



INSURANCE COMPANY ERGO LIETUVA	
A N N U A L R E P O R T	2 0 0 3

THE GOVERNING BODIES OF THE COMPANY	48
SUPERVISORY BOARD, BOARD OF MANAGEMENT, AUDITORS	
COMPANY STATUS REPORT	49
ANNUAL PERFORMANCE RESULTS	51
THE BALANCE SHEET AS OF 31.12.2003	51
PROFIT / LOSS ACCOUNT FOR A PERIOD FROM 01.01.2003 TO 31.12.2003	55
DATA FOR THE BALANCE SHEET	57
DATA FOR THE PROFIT / LOSS ACCOUNT	60
THE AUDIT REPORT	62
REPORT OF THE SUPERVISORY BOARD	62
EXPLANATORY NOTES	63

THE GOVERNING BODIES OF THE COMPANY

SUPERVISORY BOARD

DR. SIEGMAR KRÜGER, DÜSSELDORF
CHAIRMAN

KLAUS ALLERDISSEN, DÜSSELDORF

ACHIM NAUMANN, FRANKFURT AN DER MAIN

BOARD OF MANAGEMENT

VALDAS CICĖNAS, VILNIUS
CHAIRMAN

SAULIUS JOKUBAITIS, VILNIUS

DR. KĘSTUTIS BAGDONAVIČIUS, VILNIUS

DARIUS KREMENSAS, VILNIUS

THE AUDITORS

KPMG LIETUVA
AUDITING SERVICES ENTERPRISE, VILNIUS
AUDITING SERVICES ENTERPRISE'S LICENCE No. 49

REPORT OF THE BOARD OF MANAGEMENT ON THE STATUS OF THE COMPANY

INSURANCE ACTIVITY

In 2003, gross premiums of 108.7 million Litas were received, i.e. 5.7 million Litas more than during the previous year (103 million Litas), whereas the amount budgeted was 98.8 million Litas. A total of 108.3 million Litas was earned from direct insurance activity and 0.4 million Litas was from reinsurance activity (the amount budgeted was 0.2 million Litas). The change in unearned gross premiums amounted to 17.7 million Litas, whereas during the previous year it made up 9.8 million Litas.

Total gross benefits in the previous year remained at the same level as in 2002, i.e. standing at 16.3 million Litas.

The provision for claims of prior periods increased from 32.3 million Litas in 2002 to 37.4 million Litas in 2003.

The Company's gross claims during the accounting year amounted to 31.3 million Litas, or approx. 34.4% of earned gross premiums, whereas in the previous year they amounted to 23.9 million Litas, or 26% of earned gross premiums.

The reserve for gross claims of the accounting year comprised 24.9 million Litas, or 27%. The reserve for gross claims during the previous year amounted to 28.1 million Litas, or 30%.

Thus, the total quota of gross losses increased from almost 50% (47 million Litas) up to 55% (50.2 million Litas). The Company's net premiums amounted to 59.72% of gross insurance premiums, or 64.9 million Litas.

After having subtracted from the provision for claims reported but not yet settled during previous periods amounting to 11.4 million Litas at the end of the year, the provision at the beginning of the year amounting to 22 million Litas and 8.3 million Litas of claim expenses, the operating result for the previous periods makes up 2.3 million Litas.

Net insurance benefits amounted to 22.2 million Litas (38% of earned premiums), whereas last year they made up 13.3 million Litas (28%).

The technical provision for net claims rose from 12 million Litas last year up to 13 million Litas during the accounting year, whereas the quota of net losses increased from 54% to 61% during the accounting year.

The quota of net losses increased from 52% in 2002 to 57% in 2003.

In 2003, deferred acquisition costs were calculated for the first time, reaching over 9 million Litas.

Management expenses increased from 9.1 million Litas last year to 9.5 million Litas during the accounting year, or from 9.8% to 10.5%. The amount budgeted was 10 million Litas.

Last year the Company's gross expenses from insurance activity amounted to 30.3 million Litas, or 32.5%. During the accounting year they made up 25.7 million Litas, or 28.3%.

2.8 million Litas of reinsurance commissions, i.e. 8.29% on reinsurance premiums, were received from reinsurers; last year it was 13 million Litas, or 28.5%.

Net expenses of insurance activity amounted to 23.1 million Litas, or 39.8% of net premiums. Last year, earned premiums made up 36.4%.

