

METINĒ ATASKAITA
GESCHÄFTSBERICHT
ANNUAL REPORT
2 0 0 1

ERGO
L i e t u v a
GYVYBĒS DRAUDIMAS

ERGO

VICTORIA

Hamburg
Mannheimer



MEAG

ERGO 2001: Good Results

ERGO Insurance Group was established in 1997, following the joining of German insurance companies Victoria, Hamburg-Mannheimer, DKV and D.A.S.

ERGO Insurance Group offers a full range of direct insurance services: life, pension and health insurance, casualty insurance, insurance against accidents and insurance of legal expenses. The Group also actively participates in the activities of insurance brokerage, property investment and provision of financial services. More than 27 million customers throughout 23 European countries have placed their faith in the companies within the Group. ERGO takes the second position in Germany's direct insurance market.

The year 2001 was fairly complicated for the capital markets, with deteriorating conjuncture and significantly changed taxation system. In spite of these negative factors, the operating results of ERGO during the preceding year have exceeded all expectations.

The amount of gross premiums (including the investment life insurance) of ERGO Insurance Group in 2001 financial year totalled to 14,1 billion Euro (12,8 billion Euro in the preceding year). The Group's growth made up 10,1%, which was particularly influenced by the performance of ERGO in new European markets. At present, nearly 20% of the Group's premiums are collected abroad (2,7 billion Euro in 2001 and 1,7 billion Euro in 2000). This growth was mainly stimulated by the merger of subsidiary companies, acquired abroad in 2000 - without the consolidation of these companies, the growth of premiums would have made up 4,3%. This serves as evidence that ERGO has selected the right development strategy.

Reliability Ensured by Large Equity Capital

Although the situation of financial markets was not favourable last year, ERGO managed to receive significant net profit, which amounted to 655 million Euro in 2001. At a present moment, ERGO equity capital makes up 6 billion Euro.

Last year, the reliability of ERGO Insurance Group was evaluated by the international ratings agencies. In March 2001, the renowned rating agency Standard & Poor's confirmed the highest reliability rating AA+ for the German ERGO Insurance Group. Based on the system of Standard & Poor's, this is the highest evaluation of the holding company. Standard & Poor's noted the well-developed sales network of ERGO Insurance Group and its financial services operations.

Standard & Poor's rating estimates not only the financial transparency of the Group, but the well organised management as well. These are the principles on the basis of which the operation of ERGO in Lithuania is organised.

Share Exchange with Reinsurance Company Münchener Rück

In 2001, as a result of reorganisation of its participation in the financial sector, one of the world's largest reinsurance companies Münchener Rück has presented the exchange proposal to the ERGO shareholders: exchange of 1 Münchener Rück share into 2 ERGO shares was offered, with a share premium of 18 Euro. Majority of ERGO shareholders have exchanged their shares. Thus the spread of shares of ERGO was significantly reduced and on 30 July 2001, ERGO shares were withdrawn from the German MDAX share index. At present, 91,7% of the share capital of ERGO is owned by Münchener Rück and 5% of the shares is owned by HypoVereinsbank.

Exclusive Co-operation with HypoVereinsbank

As a result of the above reorganisation of Münchener Rück, throughout Germany ERGO is co-operating on an exclusive basis with Hypo Vereinsbank. ERGO Companies VICTORIA and D.A.S. had a history of successful co-operation with this bank; however, this co-operation was limited to certain regions of Germany. Now the co-operation covers all Germany. Co-operation with HypoVereinsbank Group is attempted outside Germany as well. ERGO has become more active in co-operating with Austrian bank Bank Austria. In Poland, starting from late 2000, ERGO Hestia co-operates with third largest Polish bank PBK.

Successful Results Planned for the Year 2002

The 11 September 2001 showed that even such area as insurance is not protected against unforeseen circumstances. However, the promising growth prospects, good structure of portfolio of insurance contracts (90% of the portfolio accounts for business with private customers, 80% is associated with personal insurance), proper management and reduction of costs, as well as successful investment activity allow to maintain that the year 2002 will be a year of success to ERGO Insurance Group.



