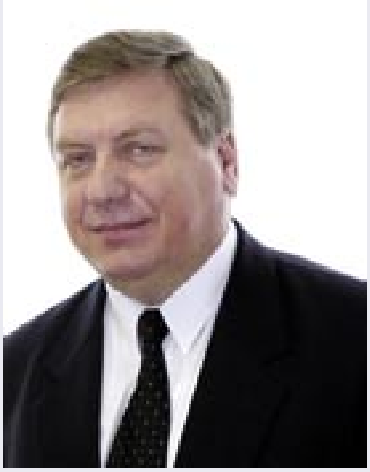
ANNUAL REPORT 2003

VILNIAUS VINGIS

Contents



As one of the key European players in its market, Vilniaus Vingis has arrived strong and committed at the point where the company, just like the whole country, will become a fully-fledged member of the EU family.

Vilniaus Vingis, one of the largest producers of deflection yokes and other electronic components in Europe, is facing the consequences of the overall slowdown in the global electronics market. The drop in sales should be primarily attributed to this generally negative trend. However, the company has retained its profit margins, posting a net profit of 9.1 million litas for the year.

I see good prospects for our core business in the near future. The overall market for the company's products is expected to expand considerably in the next few years. This optimistic scenario is based primarily on higher local demand, as Ekranas, one of the leading TV tube suppliers in Europe and our main customer in Lithuania, has drawn up serious plans to boost its annual TV tube output to about seven million units, from the current four million. Ekranas is already the second-largest purchaser of our deflection yokes, and I will not be surprised if in a few years' time the company generates the largest share of revenue in the domestic market.

Internationally, we have maintained and expanded our strategic partnerships with Samsung in Germany and Hungary, as well as with LG.Philips Displays in the UK. These four CRT factories used about 60 per cent of our total output last year.

Overall, the company now supplies more than 25 per cent of all deflection yokes used in Europe, and is set to gradually increase its share to about 30 per cent of the European market in the next few years.

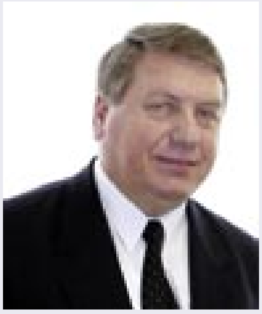
We work in a market where the usual product life cycle is just two to three years. This is why the company is continually investing in new products and higher quality. Today we are ready to launch the production of a new generation of deflection yokes for extra-large 32-inch flat TV tubes. Apart from this, we have invested in the modernisation of our production management and in upgrading the company's information technology solutions.

Apart from the core business, we see fertile ground in the market for special-purpose products such as machinery and equipment. We have already established a number of contacts with potential customers in several European countries.

The company is in a period of stable development. We will continue to focus on quality, which should open up new markets and help build fruitful new partnerships.

Vilniaus Vingis is today a modern company, something that has been created through strong commitment and hard work both by shareholders and the whole staff. I would like to express my deep gratitude to all of them. I am convinced that, supported by a clear development vision and daily efforts aimed at world-class quality, Vilniaus Vingis will be able to maintain and strengthen its reputation both in Europe and all over the world.

Vaclovas Šleinota
Chairman of the Executive Board



Chairman:
Vaclovas Šleinota

Vice-Chairman:
Nerijus Dagilis

Members:

Vladislovas Cybas

Valdas Petrauskas

Rimvydas Savickas

Giedrius Barysas

The company

Vilniaus Vingis is one of the largest designers and producers of electronic components in Europe. The company's main products are:

- Deflection yokes for colour picture tubes
- Flyback transformers for TV sets and monitors
- Special-purpose equipment and tooling for the manufacture of deflection yokes, flyback transformers and others
- Moulds, stamps

In addition, the company offers several services:

- Metal electroplating
- Stamping
- Coil winding
- Moulding of plastic parts

During the last few years Vilniaus Vingis has strengthened even more its position in the European market. Now almost one third of TV sets made in Europe are assembled with the company's deflection yokes. Constant attention to quality and long experience are appreciated by famous tube makers that buy Vilniaus Vingis' deflection yokes: Samsung SDI in Germany and Hungary, LG.Philips Displays in the UK, Barayo S.A. in Spain, Ekranas in Lithuania.

The company, in collaboration with respectable partners, remains loyal to its traditions in striving for the highest possible quality. To this end the company's quality management system has been recertified to ISO 9001-2000, and the environment management system to ISO 14001. All new items are certified in line with electronic safety requirements: VDE (Germany), BSI (UK) and UL (USA).

Following the latest trends in the electronics sector and the demands of customers, Vilniaus Vingis is not only investing in new technologies. The company, as a partner, also emphasises its reliability. High-standard products and technological processes are ensured thanks to its close ties with a number of international companies: Burim Industrial in South Korea, Samsung SDI in Germany and Hungary, General Electric Plastics and Festo in the Netherlands.

Key figures:

Sales (m litas) – 128.1

Total assets (m litas) – 94.0

Net profit (m litas) – 9.3

Premises (thousand sq m) – 77.7

Employees – 2151

Key facts:

1959 the state enterprise Vingis started production.

1976 the enterprise started to manufacture DYs for picture tubes with in-line CRT.

1970-80 Vingis produced electronic components for special-purpose equipment used in extreme conditions (space, military and aeronautical equipment).

1986 Vingis acquired RCA (USA) license, equipment and technology for DY production.

1989 the automatic Sanyo (Japan) FBT production line was launched.

1995 mass production DY for Samsung was started.

1997 the enterprise was ISO 9001 certified.

1998 the first batch of DYs for flat screen CRT for Philips Components was manufactured.

1999 mass production of DYs for Thomson and Chunghwa CRT started.

2000 mass production of DYs for 28" Dynaflat CRT started.

2001 the company was ISO 14001 certified.