The result of gross insurance technical activity amounted to 10.6 million Litas; reinsurance accounts for approx.

13.3 million Litas of profit. The negative technical result of the Company's insurance activity amounted to 2.7 million Litas.

IN YEAR 2002, THE INSURANCE BUSINESS OF THE COMPANY COVERED THE FOLLOWING AREAS OF INSURANCE:

- Fire insurance;
- Production interruption insurance;
- Corporate property insurance;
- Insurance of buildings;
- Insurance of household property;
- Live-stock insurance;
- Construction works insurance (CAR), mounting works insurance (EAR), insurance of warranty of construction contracting agreements;
- Insurance of electronics;
- Insurance of machines (stationary machinery and mobile machinery casco insurance);
- Cargo insurance (goods in transit, company's delivered cargo, carrier's liability insurance, exhibition insurance);
- Insurance of forwarding agent's civil liability;
- Custom guaranty insurance;
- Frozen goods insurance;
- Corporate activity civil liability insurance;
- Mandatory civil liability insurance of main researchers and biomedical research customers;
- Air transport insurance;
- Water transport casco insurance;
- Personal civil liability insurance;
- Insurance against accidents;
- Insurance of lawyer's professional indemnity;
- Insurance of notary's professional indemnity;
- Insurance of property and business estimator's professional indemnity;
- Insurance of auditor's professional indemnity;
- Insurance of insurance broker's professional indemnity;
- Motor insurance;
- Transport vehicle owner's and manager's civil liability voluntary insurance;
- Transport vehicle owner's and manager's civil liability mandatory insurance;
- Insurance of passengers against accidents;
- Car dealer's and company's providing technical service motor insurance;
- Insurance of legal expenses;
- Foreign travel insurance (health insurance against illness and accidents, luggage insurance, personal civil liability insurance abroad, insurance of costs associated with refusal of travel, green card);
- Health insurance of foreigners in Lithuania;
- Insurance of financial guarantees of travel organization services.

NON - INSURANCE ACTIVITIES

Income from long-term investments has grown from 4.2 million Litas last year up to 4.7 million Litas. Income from other long-term investments soared from 2.6 million Litas last year to 3.1 million Litas during the operating year. Expenses for long-term investments increased from 2.7 million Litas last year up to 3.3 million Litas during the operating year.

The Company earned 3.2 million Litas of profit from non-insurance activity, exceeding that of the previous year by 1 million Litas. Following the deduction for taxes, Company net profit amounted to 1,303,487 Litas.

THE BALANCE SHEET AS OF 31 DECEMBER 2003

ASSETS

	2003 / Litai	2002 / Litai
A. INTANGIBLE ASSETS	2.314.138,00	2.690.285,00
I. Formation costs	1.426.674,00	1.806.674,00
II. Research and development costs		
III. Rights acquired	887.464,00	883.611,00
IV. Goodwill		
V. Prepayments		
B. INVESTMENTS	87.104.564,00	69.761.561,00
I. Land, buildings and other real estate	38.987.510,00	31.675.831,00
I.1. For own use	38.987.510,00	31.675.831,00
I.1.1. Land		
I.1.2. Buildings	38.701.330,00	31.515.609,00
I.1.3. Construction in progress and prepayments	86.922,00	86.922,00
I.1.4. Other	199.258,00	73.300,00
I.2. Other investments in real estate		
II. Investments in associated companies and participation in associated companies	130.000,00	130.000,00
II.1. Shares in associated companies	0,00	
II.1.1. Listed on the stock exchange		
II.1.2. Not listed on the stock exchange	0,00	0,00
II.2. Debt securities issued by and loans to associated companies		
II.2.1. Debt securities		
II.2.2. Loans		
II.3. Shares in participating associated companies	130.000,00	130.000,00
II.3.1. Listed on the stock exchange		
II.3.2. Not listed on the stock exchange	130.000,00	130.000,00
II.4. Debt securities in and loans to participating associated companies		
II.4.1. Debt securities		
II.4.2. Loans		
III. Other financial investments	47.987.054,00	37.955.730,00
III.1. Shares and other variable-yield securities	1.510.102,00	152.000,00
III.1.1. Listed on the stock exchange	96.641,00	
III.1.2. Not listed on the stock exchange	1.413.461,00	152.000,00
III.2. Bonds and other fixed-yield securities	40.947.635,00	31.310.041,00
III.2.1. Government and municipal bonds	40.947.635,00	31.310.041,00
III.2.2. Other corporate securities	0,00	0,00
III.3. Assets in mutual funds		
III.4. Loans secured by mortgage	422.989,00	451.497,00
III.4.1. Secured by primary collateral	422.989,00	451.497,00
III.4.2. Secured by secondary collateral		
III.5. Other loans	532.873,00	47.815,00
III.6. Deposits with credit institutions	4.573.455,00	5.994.377,00
III.7. Other investments		
IV. Deposits with ceding insurer	0,00	0,00
C. UNIT-LINKED LIFE INSURANCE		

