AB Vilniaus Vingis

Annual Accounts for the year 2004

Contents

Company details

AB Vilniaus Vingis

Telephone	+ 370 5 239 25 00
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Registered office:	Savanorių pr. 176, Vilnius, LT-03154 Lithuania

Board of Directors

Vaclovas Šleinota (Chairman)
Vladislovas Cybas
Rimvydas Savickas
Martynas Česnavičius

Management

Vaclovas Šleinota (Managing director)
Rimvydas Savickas (Technical director)
Vladislovas Cybas (Marketing director)
Darius Ožiūnas (Finance director)
Valdas Petrauskas (Geba complex production director)
Mečislovas Šakalys (Gija complex production director)
Jonas Čaplikas (Procurement director)
Antanas Savickas (Quality director)
Asta Dagilienė (Personnel director)

Auditors

KPMG Lietuva

Bankers

Vilnius Bank
Nordea Bank PLC Vilnius branch
Snoras Bank
Hansabankas
"Bayerische Hypo-und Vereinsbank" AG Vilnius branch

Financial highlights

LTL'000	2004	2003	2002	2001

Key figures

Turnover	**122,733**	**128,103**	**152,420**	**137,652**
Gross profit	20,498	28,425	35,442	30,445
Operating profit	4,844	11,824	17,226	12,592
Profit before taxation	4,249	11,166	16,284	10,846
Profit for the year	**3,671**	**9,531**	**13,656**	**11,226**

Non-current assets	49,912	49,770	53,885	48,573
Current assets	36,078	40,640	42,305	42,172
Total assets	**85,990**	**90,410**	**96,190**	**90,745**
Share capital	36,493	36,493	36,493	36,493
Capital and reserves	**53,299**	**63,457**	**66,086**	**52,288**
Non-current liabilities	21,655	307	58	311
Current liabilities	11,036	26,646	30,046	38,146

Net cash flow from operating activities	7,478	24,015	21,207	14,563
Net cash flow from investing activities	-9,057	-6,677	-14,572	-13,915
Net cash flow from financing activities	-481	-15,454	-7,342	-699
Total cash flow	-2,060	1,884	-707	-51

Average number of employees	2,163	2,238	2,269	2,244

Financial ratios

Net profit ratio	3.0%	7.4%	9.0%	8.2%
Return on investment	5.6%	13.1%	17.9%	13.9%
Gross margin	16.7%	22.2%	23.3%	22.1%
Current ratio	326.9%	152.5%	140.8%	110.6%
Equity ratio	62.0%	70.2%	68.7%	57.6%
Return on equity	**6.3%**	**14.7%**	**23.1%**	**20.4%**

Financial highlights

Calculation of financial ratios

Net profit ratio	$\frac{\text{Net profit/loss x 100}}{\text{Turnover}}$
Return on investment	$\frac{\text{Profit/loss on operating activities before interest etc. x 100}}{\text{Total assets}}$
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Turnover}}$
Current ratio	$\frac{\text{Current assets x 100}}{\text{Short-term creditors}}$
Equity ratio	$\frac{\text{Capital and reserves at year end x 100}}{\text{Total liabilities at year end}}$
Return on equity	$\frac{\text{Profit for purposes of analysis x 100}}{\text{Average capital and reserves}}$
Profit for purposes of analysis	Profit/loss on ordinary activities after tax

Annual report

The Board of Directors and the Management have today discussed and adopted the annual accounts and the annual report.

The accounts have been prepared in accordance with International Financial Reporting Standards. We consider that the accounting policies used are appropriate and that the annual accounts thus give a true and fair view.

We recommend the accounts to be approved at the Annual General Meeting.