2002 DYs for 21" flat tubes were designed and production for LG.Philips Displays and JSC Ekranas started.

2003 DYs for 15" flat tubes were designed and production for JSC Ekranas started.
DYs for 21" Slim tubes were designed and production for LG.Philips Displays started.

Despite the overall slowdown in the global electronics market, Vilniaus Vingis posted sales of 128.1 million litas, and a net profit of 9.3 million litas last year. The successful operation of the company demonstrates the potential of its highly skilled and experienced personnel, as well as the flexibility of the firm.

Traditionally the most important direction has been in designing, manufacturing and selling deflection yokes. Last year the product generated revenue accounting for approximately 90 per cent of recorded turnover.

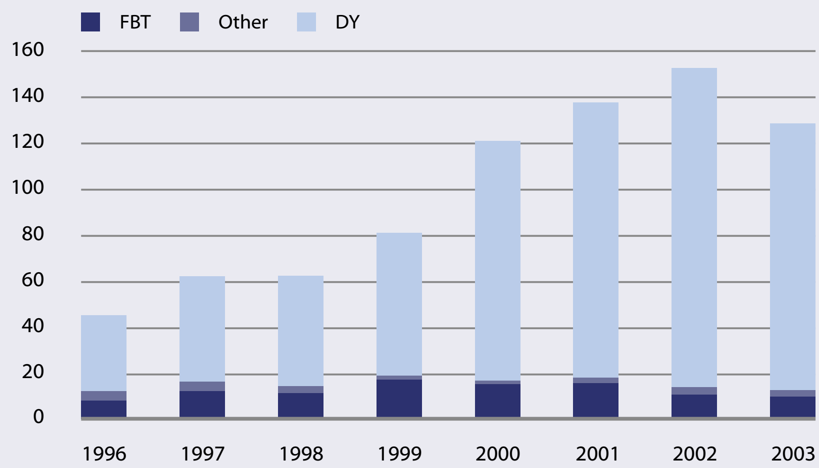
Both deflection yokes and flyback transformers are designed and produced within the company. This gives Vilniaus Vingis flexibility in the market, and allows it to adjust quickly to changing needs.

Last year a new generation of deflection yokes for 15"TF, 21"RF Slim and 28" (4*3) flat tubes were designed and production started. Now Vilniaus Vingis can offer a broad spectrum of deflection yokes, starting with DYs for 14" picture tubes and ending with DYs for 29" ones. The company is in a good position for the predicted growth in demand for deflection yokes.

Vilniaus Vingis also manufactures a whole range of flyback transformers used in the production of TV sets with a diagonal of 14" to 29".

The company's other products include special-purpose equipment and tools for the manufacture of electronic components, measuring and matching devices, coil winding machines, stamping and moulding equipment. No matter what the product is, Vilniaus Vingis' position remains strong: there is no alternative to quality.

Our partners are highly professional and demanding organisations, thus we are proud to witness their trust and acknowledgement. We are glad we exceed their expectations, and that is why we constantly invest in the development of new products and human resources.



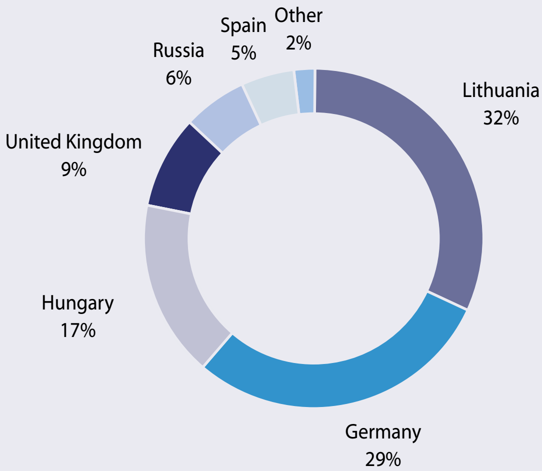
Sales by product (m LTL), 1996-2003

The main customers of Vilniaus Vingis are currently the CRT producers Samsung SDI in Germany and Hungary, LG.Philips Displays in the UK, Barayo S.A. in Spain, and Ekranas, the Lithuanian tube maker. Overall, the company now supplies more than 25 per cent of all deflection yokes used in Europe, and is set to gradually increase its share to about one-third of the entire market.

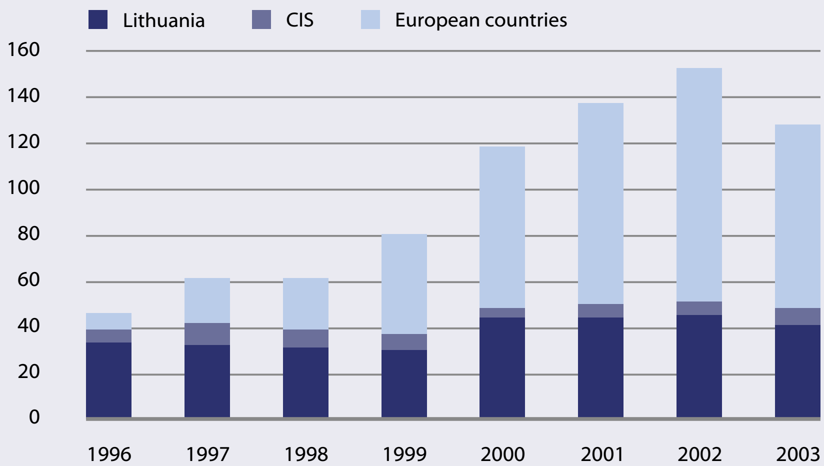
The particularity of the company's activity demands constant development, so Vilniaus Vingis is looking for new markets and activities, and various forms of cooperation, and takes part in fairs and exhibitions.

High quality and the implementation of innovations are guaranteed due to the close collaboration of Vilniaus Vingis and its partners. Last year the most important partners were Burim Industrial in South Korea, Samsung SDI in Germany and Hungary, General Electric Plastics and Festo in the Netherlands.