1 EUR = 3,4528 Lt

	2003 / Litai	2002 / Litai
D. RECEIVABLES	36.555.840,00	35.662.703,00
I. Receivables from direct insurance operations	14.122.221,00	18.397.825,00
I.1. Policyholders	13.221.015,00	15.471.393,00
I.2. Intermediaries	893.750,00	2.926.432,00
I.3. Others	7.456,00	
II. Receivables from reinsurance operations	13.662.901,00	14.099.039,00
II.1. Ceding insurers	2.286.403,00	9.412.076,00
II.2. Reinsurers	11.376.498,00	4.686.963,00
II.3. Intermediaries		
II.4. Others		
III. Other receivables	8.770.718,00	3.165.839,00
E. OTHER ASSETS	5.235.713,00	6.515.752,00
I. Tangible assets and stocks	4.470.162,00	4.686.145,00
I.1. Vehicles	601.262,00	547.392,00
I.2. Office and other equipments	3.493.953,00	3.806.234,00
I.3. Stocks	374.947,00	224.419,00
I.4. Prepayments		108.100,00
II. Cash at bank and in hand	765.551,00	1.829.607,00
III. Own shares		
IV. Other assets		
F. ACCRUED INCOME AND DEFERRED EXPENDITURE	13.730.975,00	3.130.467,00
I. Accrued interest and income / costs of rent	1.590.753,00	1.224.662,00
II. Deferred acquisition costs	9.342.845,00	
II.1. Deferred acquisition costs in non-life insurance	9.342.845,00	
II.2. Deferred acquisition costs in life insurance		
III. Other accrued income		
IV. Other deferred expenditure	2.797.377,00	1.905.805,00
TOTAL ASSETS	144.941.230,00	117.760.768,00

SHAREHOLDERS' EQUITY AND LIABILITIES

	2003 / Litai	2002 / Litai
A. CAPITAL AND RESERVES	31.777.135,00	30.473.648,00
I. Authorised capital	12.790.000,00	12.790.000,00
II. Share premium	17.858.390,00	17.858.390,00
III. Revaluation reserve	38.674,00	38.674,00
IV. Other reserves	947.291,00	947.291,00
IV.1. Legal reserve	85.291,00	85.291,00
IV.2. Not available for distribution		
IV.3. Available for distribution	862.000,00	862.000,00
V. Profit (loss) brought forward	142.780,00	-1.160.707,00
V.1. From previous financial year	-1.160.707,00	-1.461.770,00
V.2. For current financial year	1.303.487,00	301.063,00
B. FINANCING (GRANTS AND SUBSIDIES)		
C. SUBORDINATED LIABILITIES		
D. TECHNICAL PROVISIONS	56.516.768,00	46.149.814,00
I. Technical provision for unearned premiums	24.949.014,00	17.848.127,00
I.1. Gross amount	49.232.400,00	31.628.095,00
I.2. Reinsurers' share (-)	24.283.386,00	13.779.968,00
II. Mathematical technical provision		
II.1. Gross amount		
II.2. Reinsurers' share (-)		
III. Technical provision for outstanding claims	24.511.243,00	22.538.524,00
III.1. Gross amount	62.301.190,00	60.480.806,00
III.2. Reinsurers' share (-)	37.789.947,00	37.942.282,00
IV. Technical provision for bonuses and rebates	57.781,00	
IV.1. Gross amount	57.781,00	
IV.2. Reinsurers' share (-)		
V. Claims equalisation technical provision	6.965.990,00	5.763.163,00
VI. Other technical provisions	32.740,00	
VI.1. Gross amount	32.740,00	
VI.2. Reinsurers' share (-)		
E. TECHNICAL PROVISION FOR UNIT-LINKED LIFE INSURANCE		
I. Gross amount		
II. Reinsurers' share (-)		