Vilnius, 2 March 2005

Management:

Vaclovas Šleinota
Managing director

Board of Directors:

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Vaclovas Šleinota (Chairman)	Vladislovas Cybas
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Rimvydas Savickas	Martynas Česnavičius

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 2004 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. 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 2004, and of the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

Vilnius, 2 March 2005
KPMG Lietuva

Leif Rene Hansen
Danish State Authorised
Public Accountant

Domantas Dabulis
Certified Auditor

390.670.JJ/NK

Profit and loss account for the year

	Note	2004	2003
		Litas'000	Litas'000
Turnover	2	122,733	128,103
Production costs		-102,235	-99,678
Gross profit		20,498	28,425
Distribution expenses	3	-3,867	-4,081
Administrative expenses	4	-13,421	-13,792
Other operating income, net	5	1,634	1,272
Operating profit		4,844	11,824
Financial costs, net	6	-595	-658
Profit before tax		4,249	11,166
Profit tax	7	-578	-1,635
Net profit for the year		3,671	9,531
Earnings per share	8	0.41	1.05

Balance sheet

	Note	2004	2003
		Litas'000	Litas'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	48,631	49,090
Intangible assets	10	929	382
Deferred tax assets	11	352	298
Total non-current assets		49,912	49,770
Current assets			
Inventories	12	16,507	14,817
Trade receivables		16,570	21,314
Other receivables	13	2,946	2,394
Cash and cash equivalents	14	55	2,115
Total current assets		36,078	40,640
TOTAL ASSETS		85,990	90,410

Balance sheet

	Note	2004	2003
		Litas'000	Litas'000
EQUITY AND LIABILITIES			
Capital and reserves	15		
Share capital		36,493	36,493
Share premium		2,211	2,211
Reacquired own shares		-3,947	-972
Hedging reserve		0	57
Legal reserve		1,905	1,438
Other distributable reserves		14,719	7,676
Retained earnings		1,918	16,554
Total capital and reserves		53,299	63,457
Non-current liabilities			
Interest bearing loans and borrowings	16	21,655	307
Total non-current liabilities		21,655	307
Current liabilities			
Interest bearing loans and borrowings	16	102	8,199
Trade creditors		8,966	12,955
Other creditors	17	1,968	5,492
Total current liabilities		11,036	26,646
Total liabilities		32,691	26,953
TOTAL EQUITY AND LIABILITIES		85,990	90,410
Contingencies	18		
Staff costs	19		
Related party transactions	20		
Financial instruments	21		

Statement of changes in shareholders' equity for the year

LTL'000	Share capital	Share premium	Own shares	Hedging reserve	Legal reserve	Other reserves	Retained earnings	Total
Capital and reserves at 31 December 2002	36,493	2,211	-177	65	1,438	7,676	18,380	66,086
Dividend							-11,357	-11,357
Acquisition of own shares			-795					-795
Movement in hedging reserve				-8				-8
Net income for 2003							9,531	9,531
Capital and reserves at 31 December 2003	36,493	2,211	-972	57	1,438	7,676	16,554	63,457
Dividend							-10,797	-10,797
Transfer to reserves					467	7,043	-7,510	0
Acquisition of own shares			-2,975					-2,975
Movement in hedging reserve				-57				-57
Net income for 2004							3,671	3,671
Capital and reserves at 31 December 2004	36,493	2,211	-3,947	0	1,905	14,719	1,918	53,299

Cash flow statement

Litas'000	2004	2003
Result after tax	3,671	9,531
Adjustments for:		
Depreciation and amortisation	8,834	10,301
Subsidies received	-40	-86
Property, plant and equipment sold, written off, etc.	135	477
Deferred taxation	-54	16
Provision for obsolete inventories	794	83
Provision for doubtful receivables	-85	-61
Accrual for current taxation	673	1,619
Vacation reserve	-752	-193
Financial income and expenses	595	658
Net cash inflow from ordinary activities before any change in working capital	13,771	22,345
Change in trade and other receivables	5,866	4,685
Change in inventories	-2,484	-1,174
Change in trade creditors and other creditors	-5,744	2,031
Net cash inflow from ordinary activities	11,409	27,887
Net interest received/paid	-595	-658
Profit tax paid	-3,336	-3,214
Net cash inflow from operating activities	7,478	24,015
Acquisition of property, plant and equipment	-8,597	-6,091
Acquisition / sale of investments	0	251
Capitalisation of intangible fixed assets	-789	-1,168
Disposal of property, plant and equipment	329	331
Net cash outflow from investing activities	-9,057	-6,677
Carried forward		