Lithuania's integration into the European Union provides the company with new possibilities and promises some additional stability. Ties with well-known European tube manufacturers will lay firm foundations for implementing the main goals of the company. Moreover, its favourable geographical location and historical links enable Vilniaus Vingis to design and introduce products to the Russian market.



Sales by country, 2003



Sales structure (m LTL), 1996-2003

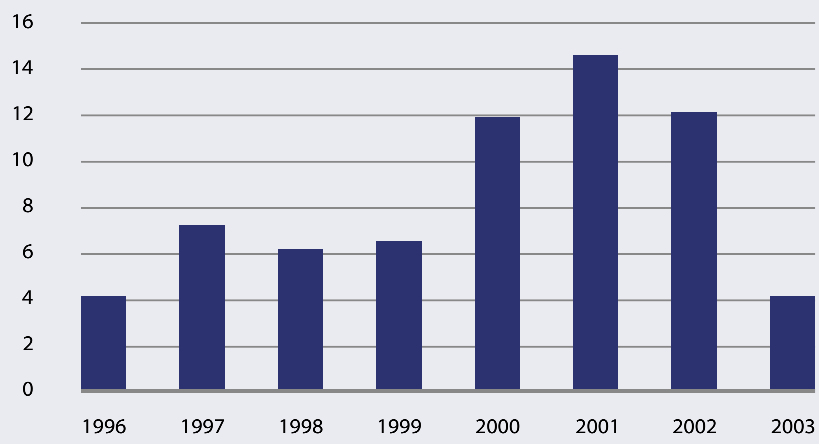
Strong international competition in the market for electronic components creates many challenges that Vilniaus Vingis has to face, almost daily. This is why continuous striving for product quality and modernisation have become the core of its business activity.

The company continues to invest in new technologies and equipment. Last year 5.6 million litas was devoted to this purpose. The targeted investment of Vilniaus Vingis is widely acknowledged: the company is ISO 9001, ISO 14001, BSI (UK), UL (USA) and VDE (Germany) certified. Furthermore, its equipment for the adjustment of Vingelis-2 deflection yokes was declared "Lithuanian Product of the Year 2003".

The company is investing in the quality of its products and favourable working conditions. The reconstruction of the deflection yoke production division was accomplished last year. The experience formed the attitude that customers' needs can be satisfied only by constant renewal. This is the way to earn recognition from the world's leading companies.

Despite these certificates, the company keeps investing in production quality, as well as in the prevention of environmental pollution. Highly skilled specialists and modern technologies form a base which enables the company to respond quickly to the market's changing needs.

Vilniaus Vingis is proud to admit that the company's functions are not limited to production: all items sold are not only manufactured but also designed by Vilniaus Vingis. This is an important aspect, considering the long-term perspectives of the company, because it demonstrates the potential, flexibility and ability to manoeuvre in rapidly changing market conditions.

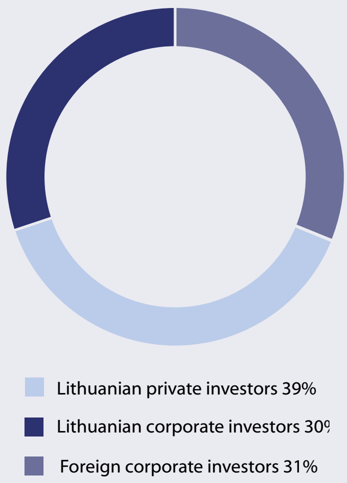


Investment dynamics (m LTL), 1996-2003

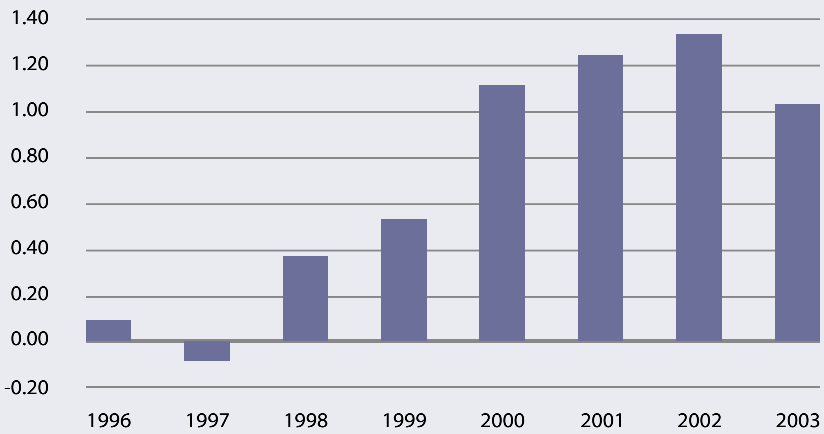
Vilniaus Vingis' authorised capital amounted to 36,493,000 litas as of 31 December 2003. It was divided into 9,123,105 ordinary shares, with a face value of four litas each.

As of 31 December 2003, the company's largest shareholders included Vinvesta, Nordea Bank Finland PLC, Skandinaviska Enskilda, and Vilniaus Vingis management team.