1 EUR = 3,4528 Lt

	2003 / Litai	2002 / Litai
F. PROVISIONS FOR OTHER LIABILITIES AND CLAIMS	0,00	853.688,00
I. Provisions for pensions and similar obligations		
II. Provisions for taxes		
III. Other provisions		853.688,00
G. DEPOSITS FROM REINSURERS	828.658,00	
H. LIABILITIES	52.547.590,00	40.179.245,00
I. Liabilities arising out of direct insurance operations	1.057.178,00	2.121.821,00
I.1. Liabilities to policyholders	463.323,00	1.434.021,00
I.2. Liabilities to intermediaries	593.855,00	687.800,00
I.3. Other liabilities arising out of direct insurance operations		
II. Liabilities arising out of reinsurance operations	24.994.895,00	33.219.765,00
II.1. Liabilities to ceding reinsurers	9.597.453,00	12.397.848,00
II.2. Liabilities to reinsurers	15.397.442,00	20.821.917,00
II.3. Liabilities to intermediaries		
II.4. Other liabilities arising out of reinsurance operations		
III. Debenture loans showing convertible debts separately		
IV. Debts to credit institutions	2.586.600,00	
V. Taxes, social security contributions and other liabilities	23.908.917,00	4.837.659,00
V.1. Taxes		
V.2. Social security contributions		257.193,00
V.3. Wages and salaries		284.851,00
V.4. Other liabilities	23.908.917,00	4.295.615,00
I. ACCRUED EXPENSES AND DEFERRED INCOME	3.271.079,00	104.373,00
I. Accrued expenses	811.066,00	104.373,00
II. Deferred income	2.460.013,00	
TOTAL OWNERS' EQUITY AND LIABILITIES	144.941.230,00	117.760.768,00

PROFIT / LOSS ACCOUNT

For a period from 1 January 2002 to 31 December 2003

	2003 / Litas	2002 / Litas
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE		
I.1. EARNED PREMIUMS, NET OF REINSURANCE	57.734.290,00	47.214.838,00
I.1.1. Gross premiums written	108.743.677,00	103.007.495,00
I.1.2. Inward reinsurance premiums (-)	43.803.607,00	47.334.441,00
I.1.3. Change in technical provision for unearned premiums (+/-)	-17.709.197,00	-9.798.277,00
I.1.4. Change in technical provision for unearned premiums, reinsurers' share (+/-)	10.503.417,00	1.340.061,00
I.2. INVESTMENT RETURN TRANSFERRED FROM NON-TECHNICAL ACCOUNT	925.302,00	145.883,00
I.3. OTHER TECHNICAL INCOME, NET OF REINSURANCE	3.583.672,00	825.452,00
I.4. CLAIMS INCURRED, NET OF REINSURANCE	33.040.829,00	24.466.306,00
I.4.1. Claims arising from reinsurance events	30.495.498,00	19.580.992,00
I.4.1.1. Claims	47.360.461,00	39.734.281,00
I.4.1.2. Claims settlement expenses	2.695.605,00	2.028.640,00
I.4.1.3. Amounts recovered (-)	2.450.965,00	1.502.764,00
I.4.1.4. Reinsurers' share (-)	17.109.603,00	20.679.165,00
I.4.2. Change in technical provision for outstanding claims (+/-)	2.545.331,00	4.885.314,00
I.4.2.1. Gross amount	2.633.285,00	6.625.531,00
I.4.2.2. Reinsurers' share (-)	87.954,00	1.740.217,00
I.5. CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE, NOT SHOWN UNDER OTHER HEADINGS (+/-)	32.740,00	
I.5.1. Gross amount	32.740,00	
I.5.2. Reinsurers' share (-)	87.722,00	
I.6. BONUSES AND REBATES, NET OF REINSURANCE		
I.6.1. Bonuses and rebates	29.941,00	
I.6.1.1. Gross amount	29.941,00	
I.6.1.2. Reinsurers' share (-)		
I.6.2. Change in technical provision for bonuses and rebates (+/-)	57.781,00	
I.6.2.1. Gross amount	57.781,00	
I.6.2.2. Reinsurers' share (-)		
I.7. NET OPERATING COSTS	23.009.487,00	17.201.981,00
I.7.1. Acquisition costs	25.578.078,00	21.131.803,00
I.7.2. Change in deferred acquisition costs (+/-)	-9.342.845,00	
I.7.3. Administrative costs	9.538.717,00	9.160.341,00
I.7.4. Reinsurance commissions and profit participation (-)	2.764.463,00	13.090.163,00
I.8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE	5.848.481,00	7.628.855,00
I.9. TECHNICAL RESULT BEFORE FORMATION OF CLAIMS EQUALISATION TECHNICAL PROVISION	224.005,00	-1.110.969,00
I.10. CHANGE IN CLAIMS EQUALISATION TECHNICAL PROVISION (+/-)	1.202.827,00	681.945,00
I.11. PROFIT (LOSS) OF TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	-978.822,00	-1.792.914,00

