Increase (decrease) in net cash</b>	<b>1 672 577</b>	<b>(909 168)</b>
<b>VI.</b>	<b>Cash, beginning of year</b>	<b>556 966</b>	<b>1 466 134</b>
<b>VII.</b>	<b>Cash, end of year</b>	<b>2 229 543</b>	<b>556 966</b>

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

These financial statements were approved on 01 April 2003 and signed by:

  
Zibutė Gaivenienė  
General Manager

  
Virginija Jukonienė  
Chief Accountant

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

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**1. Accounting policies*****General information***

AB Linas was incorporated and started its operations in 28 March 1993. The Company is located at S.Kerbedzio str. 23, Panevezys. The main activity of the Company is producing and spinning fiber flax, weave of cotton and linnen fabric, textile wholesale and retail. In 2003 and 2002 the Company employed, respectively, 1 638 in 2003 (2002: 1 677) employees.

The accompanying financial statements are presented in the national currency of Lithuania, the Litas ("LTL").

***Basis of Preparation***

The financial statements have been prepared on the historical cost basis of accounting, in accordance with accounting principles generally accepted in the Republic of Lithuania.

***Use of estimates***

The preparation of the financial statements in accordance generally accepted accounting principles in the Republic of Lithuania requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Appropriate consideration is given to deterioration, obsolescence and other factors when evaluating net realizable value.

***Cash***

Cash include cash on hand and current accounts in banks.

***Investments***

Investments consist of the shares of Lithuanian companies. Investments are stated at acquisition cost.

***Foreign currency***

Transactions denominated in foreign currency are translated into LTL at the official Bank of Lithuania exchange rate on the date of the transaction. The applicable rates used for the principal currencies at 31 December 2003 and 2002 were as follows:

	<b>2003</b>	<b>2002</b>
USD	2.7621	3.3114
EUR	3.4528	3.4528

All resulting gains and losses relating to cash settlement are recorded in the income statement in the period in which they arise. Gains and losses on translation are charged to the statement of income by application of the foreign exchange rates prevailing at the year-end.

# AB LINAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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### *Accounts receivable*

The Company evaluates the collectability of its receivables on an ongoing basis and if questions as to collectability arise, provides an allowance for potentially uncollectable amounts.

### *Revenue recognition and related expenses*

Revenues are recognized as income on the accrual basis when earned. Expenses are charged to operations as incurred.

### *Fixed Assets*

Fixed assets are stated at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation is provided in equal monthly installments except for the month placed in service over the expected useful lives as follows:

Buildings	8 - 60	years
Machinery and equipment	8 - 15	years
Vehicles	3 - 10	years
Other fixtures and equipment	5	years
Other fixed assets	4 - 6	years
Research and development costs	3	years
Rights obtained	3	years

All assets in excess of 500 LTL and which are expected to be in use for more than 1 year are capitalized. Gains and losses on disposal of fixed assets are recognized in the income statement in the year of disposal.

### *Taxation*

Profit is taxed at 15% according to the tax regulations in the Republic of Lithuania. The Company has earned taxable profit and calculated LTL 429 041 income tax (2002: LTL 485 039).

### *Related parties*

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the supervisory council and management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the reporting entity.

### *Change in Accounting policies*

Consequently to the launch of the application system Navision Financial, the deviation percentage calculated by every group of products (not the general average) was applied to adjust budgeted cost of finished products into the actual cost of finished products. If method used in prior years had been applied in the calculation of actual cost of finished goods, the cost of goods sold would have increased by LTL 896 960 in the income statement for the year 2003.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**2. Formation costs  
(LTL)**

Items	Codes	Amount
<b>Net book value 31 December 2002</b>		-
Changes during 2003:		
- new costs in the current year		-
- amortization (-)		-
- Other +/(-)		-
<b>Net book value 31 December 2003</b>		-

**3. Intangible assets  
(LTL)**

Items	Codes	Research and development costs	Rights obtained	Goodwill	Prepayments
<b>a) HISTORICAL COSTS</b>					
<b>31 December 2002</b>		-	742 639	-	-
Changes during 2003:					
-acquisition		-	168 835	-	-
-disposals (-)		-	-	-	-
-transfers +/(-)		-	(5 757)	-	-
<b>31 December 2003</b>		-	905 717	-	-
<b>b) AMOUNTS WRITTEN-OFF AND AMORTIZATION (-)</b>					
<b>31 December 2002</b>		-	414 861	-	-
Changes during 2003:					
-charge for the year		-	110 875	-	-
-reversals (-)		-	-	-	-
-disposals (-)		-	-	-	-
-write-offs (-)		-	(4 605)	-	-
- transfers +/(-)		-	-	-	-
<b>31 December 2003</b>		-	521 131	-	-
<b>c) NET BOOK VALUE</b>					
<b>31 DECEMBER 2003 (a) - (b)</b>		-	384 586	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**
**4. Fixed assets  
(LTL)**