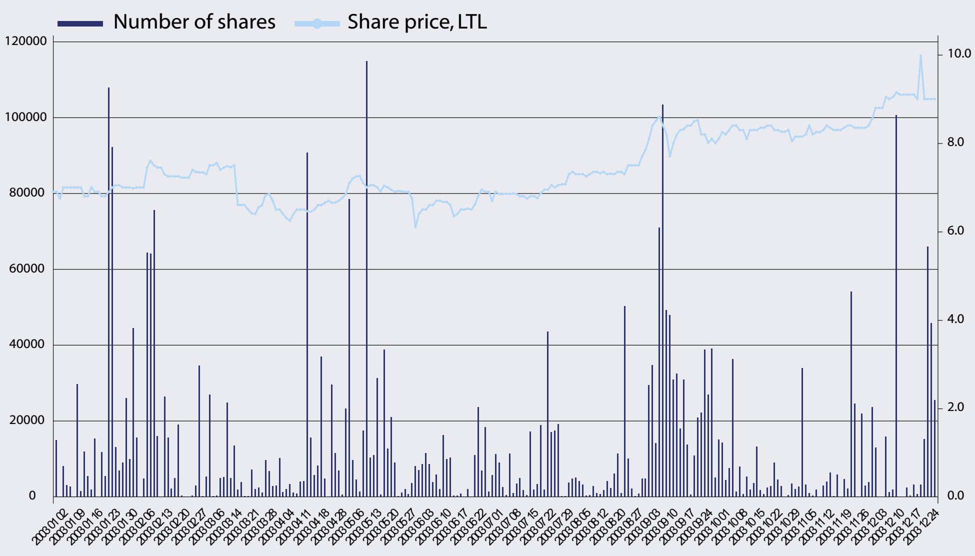
During 2003 the price of Vilniaus Vingis shares rose by 30 per cent from 6.90 litas in January to 9.00 litas in December. This is a great example of one of the most important of the company's aims – to increase Vilniaus Vingis' share value.



Shareholders



Earnings per share, LTL



Share price dynamics, 2003

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Report of AB Vilniaus Vingis activity for the year 2003

The previous year can be defined as one of the remarkable of the last decade for the company, celebrating 45 years jubilee.

Firstly, the company's performance depended on the situation on the TV industries' European and World market, overstocked with the picture tubes and also on the growing up pressure from China and other Asian countries as well as fall of USD rate against Euro and Litas.

Under the unforecastable situation, when quite a number of our customers interrupted their production activities and took holiday in the middle of the year, we had to rearrange our performance activities in order to avoid undesirable expenses.

As the company's performance in the course of a year was set up according to the long-term targets and the extended plan for 2003, we had to revise and correct sales goals to: LTL 120 million; the actual sales amounted to: LTL 128.1 million, or by 15.95%, against 2002.

By the deflection yokes' production volumes the company maintained the leader's position in Europe – 30%, although 8.78 million units have been sold. The Board's decisions have been taken in time and made it possible to optimize performance activity to meet the profit goals, i.e. to gain: LTL 9.3 million net profit. Among others, the company's key customers remained, they were: Samsung factories, Germany and Hungary – making up close to 50% of the sales, Ekranas, Panevežys – 30% of sales, LG.Philips Displays, UK and Barayo S.A., Spain – 14.7% of sales.

Of significant importance is the fact, that in order to further boost competitiveness of the product, the company has invested: LTL 6.4 million to update the products. In result, brand new basic design of the deflection yokes intended for 21" real flat picture tube of LG Displays, Durham and for 15" real flat picture tube of Ekranas, Panevežys had been introduced on the market.

34 modifications of the current basic design of new deflection yokes had been customized to meet the customers requirements.

In 2003, the basic design of PET-21 was developed making it possible to reduce the price of all the range of the products.

Despite the again remarkable increase of orders intake for the regular items in late 2003, the company is pulling efforts towards diversification of production activities, search for the new production items, expansion of sales in the not-regular segments. This activity resulted in increase of the external sales of tools - by 20%, as against 2002 and in the 2.6-times growth of development and sales of equipment. The company proceeds working with new customers and focuses attention onto development of new products, all that being reflected in the company's performance figures.

Remarkable issue to note is, that the company is intensively searching not only for new products and markets, but also for the new suppliers. Thus, new sources from China, Singapour, Taivan and other South Asia countries replenished the company's list of our suppliers.

Year 2003 was also remarkable with regards to the fact, that the company's quality system had been rearranged in line with the up-dated ISO 9001 Standard requirements, that was endorsed by TUV-CERT, Certification Institution, Germany.

The company kept up promoting introduction of new technologies by outsourcing, as well as by the in-house developments. Most of the innovations emerge and are being implemented using the in-house made equipment. The high quality level of this equipment is proved by the fact, that the best product names were awarded in the competitions and also by the participation in the International EUREKA Project.

The company continued to pay attention to further education of the personnel, search of the optimal structure and for the advanced motivation. 1,508 company's employees – 69% of the total number, have acquired or up-graded qualification in a variety of the training and extension courses.

As of 1 January 2003, the company controlled 100% of UAB Sertika shares, which in February last year, were sold as unprofitable at the procurement value: LTL 251 thousand. In the beginning of last year, the company held 37,515 owned shares at the nominal value: LTL 150,060, the procurement value being: LTL 176,950.25. Over the accounting period, the company acquired 88,302 shares at: LTL 794,718. By the end of the accounting year, the company hold 125,817 shares, that make up 1.38% of the authorized capital. The nominal value of the company's owned shares amounts to: LTL 503,268, the procurement value being: LTL 971,668.25.

No other shares have been acquired over the accounting period, the company has no branches or agencies.

Summarizing the company's performance over the accounting period, it should be underlined, that the financial state was stable, performance featured the active actions in response to the environment and market behavior. In 2004, the company's jubilee year, according to the approved by the Board plan of performance activity, sales are expected to amount: LTL 136 million, or by 6.2% more as against the previous year, and the net profit-gain is estimated to amount up to: LTL 8.0 million.

Chairman of the Board Vaclovas Šleinota

Report of the auditor to the shareholders of AB Vilniaus Vingis

Scope

We have audited the accompanying balance sheet of AB Vilniaus Vingis as at 31 December 2003 and the related statements of income, movements on equity and cash flows for the year then ended.