1 EUR = 3,4528 LT

	2003 / Litas	2002 / Litas
III. NON-TECHNICAL ACCOUNT		
III.1. PROFIT (LOSS) OF TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	-978.822,00	-1.792.914,00
III.2. PROFIT (LOSS) OF TECHNICAL ACCOUNT FOR LIFE INSURANCE		
III.3. INCOME FROM INVESTMENT ACTIVITIES	4.785.666,00	4.236.997,00
III.3.1. Income from participating interests, whereof income from associated companies	19.500,00	13.845,00
III.3.2. Income from other investment, whereof income from associated companies	4.765.607,00	4.175.203,00
III.3.2.1. Income from land and buildings	1.653.275,00	1.657.769,00
III.3.2.2. Income from other investment	3.112.332,00	2.517.434,00
III.3.3. Increase in value of investments		
III.3.4. Gains on disposal of investments	559,00	47.949,00
III.4. INVESTMENT RETURN TRANSFERRED FROM TECHNICAL ACCOUNT FOR LIFE INSURANCE		
III.5. INVESTMENT CHARGES	3.340.104,00	2.652.152,00
III.5.1. Investment management charges, including interest	2.940.500,00	2.652.152,00
III.5.2. Decrease in value of investments		
III.5.3. Losses on disposal of investments	399.604,00	
III.6. INVESTMENT RETURN TRANSFERRED TO TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE	925.302,00	145.883,00
III.7. OTHER INCOME	8.282.777,00	6.812.330,00
III.7.1. Income from financial activities	8.229.497,00	6.396.867,00
III.7.2. Other income	53.280,00	415.463,00
III.8. OTHER EXPENDITURE	7.161.446,00	6.964.745,00
III.8.1. Expenditure of financial activities	7.094.355,00	6.358.058,00
III.8.2. Other expenditure	67.091,00	606.687,00
III.9. PROFIT (LOSS) OF ORDINARY ACTIVITIES	662.769,00	-506.367,00
III.10. EXTRAORDINARY INCOME	791.075,00	894.783,00
III.11. EXTRAORDINARY EXPENDITURE	150.357,00	87.353,00
III.12. RESULT (PROFIT OR LOSS) OF EXTRAORDINARY ACTIVITIES	640.718,00	807.430,00
III.13. RESULT (PROFIT OR LOSS) FOR CURRENT YEAR BEFORE TAXES	1.303.487,00	301.063,00
III.14. PROFIT TAX		
III.15. RESULT (PROFIT OR LOSS) FOR CURRENT YEAR	1.303.487,00	301.063,00

Developments of Assets in A,B I to III in the 2003 reporting year

	Balance sheet value Previous year / Litas	Additions / Litas	Reclassification / Litas	Assets transferred to third parties and written off / Litas	Revaluation / Litas	Depreciation / Litas	Balance sheet value Business year / Litas
A. Intangible assets	2.690.285,36	529.767,00				905.914,00	2.314.138,36
B.I. Land with buildings and similar rights	31.675.831,14	8.173.243,00		82.205,00		779.359,00	38.987.510,14
B.II. Investment in participation related companies							
1. Investments in participation related companies	132.000,00						132.000,00
2. Loans to participation related companies	0,00						0,00
B.II. Amount	132.000,00						132.000,00
B.III. Other long term investments							
1. Shares, fund holdings and other variable interest rate securities	150.000,00	1.358.102,00					1.508.102,00
2. Bonds and other fixed interest rate securities	31.310.041,25	15.491.930,28		6.260.176,62	405.840,36		40.947.635,27
3. Mortgage, land lease and rent claims	499.311,98	518.546,33		270.831,39	26.395,23		720.631,69
4. Other loans	0,00	239.403,91		4.173,93			235.229,98
5. Deposits in banks	5.994.376,60						4.573.455,00
B.III. Amount	37.953.729,83						47.985.053,94
Total	69.761.560,97						87.104.564,08