Cash flow statement

Litas'000	2004	2003
Brought forward		
Subsidies received	40	86
Acquisition of own shares	-2,975	-795
Dividend paid	-10,797	-11,357
Change in long term borrowings	21,348	249
Change in short-term borrowings	-8,097	-3,637
Net cash inflow/(outflow) from financing, net	-481	-15,454
Net cash inflow/outflow from operating activities, investing activities and financing	-2,060	1,884
Cash and cash equivalents at 1 January	2,115	231
Cash and cash equivalents at 31 December	55	2,115

Notes to the annual accounts

1 Summary of significant accounting policies and practises

The joint stock company AB 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 2004, the Company employed 2,125 employees (2003: 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 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 preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates.

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

Notes to the annual accounts

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 the 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 recognised 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 recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised 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

Notes to the annual accounts

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 recognised firm. The summary of the valuations made 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 capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised 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 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.

Notes to the annual accounts

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 a 1 -3 years' period.

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 comprise 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Notes to the annual accounts

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 recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised 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 recognised directly in equity.

Dividends

Dividends are recognised 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 recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised 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 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

Notes to the annual accounts

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 for 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.

Notes to the annual accounts

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.

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.

Notes to the annual accounts

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).

Results for 2004 by geographical segment can be specified as follows:

LTL'000	Lithuania	Germany	Hungary	England	Russia	Spain	Other countries	Total
Revenue	47,514	24,813	24,437	19,436	3,858	380	2,295	122,733
Segment result	9,953	4,555	3,724	1,169	541	62	437	20,441
Unallocated expenses								-15,597
Operating profit								4,844
Net financing costs								-595
Profit before tax								4,249
Income tax expense								-578
Net profit for the year								3,671
Segment assets	9,227	13	1,067	5,789	45	0	429	16,570
Other assets	69,420	0	0	0	0	0	0	69,420
Total assets	78,647	13	1,067	5,789	45	0	429	85,990
Segment liabilities	32,691	0	0	0	0	0	0	32,691
Other liabilities	0	0	0	0	0	0	0	0
Total liabilities	32,691	0	0	0	0	0	0	32,691
Cash flows from operating activities	-64,428	21,205	24,994	19,796	3,857	-449	2,503	7,478
Cash flows from investing activities	-9,057	0	0	0	0	0	0	-9,057
Cash flows from financing activities	-481	0	0	0	0	0	0	-481
Net cash flow	-73,966	21,205	24,994	19,796	3,857	-449	2,503	-2,060
Capital expenditure	9,386	0	0	0	0	0	0	9,386

Notes to the annual accounts

Results for 2003 by geographical segment can be specified as follows:

LTL'000	Lithuania	Germany	Hungary	England	Russia	Spain	Other countries	Total
Revenue	40,630	37,148	22,114	12,065	7,260	6,652	2,234	128,103
Segment result	10,871	8,635	4,141	2,036	1,611	623	496	28,413
Unallocated expenses								-16,589
Operating profit								11,824
Net financing costs								-658
Profit before tax								11,166
Income tax expense								-1,635
Net profit for the year								9,531
Segment assets	10,658	3,621	510	5,429	46	829	221	21,314
Other assets	69,096	0	0	0	0	0	0	69,096
Total assets	79,754	3,621	510	5,429	46	829	221	90,410
Segment liabilities	26,953	0	0	0	0	0	0	26,953
Other liabilities	0	0	0	0	0	0	0	0
Total liabilities	26,953	0	0	0	0	0	0	26,953
Cash flows from operating activities	-61,183	37,088	21,894	12,573	7,289	4,454	1,900	24,015
Cash flows from investing activities	-6,677	0	0	0	0	0	0	-6,677
Cash flows from financing activities	-15,454	0	0	0	0	0	0	-15,454
Net cash flow	-83,314	37,088	21,894	12,573	7,289	4,454	1,900	1,884
Capital expenditure	7,259	0	0	0	0	0	0	7,259