Respective responsibilities of directors and auditors

These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of the opinion

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. 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 directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AB Vilniaus Vingis as at 31 December 2003, and of the results of its operations and its cash flows for the year then ended in conformity with the International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Vilnius, 20 February 2004

KPMG Lietuva

Leif Rene Hansen	Jekaterina Jocienė
Danish State Authorised	ACCA and Lithuanian
Public Accountant	Certified Auditor
	Certificate No. 0425

Profit and loss account for the year ended 31 December

	Note	2003	2002
		Litas' 000	Litas' 000
Turnover	2	128,103	152,420
Production costs		-99,678	-116,978
Gross profit		28,425	35,442
Distribution expenses	3	-4,081	-4,907
Administrative expenses	4	-13,792	-14,326
Other operating income, net	5	1,272	1,017
Operating profit		11,824	17,226
Financial income, net	6	-658	-942
Profit before tax		11,166	16,284
Profit tax	7	-1,635	-2,628
Net profit for the year		9,531	13,656
Earnings per share	8	1.05	1.54

(All amounts are in LTL'000 unless otherwise stated)

Balance sheet at 31 December

	Note	2003	2002
ASSETS			
Non-current assets			
Property, plant and equipment	9	49,090	52,225
Intangible assets	10	382	1,095
Other investments	11	0	251
Deferred tax assets	12	298	314
Total non-current assets		49,770	53,885
Current assets			
Inventories	13	14,817	13,726
Trade receivables		21,314	24,466
Other receivables	14	2,394	3,882
Cash and cash equivalents	15	2,115	231
Total current assets		40,640	42,305
TOTAL ASSETS		90,410	96,190
QUITY AND LIABILITIES			
Capital and reserves	16		
Share capital		36,493	36,493
Share premium		2,211	2,211
Reacquired own shares		-972	-177
Hedging reserve		57	65
Legal and other reserves		9,114	9,114
Retained earnings		16,554	18,380
Total capital and reserves		63,457	66,086
Non-current liabilities			
Interest bearing loans and borrowings	17	307	58
Total non-current liabilities		307	58
Current liabilities			
Interest bearing loans and borrowings	17	8,199	11,836
Trade creditors		12,955	11,743
Other creditors	18	5,492	6,467
Total current liabilities		26,646	30,046
Total liabilities		26,953	30,104
TOTAL EQUITY AND LIABILITIES		90,410	96,190
Contingencies	19		
Staff costs	20		
Related party transactions	21		
Foreign currency	22		

Statement of changes in shareholders' equity for the year ended 31 December

LTL'000	Share capital	Share premium	Own shares	Hedging reserve	Legal and other reserves	Retained earning	Total
Capital and reserves at 31 December 2001	36,493	2,211	0	-59	8,660	4,983	52,288
Transfer to legal reserve	0	0	0	0	454	-454	0
Acquisition of own shares	0	0	-4,433	0	0	0	-4,433
Disposal of own shares	0	0	4,451	0	0	0	4,451
Gain on disposal of own shares	0	0	-195	0	0	195	0
Movement in hedging reserve	0	0	0	124	0	0	124
Net income for 2002	0	0	0	0	0	13,656	13,656
Capital and reserves at 31 December 2002	36,493	2,211	-177	65	9,114	18,380	66,086
Dividend	0	0	0	0	0	-11,357	-11,357
Acquisition of own shares	0	0	-795	0	0	0	-795
Movementin in hedging reserve	0	0	0	-8	0	0	-8
Net income for 2003	0	0	0	0	0	9,531	9,531
Capital and reserves at 31 December 2003	36,493	2,211	-972	57	9,114	16,554	63,457

(All amounts are in LTL'000 unless otherwise stated)

Cash flow statement

	2003	2002
Result after tax	9,531	13,656
Adjustments for:		
Depreciation and amortisation	10,301	9,230
Amortisation of grants	0	-17
Subsidies received	-86	-77
Property, plant and equipment sold, written off, etc.	477	-1
Result from sale of securities	0	-22
Deferred taxation	16	66
Provision for obsolete inventories	83	-175
Provision for doubtful receivables	-61	199
Accrual for current taxation	1,619	2,562
Vacation reserve	-193	50
Financial income and expenses	658	942
Net cash inflow from ordinary activities before any change in working capital	22,345	26,413
Change in trade and other receivables	4,685	-1,959
Change in inventories	-1,174	352
Change in trade creditors and other creditors	2,031	-2,657
Net cash inflow from ordinary activities	27,887	22,149
Net interest received/paid	-658	-942
Profit tax paid	-3,214	0
Net cash inflow from operating activities	24,015	21,207
Acquisition of property, plant and equipment	-6,091	-13,853
Acquisition / sale of investments	251	295
Capitalisation of intangible fixed assets	-1,168	-1,121
Disposal of property, plant and equipment	331	107
Net cash outflow from investing activities	-6,677	-14,572
Decrease in share capital	0	-460
Subsidies received	86	77
Acquisition of own shares	-795	-4,433
Proceeds from sales of treasury shares	0	5,284
Dividend paid	-11,357	-11
Change in long term borrowings	249	-236
Change in short-term borrowings	-3,637	-7,563
Net cash inflow/(outflow) from financing, net	-15,454	-7,342
Net cash inflow/outflow from operating activities, investing activities and financing	1,884	-707
Cash and cash equivalents at 1 January	231	938
Cash and cash equivalents at 31 December	2,115	231

Notes to the annual accounts

1 Summary of significant accounting policies and practises

The joint stock company Vilniaus Vingis (the Company) is a publicly listed company domiciled in Lithuania. The Company is involved in the manufacture of electronic components. The main products are deflection yokes and transformers. As at 31 December 2003, the Company employed 2,200 employees.
The Company's shares were traded on the Official List of the National Stock Exchange of Lithuania (NSEL).

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

Basis of preparation

The financial statements are presented in thousand Litas. They are prepared on the historical cost basis except for derivative financial instruments, which are stated at their fair value, and except for property, plant and equipment, which are stated at historical cost less accumulated depreciation, adjusted by the indexations as fixed by the Government. All property, plant and equipment acquired before 1 January 1996 had been subject to indexations using the Government approved rates as shown in Note 9.

The accounting policies of the company as set out below are consistent with those of the preceding year.

Foreign currency

Transactions in foreign currencies are translated to Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Derivative financial instruments

The Company uses derivative financial instruments (copper futures) to hedge its exposure to copper price variation risks arising from operational activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged (refer to accounting policy on hedging below).