Dear customers, business partners and friends of ERGO Lietuva,

The Year 2001 was a year of change, opportunities and challenges to ERGO Group in Lithuania. Last year, the name Drauda was changed to ERGO Lietuva, thus assuming the name of one of the largest European Insurance Group ERGO. This event opened new opportunities for our customers, our partners and us. ERGO in Lithuania, ERGO in Germany, ERGO in Latvia, ERGO in Estonia, ERGO in Poland - companies under the ERGO name operate throughout Europe. The new name further strengthened our positions even more and, while retaining our experience and traditions, under our new flag we have become full and equal member of the international insurance market.

In 2001, Preventa, one of the biggest insurance companies, joined our group and ERGO Versicherungsgruppe became its majority shareholder. Last year we celebrated our tenth anniversary. However, in year 2001 we suffered the loss of Ms. Günther M.Parth (07.10.1944 - 26.12.2001), Chairman of the Board of Management, who died tragically. Mr.G.M.Parth had great trust in Lithuania and its people and he was among the first to bring foreign investments to Lithuania, after it regained its independence. He helped to build up two of the strongest Lithuanian insurance companies - ERGO Lietuva and ERGO Lietuva Gyvybės Draudimas. For the ten years he was with us and he helped us to grow and improve. His contribution will always stay with us.

We have taken up the new challenges and have strengthened our positions in the Lithuanian insurance market - ERGO Lietuva and ERGO Lietuva Gyvybės Draudimas completed the year 2001 profitably and received unqualified audit reports from the BDO Auditing Company. The growth of both companies made up 50%, both authorised and equity capital and the technical provisions were increased. ERGO Lietuva Gyvybės Draudimas accounted a surplus of 822.000 Litas for its customers. This year we will face significant challenges too, including the merger process of ERGO Lietuva and Preventa companies, the enforcement of mandatory vehicle owner's and manager's civil liability insurance, amendments to the Law on Insurance and the application of the new Civil Code. We will introduce new services to the country's market and will improve the existing ones. We will expand the sales and support network and our information system.

The credibility of German ERGO Group was valued last year by international rating agency Standard & Poor's, which confirmed the German highest AA+ rating for the Group. Reliability and quality of services are our most important values. Having one of the strongest financial backings of all insurance companies operating in Lithuania, we will be in a position to provide more advantages to our customers, employees and partners.

We would like to thank you for your trust in us and we hope that the future co-operation will meet your expectations in full.

Yours truly,



V.Cicėnas
Chairman of the Board of Management
ERGO Lietuva and ERGO Lietuva Gyvybės draudimas





ANNUAL REPORT 2001

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THE GOVERNING BODIES OF THE COMPANY

SUPERVISORY BOARD

HANS - DIETER KNÜTTEL, COELBE (LAHN)
CHAIRMAN OF THE SUPERVISORY BOARD

WALTER BROESE, OBERURSEL/TAUNUS

ACHIM NAUMANN, FRANKFURT ON MAIN

BOARD OF MANAGEMENT

VALDAS CICÉNAS, VILNIUS
CHAIRMAN OF THE BOARD

KĘSTUTIS BAGDONAVIČIUS, VILNIUS

KAIDO KEPP, TALLINN

THE AUDITORS

BDO DEUTSCHE WARENTRUHAND AKTIENGESELLSCHAFT
AUDITING COMPANY, DÜSSELDORF

MOKESČIŲ EKSPERTŲ BIURAS
AUDITING COMPANY, VILNIUS



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

THE OVERALL ECONOMIC SITUATION

Year 2001 was successful to the Lithuanian economy. According to the statistical data, the economic situation is gradually improving.

Gross domestic product. Based on the preliminary evaluation by the Department of Statistics, gross domestic product has increased by 5,7% during the year 2001 and made up 35,6 billion Litass.

Inflation. The consumer prices remained comparatively stable and the annual inflation rate made up 2,0%. It is expected that the average inflation rate will remain stable in the year 2002 and will make up 2,8%.

Occupation. The average annual level of unemployment remained high in year 2001 (12,5%), however, the demand for labour force has increased, which allowed to employ 134.000 persons. It is expected that the continuing economic growth in the year 2002 will help to gradually reduce the level of unemployment and to increase the actual salary. It is forecasted that the demand for labour force will increase up to 150.000 work places and the average annual level of unemployment will be reduced to 11,3%.