Items	Land and buildings	Machinery and equipment	Vehicles	Other equipment	Leasing and similar rights	Other fixed assets	Construction in progress and prepayments
<b>a) HISTORICAL COST</b>							
<b>31 December 2002</b>	<b>17 618 011</b>	<b>19 496 372</b>	<b>2 061 749</b>	<b>2 730 163</b>	<b>-</b>	<b>54 379</b>	<b>6 293 782</b>
Changes during 2003:							
-acquisition	69 229	195 540	189 775	176 355	-	1 048 263	370 144
-disposals (-)	(43 923)	(268 884)	(260 667)	(270 130)	-	-	(17 885)
-transfers +/-(-)	-	991 871	-	39 283	-	(1 031 154)	-
<b>31 December 2003</b>	<b>17 643 317</b>	<b>20 414 899</b>	<b>1 990 857</b>	<b>2 675 671</b>	<b>-</b>	<b>71 488</b>	<b>6 646 041</b>
<b>b) REVALUATION</b>							
<b>31 December 2002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Changes during 2003:							
- increase in value	-	-	-	-	-	-	-
- disposals (-)	-	-	-	-	-	-	-
- write-offs (-)	-	-	-	-	-	-	-
- transfers +/-(-)	-	-	-	-	-	-	-
<b>31 December 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>c) AMOUNTS WRITTEN-OFF AND DEPRECIATION (-)</b>							
<b>31 December 2002</b>	<b>4 871 600</b>	<b>15 805 681</b>	<b>1 376 606</b>	<b>1 577 160</b>	<b>-</b>	<b>-</b>	<b>-</b>
Changes during 2003:							
-charge for the year	471 026	1 111 981	233 994	355 299	-	-	-
-reversals (-)	-	-	-	-	-	-	-
- disposals (-)	(25 848)	-	(59 369)	(1 940)	-	-	-
- write-offs (-)	-	(268 830)	(19 519)	(262 737)	-	-	-
- transfers +/-(-)	-	(29 420)	-	29 420	-	-	-
<b>31 December 2003</b>	<b>5 316 778</b>	<b>16 619 412</b>	<b>1 531 712</b>	<b>1 697 202</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>d) NET BOOK VALUE</b>							
<b>31 DECEMBER 2003 (a) + (b) - (c)</b>	<b>12 326 539</b>	<b>3 795 487</b>	<b>459 145</b>	<b>978 469</b>	<b>-</b>	<b>71 488</b>	<b>6 646 041</b>

**5. Financial assets  
(LTL)**

Items	Codes	Investments	
		Main investments	Other investments
<b>a) HISTORICAL COST</b>			
<b>31 December 2002</b>		-	<b>30 835</b>
Changes during 2003:			
-acquisition		15 000	-
-disposals (-)		-	-
-transfers +/-(-)		-	-
<b>31 December 2003</b>		<b>15 000</b>	<b>30 835</b>
<b>b) REVALUATION</b>			
<b>31 December 2002</b>		-	-
Changes during 2003:			
-increase in value		-	-
-disposals (-)		-	-
-transfers +/-(-)		-	-
<b>31 December 2003</b>		-	-
<b>c) AMORTIZATION (-)</b>			
<b>31 December 2002</b>		-	-
Changes during 2003:			
-decrease in value		-	-
-reversals (-)		-	-
-disposals (-)		-	-
-transfers +/-(-)		-	-
<b>31 December 2003</b>		-	-
<b>d) UNCALLED AMOUNTS (-)</b>			
<b>31 December 2002</b>		-	-
Changes during 2003:		-	-
<b>31 December 2003</b>		-	-
<b>NET BOOK VALUE 31 DECEMBER 2003</b>			
<b>(a)+(b)-(c)-(d)</b>		<b>15 000</b>	<b>30 835</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

6. Status of share capital  
(LTL)

Items	Codes	Amount (LTL)	Number of shares
<b>A. Registered share capital</b>			
1. Subscribed share capital			
- 31 December 2002		24 038 990	24 038 990
- Changes during 2003:		-	-
<b>31 December 2003</b>		<b>24 038 990</b>	<b>24 038 990</b>
2. Structure of share capital			
2.1. Categories of shares			
2.1.1. Common shares		24 038 990	24 038 990
2.1.2. Preferred shares		-	-
2.2. State owned share capital		-	-
<b>B. Uncalled and called but unpaid share capital</b>		<b>Uncalled share capital</b>	<b>Called but unpaid share capital</b>
Shareholders – debtors		(LTL)	
		-	-
<b>TOTAL:</b>		<b>24 038 990</b>	<b>24 038 990</b>
		Amount of share capital held	Corresponding number of shares
<b>C. Treasury shares</b>		-	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