Hedging

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognized in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss recognized in equity is recognized in the income statement immediately.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment acquired on or after 1 January 1996 are stated at cost, less accumulated depreciation and impairment losses. Items of property, plant and equipment acquired before 1 January 1996 are stated at cost less accumulated depreciation as adjusted for indexation, using indexation rates set by the Lithuanian Government for different categories of assets. The cost of self-constructed assets includes the cost of materials, direct labour cost and an appropriate proportion of production overheads.

The accounting policy of property, plant and equipment acquired prior to 1 January 1996 departed from International Financial Reporting Standards, requiring the use of either historical cost as adjusted for hyperinflation by a general price index, or a valuation supported by an independent value appraisal by a recognized firm. During 2001, the Company made a valuation of a major part of property, plant and equipment, which was acquired prior to 1 January 1996. The summary of valuation is provided in Note 9.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. The estimated useful lives are as follows:

- buildings — 8 - 60 years
- plant, machinery and equipment — 2 - 15 years
- motor vehicles — 5 - 6 years
- other assets — 2 - 8 years

Assets with the cost of less than Litas 500 and useful life less than 1 year are expensed in the year of acquisition.

Intangible fixed assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, including design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources and is planning to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses, should there be a substantial doubt that the improved product will be implemented for commercial production.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the related product over the period of the expected benefit.

Other intangible assets, comprising computer software, that are acquired by the Company are stated at cost less accumulated amortisation. Computer software is amortised using the straight-line method over 1 -3 years period.

Investments

Investments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other investments held by the Company are classified as being available-for-sale under non-current assets and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

Investments held for trading and available-for-sale investments are recognised/derecognised by the Company on the date it commits to purchase/sell the investments.

Trade and other receivables

Trade and other receivables are stated at their cost less provision for possible losses.

Inventories

Raw materials are stated at the lower of cost or net realisable value, less provision for slow moving and obsolete inventories.

Work in progress is stated at cost comprising purchase price of raw materials and consumables, direct labour and an appropriate share of production overheads.

Finished goods are stated at standard selling prices adjusted for their average expected contribution margin.

Cost is determined by the first-in, first-out (FIFO) method.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Calculation of recoverable amount

The recoverable amount is the greater of the net selling price and the value in use. In assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Repurchase of own shares

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as own shares and presented as a deduction from total equity. Any gain or loss resulting from repurchase or disposal of own shares is recognized directly in equity.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

Grants received

Grants received relating to the acquisition of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Grants received as a compensation of expenses are recognised in the profit and loss account in the period the mentioned expenses were incurred.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Profit and loss account

Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement where delivery has been effected by the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Production costs

Cost of production comprises direct and indirect costs including depreciation and wages incurred in order to obtain the turnover for the year.

Costs of imported products include the purchase price and transportation costs corresponding to the turnover of the year.

Tax on result for the period

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Segment reporting

A segment is a distinguishable component of the Company that is engaged in either providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Cash flow statement

The cash flow statement shows the company's inflows and outflows of cash during the period as well as the financial position at the end of the year. The cash flow is related to three major areas: operating activities, investing activities and financing.

The cash flow statement is drawn up in such a manner that net cash inflow/(outflow) from operating activities is presented indirectly based on operating income and charges in the profit and loss account.

Cash and cash equivalents include cash at bank and in hand and short-term securities stated under current assets.

Net cash inflow/(outflow) from operating activities is calculated as the result of ordinary activities adjusted for non-cash operating items with the addition of an increase in, or reduction of, the working capital, net interest receivable or payable and extraordinary items and less corporation tax paid.

Working capital comprises current assets, excluding items included in cash and cash equivalents and short-term creditors, excluding bank loans, mortgage debt, taxation and dividends. Therefore, cash at bank and in hand and any securities stated under current assets are not included.

(All amounts are in LTL'000 unless otherwise stated)

Net cash outflow/(inflow) from investing activities comprises acquisitions and disposals of fixed assets.

Additions are stated at cost. Disposals are stated at a sales price less related expenses.

Net cash inflow/(outflow) from financing comprises payments to and from shareholders as well as receipts from and repayment of mortgage debt and other long-term and short-term creditors not included under the working capital.

2 Segment reporting

The Company's only business segment (basis for primary reporting format) is the manufacture of electronic components.

Segment information is presented in respect of the Company's geographical segments (secondary reporting format).

The majority of the Company's sales are in the domestic market, Germany, Hungary, England, Spain and Belarus. All the Company's assets are located in the country, where it is domiciled.

Revenues, total assets and capital expenditure by geographical segments are as follows:

	Sales		Total assets		Capital expenditure	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
Lithuania	40,630	47,182	90,410	96,190	6,091	13,853
Germany	37,148	54,930	0	0	0	0
Hungary	22,114	12,294	0	0	0	0
England	12,065	17,386	0	0	0	0
Spain	6,652	10,811	0	0	0	0
Belarus	333	5,804	0	0	0	0
Other countries	9,161	4,013	0	0	0	0
	128,103	152,420	90,410	96,190	6,091	13,853

3 Distribution expenses

	2003	**2002**
Commissions	1,695	1,933
Transportation	1,015	1,625
Salaries and social insurance	732	689
Other	639	660
	4,081	4,907

(All amounts are in LTL'000 unless otherwise stated)

4 Administrative expenses

	2003	2002
Salaries and social insurance	4,187	4,038
Repairs	1,282	2,345
Teritory guards and cleaning	1,079	1,134
Depreciation	674	808
Road tax	639	782
Cars exploatation	569	557
Utilities	447	417
Real estate tax	217	420
Business trips	163	184
Employee training	76	199
Transportation	69	42
Other	4,390	3,400
	13,792	14,326