Notes to the annual accounts

		2004	2003
		Litas '000	Litas '000
3	**Distribution expenses**		
	Commissions	1,490	1,695
	Transportation	1,104	1,015
	Salaries and social insurance	673	732
	Other	600	639
		3,867	4,081
4	**Administrative expenses**		
	Salaries and social insurance	3,152	4,187
	Repairs	2,262	1,282
	Territory guards and cleaning	1,194	1,079
	Depreciation	673	674
	Road tax	611	639
	Utilities	431	447
	Cars exploitation	423	569
	Real estate tax	217	217
	Business trips	156	163
	Employee training	146	76
	Transportation	64	69
	Other	4,092	4,390
		13,421	13,792
5	**Other operating income, net**		
	Rental income	1,264	1,083
	Gains of sales of raw materials	270	81
	Profit on disposal of property, plant and equipment	41	15
	Subsidies received	40	86
	Other gains and losses	19	7
		1,634	1,272

Notes to the annual accounts

		2004	2003
		Litas '000	Litas '000
6	**Financial costs, net**		
	Interest expense on bank borrowings	-658	-452
	Interest income from loans issued	78	0
	Foreign exchange transaction gain, net of loss	19	-171
	Other gains and losses	-34	-35
		-595	-658
7	**Profit tax**		
	Current tax	673	1,674
	Profit tax corrections previous periods	-41	-55
	Change in deferred taxation	-54	16
	Tax for the period	578	1,635

The reconciliation of effective tax rate is as follows:

	2004	2003
Result before tax	4,249	11,166
Permanent differences:		
Bonuses, presents to employees	236	99
Other non-deductible expenses	215	270
Realised profit from futures	-782	-186
Non-taxable income	-83	-35
Charity	-37	-46
Temporary differences:		
Change in provision for fixed assets	176	489
Change in provision for obsolete inventories	794	83
Change in provisions for debtors an other assets	-85	88
Change in SoDra for vacation reserve	-178	-792
Change in accrued audit fee	-20	21
Taxable profit	4,485	11,157
Profit tax at rate of 15%	673	1,674

Notes to the annual accounts

The movement on deferred tax asset account is as follows:

Litas '000	2004	2003
1 January	298	314
Change in deferred tax asset	54	-16
Deferred tax at 31 December	352	298

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.

Litas '000	2004	2003
Net profit for the year	3,671	9,531
Weighted average number of shares in issue less treasury shares (thousand)	8,968	9,078
Basic earnings per share	0.41	1.05

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

Notes to the annual accounts

9 Property, plant and equipment

Litas'000	Buildings	Machinery and equipment	Motor Vehicles	Furniture and fittings	Construc-tion in progress	Total
Cost at 1 January	24,069	41,021	2,416	25,428	1,732	94,666
Additions		2,038	187	890	5,482	8,597
Disposals		-262	-681	-195		-1,138
Write-off				-225		-225
Reclassifications	690	2,922	83	2,229	-5,924	0
Cost at 31 December	24,759	45,719	2,005	28,127	1,290	101,900
Depreciation at 1 January	7,514	22,591	1,331	14,140	0	45,576
Depreciation for the year	423	4,608	322	3,240		8,593
Disposals		-261	-410	-180		-851
Write-offs				-49		-49
Reclassifications	394	-377		-17		0
Depreciation at 31 December	8,331	26,561	1,243	17,134	0	53,269
Net book value at 31 December	16,428	19,158	762	10,993	1,290	48,631
Net book value at 1 January	16,555	18,430	1,085	11,288	1,732	49,090
Depreciated over	8-60 years	2-15 years	5 - 6 years	2 - 8 years		

Depreciation has been allocated as follows:

	2004	2003
	Litas'000	Litas'000
Production and production development costs	7,437	7,362
Selling, administrative and other costs	1,156	1,056
Total	8,593	8,418

Notes to the annual accounts

Security

At 31 December 2004, property, plant and equipment with a carrying amount of Litas 16,428 thousand (2003: Litas 15,014 thousand) are pledged to secure bank loans (refer Note 18).