Participation in other companies

	Share of capital / %	Equity / Litas	Result of preceding year / Litas
Direct participation			
Draudos asistavimas, Vilnius	0,13	1.338.301,00	-1.088.202,00
ERGO Lietuva investicija, Vilnius	25	1.040.747,00	108.992,00

1 EUR = 3,4528 LT

SHAREHOLDERS' EQUITY AND LIABILITIES

Insurance technical provisions

	Gross amounts		Transferred for reinsurances	
	2003 / Litas	2002 / Litas	2003 / Litas	2002 / Litas
I. Unearned premiums				
a) Self concluded insurance contracts				
Civil liability	3.597.388	721.576,33	3.294.642	458.674,09
Accidents	2.388.550	1.869.805,04	0,00	0,00
Vehicles	14.048.785	11.597.043,18	4.182.345	6.923.435,00
Motor civil liability	7.237.176	10.801.653,73	24.354	2.759.277,00
Fire	13.583.496	1.966.643,03	11.103.583	558.820,46
Other property insurance	2.668.467	1.476.618,67	982.248	629.143,39
Inland-marine	1.650.190	693.098,06	1.178.085	518.095,51
Health insurance	318.075	303.258,13	0,00	1.706,70
Financial losses	3.110.145	256.925,38	3.103.961	256.095,43
Other	522.593	275.372,11	313.336	166.405,00
Total a)	49.124.865	29.961.993,66	24.182.554	12.271.652,58
b) Insurance contracts accepted in reinsurance	107.535	1.666.101,21	100.832	1.508.315,69
Total a) and b)	49.232.400	31.628.094,87	24.283.386	13.779.968,27
II. Provision for policy reserve				
a) Self concluded insurance contracts				
aa) during the business year				
Civil liability	436.037	416.702,00	186.500	191.738,00
Accidents	537.191	659.540,00	0,00	0,00
Vehicles	6.274.413	5.050.152,00	2.279.979	3.030.091,00
Motor civil liability	5.264.110	4.952.852,39	325.051	1.570.214,00
Fire	4.018.373	2.236.888,00	2.785.815	445.657,30
Other property insurance	1.376.648	1.802.709,46	438.535	402.256,30
Inland-marine	5.413.501	2.149.797,00	4.728.742	1.631.918,00
Health insurance	227.673	461.389,00	0,00	90.727,50
Financial losses	407.834	89.262,31	362.027	71.410,00
Other	283.950	883.119,61	221.795	568.434,00
Total aa)	24.239.730	18.702.411,77	11.328.444	8.002.446,10

bb) previous year				
Civil liability	278.065	254.596,00	139.033	142.309,00
Accidents	346.605	284.892,00	0,00	50.000,00
Vehicles	2.001.903	1.331.407,00	1.207.177	798.845,00
Motor civil liability	1.423.252	540.923,00	498.857	324.554,00
Fire	6.346.149	319.300,00	5.455.583	65.178,96
Other property insurance	366.972	223.500,00	144.016	94.166,02
Inland-marine	2.980.231	2.890.091,05	2.384.184	2.312.074,00
Health insurance	51.003	84.256,00	0,00	0,00
Financial losses	0,00	0,00	0,00	0,00
Other	2.172.112	1.848.323,00	1.284.842	1.478.497,00
Total bb)	15.966.292	7.777.288,05	11.113.692	5.265.623,98
Total a)		26.479.699,82		13.268.070,08
b) Reinsured insurance contracts	22.095.168	34.001.106,27	15.347.811	24.674.211,79
Total a) and b)	62.301.190	60.480.806,09	37.789.947	37.942.281,87