5 Other operating income, net

	2003	2002
Rental income	1,083	958
Subsidies received	86	77
Gains of sales of raw materials	81	75
Profit on disposal of property, plant and equipment	15	0
Other gains and losses	7	-93
	1,272	1,017

6 Financial income, net

	2003	2002
Interest expense on bank borrowings	-452	-877
Foreign exchange transaction gain, net of loss	-171	-99
Other gains and losses	-35	34
	-658	-942

7 Profit tax

	2003	2002
Current tax	1,674	2,562
Profit tax corrections previous periods	-55	0
Change in deferred taxation	16	66
Tax for the period	1,635	2,628

The reconciliation of effective tax rate is as follows:

	2003	2002
Result before tax	11,166	16,284
Permanent differences:		
Bonuses, presents to employees	99	312
Other non-deductible expenses	84	753
Result on sale of own shares	0	195
Non-taxable income	-35	-19
Charity	-46	-165
Temporary differences:		
Change in vacation reserve	-792	50
Provision for obsolete inventories	83	-175
Change in accrued audit fee	21	-21
Change in tax allowable provisions for debtors an other assets	88	-57
Expensed research	489	-78
Taxable profit	11,157	17,079
Profit tax at rate of 15%	1,674	2,562

The movement on deferred tax asset account is as follows:

	2003	2002
1 January	314	380
Change in deferred tax asset	-16	-66
Deferred tax at 31 December	298	314

8 Earnings per shares

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The average number of ordinary shares reacquired by the Company is excluded from shares outstanding during the year.

	2003	2002
Net profit for the year	9,531	13,656
Weighted average number of shares in issue less treasury shares (thousand)	9,078	8,857
Basic earnings per share	1.05	1.54

The Company has no dilutive potential shares or convertibles. The diluted earnings per share are the same as the basic earnings per share.

(All amounts are in LTL'000 unless otherwise stated)

9 Property, plant and equipment

	Buildings	Machinery and equipment	Motor and Vehicles	Furniture and fittings	Construction in progress	Total
Cost at 1 January	24,377	38,248	2,286	24,478	1,602	90,991
Additions	131	1,016	100	638	4,206	6,091
Disposals	-818	-77	0	-5	0	-900
Write-off	0	-624	-1	-402	-489	-1,516
Reclassifications	379	2,458	31	719	-3,587	0
Cost at 31 December	24,069	41,021	2,416	25,428	1,732	94,666
Depreciation at 1 January	7,597	18,960	902	11,307	0	38,766
Depreciation for the year	420	4,381	430	3,187	0	8,418
Disposals	-503	-76	0	-5	0	-584
Write-offs	0	-621	-1	-402	0	-1,024
Reclassifications	0	-53	0	53	0	0
Depreciation at 31 December	7,514	22,591	1,331	14,140	0	45,576
Net book value at 31 December	16,555	18,430	1,085	11,288	1,732	49,090
Net book value at 1 January	16,780	19,288	1,384	13,171	1,602	52,225
Depreciated over	8-60 years	2-15 years	5-6 years	2-8 years		

	2003	2002
Depreciation has been allocated as follows:		
Production and production development costs	7,362	6,831
Selling, administrative and other costs	1,056	1,185
Total	8,418	8,016

Security

At 31 December 2003, property, plant and equipment with a carrying amount of 15,014 tLitas (2002: 10,870 tLitas) are pledged to secure bank loans (refer Note 19).

Revaluations

Four revaluations of property, plant and equipment were performed during the period between 1 January 1991 and 31 December 1995. The revaluations of property, plant and equipment were performed by indexing the cost and accumulated depreciation of the property, plant and equipment using the indexes set by the Lithuanian Government.

(All amounts are in LTL'000 unless otherwise stated)

The range of revaluations and revaluation indexes was as follows:

Revaluation	The range of indexes
Effective from 1 July 1991	2.2 times
Effective from 1 March 1992	2 - 5 times
Effective from 1 April 1994	1.4 - 14 times
Effective from 31 December 1995	1.6 - 1.7 times

Buildings, which were indexed in the period of 1991 to 1995 have been subject to appraisal by an independent valuator in the end of 2001. The market value of fast sale as evaluated approximated the book value at the time of the appraisal. No independent valuation has been made afterwards and the assets are carried at indexed cost less accumulated depreciation.

The machinery and other assets, which were subject to indexation during 1991 to 1995 do not comprise a material amount compared to total property, plant and equipment.
There are no indications that the carrying amount of the indexed assets differs materially from that which would be determined using fair value at the balance sheet date.

10 Intangible fixed assets

	Development costs	Software, etc.	Total
Cost at 1 January	2,530	1,245	3,775
Additions during the period	884	284	1,168
Disposals, write offs	0	-78	-78
Cost at 31 December	3,414	1,451	4,865
Amortisation at 1 January	1,708	972	2,680
Amortisation for the period	1,706	175	1,881
Depreciation on disposals, write offs	0	-78	-78
Amortisation at 31 December	3,414	1,069	4,483
Net book value at 31 December	0	382	382
Net book value at 1 January	822	273	1,095
Amortised over	1-2 years	1-3 years	

Amortisation is included under production costs and operating expenses.

11 Other investments

Non-current investments:

	2003	2002
Equity securities available for sale at 1 January	251	511
Sale of equity securities available for sale	-251	-260
Net book value at 31 December	0	251

The investments outstanding as at 31 December 2002 comprised 100% shares of UAB Sertika. The shares were sold during 2003 for tLTL 251 realising 0 profit.

(All amounts are in LTL'000 unless otherwise stated)

12 Deferred tax asset

	2003		2002	
	Temporary diff.	**Deferred tax (15%)**	**Temporary diff.**	**Deferred tax (15%)**
Part of vacation reserve	538	81	1,330	199
Provision for inventories	742	111	659	99
Receivables provision	165	25	171	26
Accrued audit fee	52	8	0	0
Research costs not deducted	489	73	0	0
Other	0	0	-65	-10
Net book value at 31 December	1,986	298	2,095	314

13 Inventories

	2003	2002
Raw materials	9,080	8,430
Work in progress	783	1,068
Finished goods	3,188	2,745
Other	1,766	1,483
Net book value at 31 December	14,817	13,726

Raw materials consist of plastics, wires, metals and other materials used in production.
At 31 December 2003 inventories up to carrying amount of 13,000 tLitas (2002: 17,264 tLitas) are pledged to secure bank loans (refer Note 19).