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.

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

The book value of the indexed assets amounts to Litas 17,119 thousand as at 31 December 2004, from which Litas 16,424 thousand is buildings and Litas 695 thousand is production equipment.

Major part of the fixed assets have been subject to appraisal by an independent valuator in September 2004. The market value of the not specific assets or restoration value for specific assets was used for the evaluation, which approximated the book value at the time of the appraisal. 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.

Notes to the annual accounts

10 Intangible fixed assets

Litas'000	Development costs	Software, etc.	Total
Cost at 1 January	3,414	1,451	4,865
Additions during the period		575	575
Disposals	-3,414	-152	-3,566
Prepayments for software		214	214
Cost at 31 December	0	2,088	2,088
Amortisation at 1 January	3,414	1,069	4,483
Amortisation for the period		241	241
Depreciation on disposals	-3,414	-151	-3,565
Amortisation at 31 December	0	1,159	1,159
Net book value at 31 December	0	929	929
Net book value at 1 January	0	382	382
Amortised over	1-2 years	1-3 years	

Amortisation is included under production costs and operating expenses.

11 Deferred tax asset

	2004		2003	
Litas'000	Temporary diff.	Deferred tax (15%)	Temporary diff.	Deferred tax (15%)
Provision for fixed assets	665	100	489	73
Provision for inventories	1,536	230	742	111
Receivables provision	23	3	165	25
Part of vacation reserve	91	14	538	81
Accrued audit fee	32	5	52	8
Net book value at 31 December	2,347	352	1,986	298

Notes to the annual accounts

		2004	2003
		Litas '000	Litas '000
12	**Inventories**		
	Raw materials	7,909	9,080
	Work in progress	950	783
	Finished goods	6,381	3,188
	Other	1,267	1,766
	Net book value at 31 December	16,507	14,817

Raw materials consist of plastics, wires, metals and other materials used in production.

At 31 December 2004, inventories up to the carrying amount of Litas 13,000 thousand (2003: Litas 13,000 thousand) are pledged to secure bank loans (refer Note 18).

		2004	2003
		Litas '000	Litas '000
13	**Other receivables**		
	Receivables from the State	2,200	885
	Prepayments and deferred charges	437	661
	Other receivables	309	848
	Net book value at 31 December	2,946	2,394
14	**Cash and cash equivalents**		
	Cash at bank	28	2,068
	Cash in hand	27	47
	Cash and cash equivalents at the end of the year	55	2,115

At 31 December 2004, cash at bank and future inflow into the banks up to the carrying amount of Litas 18,000 thousand (2003: Litas 18,000 thousand) are pledged to secure bank loans (refer Note 18).

Notes to the annual accounts

15 Capital and reserves

Share capital

The share capital comprises 9,123,105 ordinary shares with a nominal value of Litas 4 each (5 Litas in 2000) and the total share capital of Litas 36,492,420.

Reacquired own shares

The Company's shareholders' meeting held on 6 March 2004 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:

Litas	Number of shares	Treasury shares
At 1 January	125,817	971,668
Treasury shares acquired in the market	350,000	2,975,000
At 31 December	475,817	3,946,668

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 reserve

Legal reserve in amount of Litas 1,905 thousand 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. The proposed allocation to the legal reserve amounts to Litas 180 thousand, which was calculated based on the net result as per statutory annual accounts for 2004.

Other reserves

Other distributable reserves in the amount of Litas 14,719 thousand were formed according to the Shareholders decision dated 6 March 2004 and comprise the reserve for own shares acquisition of Litas 14,119 thousand and other reserves of Litas 600 thousand, which were formed for the social needs.