DATA FOR THE PROFIT / LOSS ACCOUNT

Premium income

	Gross amounts		Transferred for reinsurance	
	2003 / Litas	2002 / Litas	2003 / Litas	2002 / Litas
a) Self concluded insurance contracts				
Civil liability	6.478.340	1.997.203,38	5.798.985	1.405.047,99
Accidents	4.889.427	3.446.971,65	82.867	39.453,51
Vehicles	28.248.633	20.877.763,95	7.915.821	12.426.938,00
Motor civil liability	26.236.304	41.807.286,50	-51.517	10.203.893,87
Fire	23.653.513	6.979.591,38	18.983.658	3.952.839,36
Other property insurance	5.628.647	3.585.015,97	2.356.623	1.505.087,77
Inland-marine	3.829.770	3.132.979,87	2.690.890	2.513.280,25
Health insurance	3.019.325	2.080.028,96	202.285	339.749,47
Financial losses	4.941.325	588.047,62	4.932.251	578.188,18
Other	1.411.879	955.823,63	990.013	593.154,13
Total a)	108.337.164	85.450.712,91	43.901.876	33.557.632,53
b) Insurance contracts accepted in reinsurance	406.512	17.556.781,71	-98.268	13.776.808,74
Total a) and b)	108.743.677	103.007.494,62	43.803.607	47.334.441,27

Expenditure for insured events

	Gross expenditures for business year claims in percentage of the earned contributions		Gross expenditure expenditures for business year claims in percentage of the earned contributions	
	2003 / %	2002 / %	2003 / %	2002 / %
Self concluded insurance contracts				
Civil liability	13,78	28,67	44,07	51,29
Accidents	46,54	43,98	47,44	44,56
Vehicles	74,72	84,58	75,45	87,13
Motor civil liability	54,13	43,38	53,72	40,99
Fire	49,55	49,69	63,82	92,81
Other property insurance	66,22	83,21	97,93	101,40
Inland-marine	218,02	86,65	103,00	110,07
Health insurance	24,91	39,25	26,72	41,11
Financial losses	22,77	14,70	1332,63	178,20
Other	43,35	117,28	45,24	114,94
Insurance contracts accepted in reinsurance	84,45	51,06	109,59	32,46

Net underwriting expenses	2003 / Litas	2002 / Litas
a) Self concluded insurance contracts		
Civil liability	387.834,16	126.391,15
Accidents	1.464.925,63	1.310.760,80
Vehicles	6.778.888,33	1.284.141,18
Motor civil liability	7.445.337,26	10.076.410,61
Fire	2.581.520,00	1.059.342,06
Other property insurance	1.327.228,15	912.486,01
Inland-marine	837.785,23	39.721,42
Health insurance	1.291.813,18	837.275,84
Financial losses	235.695,47	-25.460,60
Other	23.875,41	126.076,67
Total a)	22.374.902,82	15.747.145,14
b) Insurance contracts accepted in reinsurance	634.584,59	1.454.835,78
Total a) and b)	23.009.487,41	17.201.980,92

Other income	2003 / Litas	2002 / Litas
Other interest and similar income	4.785.666,00	4.236.997,00
Profit from change in foreign exchange rates	8.229.497,00	6.396.867,00
Other	844.355,00	1.310.246,00
Total	13.859.518,00	11.944.110,00

Other expenditure	2003 / Litas	2002 / Litas
Losses related to change in foreign exchange rates	7.094.355,00	6.358.058,00
Investment activity expenses	3.340.104,00	2.652.152,00
Other	217.448,00	694.040,00
Total	10.651.907,00	9.704.250,00

THE AUDIT REPORT

We have duly audited the annual accounts of UAB ERGO Lietuva for the year 2003 prepared in accordance with the legal acts regulating accounting in Lithuania. These annual accounts were used as the basis for the enclosed balance sheet and related profit (loss) account for the year ended 31 December 2003 (hereinafter referred to as “abridged accounts”). The audit was carried out according to International Auditing Standards published by the International Federation of Accountants. Our unconditional opinion was expressed in the audit report of 25 March 2004 on the annual accounts which were used as the basis for the enclosed abridged accounts.

In our opinion, these abridged accounts are in all material aspects in full conformity with the annual accounts from which they have been derived.

For better understanding of the financial situation of the company, its annual results and cash flows, responsibility of the management for annual accounts and the scope of our audit, these abridged accounts should be read together with the annual accounts from which the abridged accounts were derived and with the report of our auditor.

Vilnius, 20 April 2004

KPMG Lietuva,
Audit company licence No. 49

Leif Rene Hansen
Authorised Public
Accountant of Denmark

Domantas Dabulis
Certified Auditor

REPORT OF THE SUPERVISORY BOARD

The management of the Company informed the Observers' Council about the Company's activities and position, on a regular basis. During the accounting year 2003, the Observers' Council constantly controlled the management of the Company.