14 Other receivables

	2003	2002
Receivables from the State	885	2,412
Prepayments and deferred charges	661	399
Other receivables	848	1,071
Net book value at 31 December	2,394	3,882

15 Cash and cash equivalents

	2003	2002
Cash at bank	2,068	198
Cash in hand	47	33
Cash and cash equivalents at the end of the year	2,115	231

At 31 December 2003 cash in bank and inflows into bank accounts up to 18,000 tLitas (2002: 18,127 tLitas) are pledged to secure bank loans (refer Note 19).

(All amounts are in LTL'000 unless otherwise stated)

16 Capital and reserves

Share capital

The share capital comprises 9,123 thousand ordinary shares with a nominal value of Litas 4 each (5 Litas in 2000) and total share capital of 36,493 tLitas.

Reacquired own shares

The Company's shareholders' meeting held on 22 March 2003 has passed a decision to reacquire up to 912,300 own shares, for which the reserve has been allocated in retained earnings. The Company reacquired its shares in the National Stock Exchange of Lithuania as follows:

	Number of shares, thousand	Treasury shares, 000'Litas
At 1 January	38	177
Treasury shares acquired in the market	88	795
At 31 December	126	972

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Legal and other reserves

Legal reserve in amount of 1,438 tLitas is a compulsory reserve under Lithuanian legislation. Annual contributions of minimum 5% of the net profit, if available for distribution, are required until the legal reserve reaches 10% of the authorised capital. Proposed allocation to the legal reserve amounts to 467 tLitas, which was calculated based on the net result as per statutory annual accounts for 2003.

The other reserves in amount of 7,676 tLitas relate to the investment tax relief used by the company in 1998 and 1999. When calculating profit tax, the company applied a relief regarding the net investment into tangible non-current assets. If the reserve is distributed, a profit tax shall not be paid on the reserve before the distribution, according to the amended tax legislation.

Proposed dividend

Proposed dividend amounts to 10,797 tLitas for 2003.

17 Interest bearing loans and borrowings

	2003	2002
Non-current liabilities		
Leasing obligations	307	0
Secured bank loans	0	58
Net book value at 31 December	307	58
Current liabilities		
Leasing obligations	99	0
Current portion of secured loans	58	230
Short term, secured financing facility	8,042	11,606
Net book value at 31 December	8,199	11,836

(All amounts are in LTL'000 unless otherwise stated)

Terms and repayment schedule

Loans are payable as follows:

	Total	1 year or less	1 - 5 years
Loan of 17 tEuro	58	58	0
Credit facility of 2,329 tEuro	8,042	8,042	0
Total	8,100	8,100	0

Financial lease liabilities are payable as follows:

Litas	Total payments	Interest	Principal
Less than 1 year	112	13	99
Between 1 and 5 years	328	21	307
	440	34	406

Loan and leasing interest rates are in accordance with the market conditions.

18 Other creditors

	2003	2002
Taxes, salaries and social insurance payable	3,030	4,352
Vacation reserve	1,137	1,330
Payable for reduction of share capital	260	264
Dividend payable for previous year	660	257
Advances	317	220
Other payables and accrued charges	88	44
Net book value at 31 December	5,492	6,467

19 Contingencies

The company has pledged its fixed assets of 15,014 tLitas book value as at 31 December 2003 (2002: 10,870 tLitas) to secure bank loans.
At 31 December 2003 inventories up to carrying amount up to 13,000 tLitas (2002: 17,264 tLitas) are pledged to secure bank loans.

At 31 December 2003 cash in bank and inflows into bank accounts up to 18,000 tLitas (2002: 18,127 tLitas) are pledged to secure bank loans.

Notes without reference

20 Staff costs

	2003	2002
Production and product development costs	26,538	29,514
Selling, administrative and other expenses	5,074	5,052
	31,612	34,566

Staff costs include wages and salaries and emoluments for the management of 1,657 tLitas (2002: 1,797 tLitas).

The company had 2,200 employees at the end of 2003 (2002: 2,276 employees).

21 Related party transactions

During the year 2003, the Company sold its products for LTL 37.4 million to AB Ekranas, a member of the Supervisory Board of which was until 22 April 2003 the managing director of AB Ekranas E. Žvybas.

In 2003, the company rented premises in the center of Vilnius for representation purposes from UAB Hermis Fondu Valdymas. The rent fees paid for 2003 amount to 61 tLitas.

In 2003, the company sold 8,300 shares of UAB Sertika to Jonas Čaplikas (Procurement director) for 150 tLitas and 2,770 shares of UAB Sertika to Antanas Savickas (Quality director) for 50 tLitas, realising neither profit nor loss on the disposals.

In January 2004, by a decision of the Board, the company issued a loan of Litas 6,850 thousand to UAB Snavesta (total amount of the loan according to the agreement signed amounts to 8,000 tLitas), the repayment of the loan was secured by a pledge of 40,000 ordinary shares of AB Snaigė. The maturity of the loan is on 20 December 2004, the interest rate is higher than interest rate paid by the company on the loans.

22 Foreign currency

As at 31 December 2003, the company held the following positions in foreign currencies, translated into tLTL at the exchange rates ruling at the balance sheet date:

LTL'000	Euro	USD	Other
Trade debtors	10,573	82	0
Prepayments and other receivables	124	366	0
Cash	1,339	55	0
Borrowings	-8,199	0	0
Trade creditors	-5,090	-7	0
Advances received	-206	0	0
	-1,459	496	0

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