Notes to the annual accounts

	2004	2003
	Litas '000	Litas '000
16 Interest bearing loans and borrowings		
Non-current liabilities		
Leasing obligations	260	307
Long term, secured financing facility	21,395	0
Net book value at 31 December	21,655	307
Current liabilities		
Leasing obligations	102	99
Current portion of secured loans	0	58
Short term, secured financing facility	0	8,042
Net book value at 31 December	102	8,199

Terms and repayment schedule

The Company has signed an amended credit agreement with Vereins-und Westbank AG Vilnius branch in February 2005, according to which the current financial liabilities of EUR 3,557 thousand were refinanced and rolled over to the following years. Financial liabilities are payable as follows:

Litas '000	Total payable	in 2006	in 2007
Loan of EUR 2,300 thousand	7,941		7,941
Used credit facility of EUR 1,257 thousand	4,340	4,340	
Used credit facility of EUR 2,640 thousand	9,114	9,114	
Total	21,395	13,454	7,941

Financial lease liabilities are payable as follows:

Litas '000	Total	Interest	Principal
Less than 1 year	112	10	102
Between 1 and 5 years	271	11	260
	383	21	362

Loan and leasing interest rates are in accordance with the market conditions. Leasing interest rates are set to LIBOR, loans - to EURIBOR.

Notes to the annual accounts

		2004	2003
		Litas '000	Litas '000
17	**Other creditors**		
	Taxes, salaries and social insurance payable	779	3,030
	Vacation reserve	385	1,137
	Advances	175	317
	Dividend payable for previous year	143	660
	Payable for reduction of share capital	20	260
	Other payables and accrued charges	466	88
	Net book value at 31 December	1,968	5,492

18 Contingencies

The Company has pledged its fixed assets of Litas 16,428 thousand book value as at 31 December 2004 (2003: Litas 15,014 thousand) to secure the bank loans.

At 31 December 2004, inventories up to the carrying amount up to Litas 13,000 thousand (2003: Litas 13,000 thousand) are pledged to secure the bank loans.

At 31 December 2004, cash at bank and future inflow into the banks up to the carrying amount of Litas 18,000 thousand (2003: Litas 18,000 thousand) are pledged to secure the bank loans.

Notes without reference

		2004	2003
		Litas '000	Litas '000
19	**Staff costs**		
	Production and product development costs	28,089	26,538
	Selling, administrative and other expenses	5,653	5,074
		33,742	31,612

Staff costs include wages and salaries and emoluments for the management of Litas 1,557 thousand (2003: Litas 1,657 thousand).

The company had 2,125 employees at the end of 2004 (2003: 2,200 employees).

20 Related party transactions

During 2004, the Company rented premises in the centre of Vilnius for representation purposes from UAB Hermis Fondu Valdymas. The rent fees paid for 2004 amount to Litas 79 thousand.

In January 2004, by a decision of the Board of 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 Litas 8,000 thousand). The loan was repaid on 5 April 2004. Interest income from the loan amounts to Litas 78 thousand.

The services were provided by UAB Sertika amounting to Litas 5 thousand, which is partly owned by Jonas Čaplikas (Procurement director) - 60% and Antanas Savickas (Quality director) - 20%.

Notes without reference

21 Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business. Derivative financial instruments are used to reduce exposure to fluctuations in prices of raw materials. The Company uses cooper forward contracts to hedge its foreign currency risk and ensures that the net exposure is kept to an acceptable level. As at 31 December 2004, no cooper futures were concluded.

Credit risk

Management has a credit policy in place, and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Majority of the Company's trade receivable is insured. At the balance sheet date, there were no significant concentrations of credit risk.

Foreign exchange risk

The Company incurs foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than EUR. The currency giving rise to this risk is primarily US Dollars.

Accounts receivable and payable in foreign currencies as of 31 December 2004 could be specified as follows:

LTL'000	Euro	USD	Other
Trade debtors	7,010	277	0
Prepayments and other receivables	27	3	0
Cash	16	19	0
Borrowings	-21,757	0	0
Trade creditors	-2,400	-977	-14
Advances received	-103	0	0
	-17,207	-678	-14

Interest rate risk

The Company's borrowings are subject to variable interest rates, related to LIBOR and EURIBOR.

As of 31 December 2004, the Company did not use any financial instruments to hedge its interest rate risks.