During 2003, meetings of the Observers' Council were held regularly. The members of the Management Board of ERGO Lietuva participated in all meetings.

The auditing company KPMG, Vilnius, audited the Company's annual financial statements as of 31 December 2003 together with the explanatory note, the notice on the Company's position and financial accounting and concluded that they comply with the legal acts and the Company's Articles of Association. The auditing company presented unconditional opinions. The Observers' Council inspected the annual financial statements as of 31 December 2003, notice on the Company's position and profit distribution. No reproaches were expressed after this inspection. The Observers' Council approved the annual financial statements, and they are considered to have been approved. The Observers' Council also approved the proposal by the Management Board on profit distribution.

In 2003, Mr. Knüttel, who has been the Chairman of the Observers' Council up to that time, and Mr. Bröse, both of whom had participated in the Company's activities since its establishment, resigned from the Observers' Council. The Observers' Council would like to thank them for their activities of many years when developing the successfully operating company ERGO Lietuva.

Mr. Allerdisen and Mr. Krüger were elected as new members of the Observers' Council.

Vilnius, 30 March 2004.

Observers' Council
Insurance AB ERGO Lietuva

Dr. Siegmur Krüger
Chairman

EXPLANATORY NOTES

METHODS FOR THE DRAFTING OF THE BALANCE SHEET AND PRICING OF ASSETS

Real estate is stated at the acquisition cost minus depreciation complying with the duration of the use necessary for the Company.

Investments into companies which are linked by participating relationships are indicated at the acquisition cost with respect to the anticipated steady reduction of the value.

Deposits and term deposits, accounts receivable from reinsurance activity, cheques, cash at hand, current accounts with banks and other accounts receivable are reflected at the nominal value in the balance sheet.

The equipment necessary for the Company's activities is stated in the balance sheet at the acquisition cost minus depreciation by applying the straight-line method.

The share in unearned premiums accounted for by the insurance company is calculated by the 1/365 method. Reinsurers' shares are calculated respectively. The data of the primary insurers were used for the accounting for reinsured insurance contracts and unearned premiums. Expenses are expressed as a percentage.

Technical provisions for anticipated claim payments are calculated individually for every insurance event. Based on the acquired experience, a technical provision for subsequent claims was formed for unknown or yet unreported claims. The provision for the expenses of claim settlement was included into the technical provision for anticipated claims.

Reinsurers' shares in the provision for anticipated claims is calculated according to reinsurance agreements.

Retrocessionnaires' shares fixed in contracts are subtracted from gross premiums and stated.

Other provisions are calculated according to foreseen needs.

All other accounts payable and liabilities are calculated according to the amounts indicated in contracts.

Investments, accounts receivable, debts and insurance technical provisions, including the positions taken over from the previous year, which were made in a foreign currency, are stated in Litas as of the date of the drafting of the balance sheet at the exchange rate applicable as of the date of the drafting of the balance sheet. Positions of respective income and expenses are accounted for in Litas according to the exchange rate applicable as of the date of their receipt or occurrence.

Expenses which, according to the norms of the Law on Profit Tax, are attributed to permissible deductions are considered to be the operating expenses of the Company.

OTHER DATA

99% of our authorised capital is owned by ERGO International AG (Düsseldorf), the stake of which is held by ERGO Versicherungsgruppe AG (Düsseldorf).

The authorised capital of the company UAB ERGO Lietuva amounts to 12,790,000 Litas and it is divided into fully paid 12,540 ordinary registered shares, the par value of which is 1,000 Litas each, and 2,500 of preference shares, the par value of which is 100 Litas each.

We do not hold personal shares, and we have neither settled accounts with shares nor have pledged them.

GOVERNING BODIES OF OUR COMPANY

The names of the members of the Observers' Council and the Management Board are indicated on the page 44.

We would like to draw your attention to the notice of the Observers' Council.

No loans have been issued to the members of the Management Board through 31 December 2003.

RESPONSIBILITIES AND OBLIGATIONS

The governing bodies of the Company have not been promised any profit sharing or have not been granted any loans, and there are no mutual relations related to profit or mutual obligations.

There are no other responsibility relationships than those indicated in the balance sheet and in the notice of the Management Board on the position of the Company.

Vilnius, 5 March 2004

UAB ERGO Lietuva

V. Cicėnas Dr. K. Bagdonavičius S. Jokubaitis D.Kremensas