7. Status of the Company's liabilities  
(LTL)

Items	Codes	Debts or portions thereof to be paid		
		Within one year	1-5 years	Thereafter
<b>A. Structure of debts</b>				
<b>Financial debts:</b>				
1. Subordinated loans		-	-	-
2. Leasing and similar obligations		-	-	-
3. Credit institutions		9 714 795	7 265 307	-
4. Other debts		-	-	-
<b>Trade debts:</b>				
1. Suppliers		3 589 557	-	-
2. Bills of exchange payable		-	-	-
<b>Advances received on contracts in progress</b>		187 873	-	-
<b>Taxes, remuneration and social security payable</b>				
1. Taxes		778 798	-	-
2. Remuneration and social security payable		1 169 579	-	-
<b>Other liabilities</b>		455 013	-	-
<b>TOTAL:</b>		<b>15 895 615</b>	<b>7 265 307</b>	<b>-</b>
		<b>Debts under guarantee of</b>		
<b>B. Guarantee liabilities</b>		<b>Government</b>	<b>The Company itself by collateralized assets</b>	
1. Financial debts to credit institutions		-	16 980 102	
<b>TOTAL:</b>		<b>-</b>	<b>16 980 102</b>	

8. Off balance sheet rights and obligations  
(LTL)

Items	Codes	2003
Issued irrevocable guarantees of the Company		43 425 974
Including:		
Assets, pledged for Bank credits		36 750 000
Assets pledged for liabilities of UAB Pons Possibilitatis Prosparae		5 718 000
Guarantees granted for the credits of natural persons		957 974



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**9. Accrued income  
(LTL)**

Accrued income accounts	Codes	Accrued income to be recognized		
		Within one year	1-2 years	Thereafter
Accrued interest		2 259		
<b>Total accrued income</b>		<b>2 259</b>	<b>-</b>	<b>-</b>

**10. Prepaid expenses  
(LTL)**

Prepaid expenses accounts	Codes	Prepaid expenses to be recognized		
		Within one year	1-2 years	Thereafter
Insurance		75 506	6 670	-
Production services prepaid expenses		37 903	-	-
Computer software maintenance		17 653	-	-
Advertising		3 949	-	-
Subscription		2 250	-	-
Other		5 287	379	-
<b>Total prepaid expenses</b>		<b>142 548</b>	<b>7 049</b>	<b>-</b>

**11. Accrued expenses  
(LTL)**

Accrued expenses accounts	Codes	Accrued expenses to be payable		
		Within one year	1-2 years	Thereafter
Vacation pay reserve		954 206	-	-
<b>Total accrued expenses</b>		<b>954 206</b>	<b>-</b>	<b>-</b>

**12. Deferred income  
(LTL)**

Deferred income accounts	Codes	Deferred income to be recognized		
		Within one year	1-2 years	Thereafter
<b>Total deferred income</b>		<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**
**13. Financial relations with the Company's management  
(LTL)**

Items	Codes	2003	2002
A. Management remuneration		1 529 762	1 966 023
B. Company's loans to its management		30 000	-
C. Non rechargeable assets and gifts granted to them		-	-
D. Guarantees on behalf of the Company granted to them		957 974	-
E. Other significant amounts computed to the managers within the year		-	-
F. Significant liabilities of the managers to the Company		-	-
Average number of managers per year		13	13

**14. Result of financial and investing activities  
(LTL)**

Items	Codes	2003	2002
<b>a) TOTAL INCOME FROM FINANCIAL AND INVESTING ACTIVITIES</b>		<b>255 940</b>	<b>361 613</b>
Currency exchange gain		236 011	351 990
Subsidies received		13 000	-
Bank interest		5 993	7 002
Penalties and fines received		907	-
Other		29	2 621
<b>b) TOTAL EXPENSES OF FINANCIAL AND INVESTING ACTIVITIES (less capitalized expenses)</b>		<b>1 202 126</b>	<b>3 013 162</b>
Interest expense		835 571	1 351 899
Currency exchange loss		360 664	1 658 656
Discounts		4 966	-
Penalties and fines paid		893	2 590
Other		32	17
<b>c) CAPITALIZED EXPENSES OF FINANCIAL AND INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>d) RESULT OF FINANCIAL AND INVESTING ACTIVITIES (a - b)</b>		<b>(946 186)</b>	<b>(2 651 549)</b>

**15. Result of extraordinary activities  
(LTL)**

Items	Codes	2003	2002
<b>a) TOTAL EXTRAORDINARY INCOME</b>		<b>415 210</b>	<b>124 026</b>
- Reversal of inventory written-off		255 719	10 069
- Reversal of receivables written-off		66 645	105 541
- Adjusted prior year income tax		50 448	-
- Insurance payments		10 518	-
- Uncalled fines and penalties		-	2 435
- Other		31 880	5 981
<b>b) TOTAL EXTRAORDINARY EXPENSES</b>		<b>463 402</b>	<b>865 338</b>
- Write-off of bad debts		241 462	126 900
- Amounts, not recorded on prior years		93 438	453 416
- Write-off of obsolete inventory		87 425	173 468
- Write-off of fixed assets		2 870	24 433
- Other		38 207	87 121
<b>c) RESULT FROM EXTRAORDINARY ACTIVITIES (a-b)</b>		<b>(48 192)</b>	<b>(741 312)</b>