Trading. In the year 2001, the sales of industrial production increased by 16,9% as compared to the year 2000. The turnover of retail trade increased by 7,4% in 2001 and amounted to 13,978 billion Litass. Export during the period has increased by 20,3% as compared to the year 2001. Export to EU countries accounted for the major part of export (47,9%), and export to CIS states made up 19,5%.

Investments. Based on the information of the Department of Statistics of the Republic of Lithuania, foreign direct investment made up 10.41 billion Litass as of 1 October 2001. 2.983 Litass of foreign direct investment fell on one resident of Lithuania. Major part of investments was directed to the processing industry - 26,8%, trade - 20,4%, financial mediation companies - 19,2%, communication services - 15,4%.

State debt. According to the data of the Ministry of Finance of the Republic of Lithuania, the total state debt amounted to 13.11 billion Litass as of 31 November, 2001, and the foreign debt made up 9.99 billion Litass or 76,2% of the total state debt.

The Government has approved the new basic currency - euro and official Litass exchange rate, which was fixed on 1 February 2002, taking into account the USD / EUR exchange rate announced on that date by the European Central Bank. (1 Euro equals 3,4528 Litass).



INSURANCE BUSINESS

Gross premiums received during 2001 amounted to 14,8 million Litas (9 million Litas last year). This amount is by 5,8 million Litas or by 64% more than during the preceding year. When planning the budget, the amount of 9,5 million Litas was set as an objective, therefore the budget was exceeded by 55%.

Endowment premiums accounted for the major share in premiums and made up 9,3 million Litas - an increase by 3,2 million Litas as compared to the preceding year. The budget provided for 5,8 million Litas. The studies' insurance premiums increased from 1,7 million Litas in 2000 to 2,4 million Litas in 2001. 1,5 million Litas of pension insurance premiums was received (750.000 Litas in the budget), i.e. a little more than the life risk insurance premiums, which have decreased from 0,3 million Litas in 2000, to 0,2 million Litas in the year 2001 (665.000 Litas provided in the budget).

Unearned gross premiums, which made up 3,9 million Litas as of 31 December 2000, have increased by 2,4 million Litas or by 61% as of 31 December, 2001, and accounted for 6,3 million Litas.

Gross expenditure of the Company made up 0,8 million Litas during 2001, as compared to 0,3 million Litas in the preceding year.

The provision for policy reserve, which made up 3,3 million Litas in 2000, was increased to 10,8 million Litas.

Gross commission salaries paid accounted for 26,9% of earned premiums (25% in the preceding year).

Gross management costs increased by 448.000 Litas and amounted to 1,4 million Litas, or 12% of earned gross premiums (12% in the preceding year).

The insurance business expenditure accounted for 49% of gross earned premiums.

Income from long-term investments increased from 0,7 million Litas in 2000, to 1,3 million Litas in 2001. Long-term investment expenses amounted to 0,2 million Litas, as during the preceding year.



THE BALANCE SHEET

The balance sheet amount increased from 17,4 million Litass to 31,5 million Litass.

Long-term investments amounted to 25,7 million Litass (13,3 million Litass in the preceding year). Bonds and other securities have increased by 8,0 million Litass to nearly 18,5 million Litass. Deposits with banks made up 6,5 million Litass in 2001 (4,3 million Litass in 2000). Following the increase in premium income, the receivables have also increased from 2,1 million Litass in 2000, to 3,6 million Litass in the year 2001.

Other assets made up 1,4 million Litass (1,4 million Litass in the preceding year). Current accounts with banks made up 1,3 million Litass (1,2 million Litass in the preceding year). Accrued receivable income and deferred expenditure amounted to 0,7 million Litass (0,6 million Litass in the preceding year).

On the liabilities side, the nearly unchanged equity capital is reflected, which amounts to 9,3 million Litass.

As compared to the preceding year, the technical provisions on the Company's insurance activity have increased from 10,9 million Litass in 2000, to 19,7 million Litass in year 2001. Out of which, 6,3 million Litass account for unearned premiums 12,3 million Litass for technical provision for policy reserve and 0,7 million Litass for the technical provision for outstanding claims. Other provisions consist of the provision for management expenses, which amounts to 0,2 million Litass.

Deposits from reinsurers have increased from 36.500 Litass to 145.000 Litass.

As compared to the preceding year, other liabilities increased by 1,1 million Litass and amounted to 2,2 million Litass.

PROPOSAL REGARDING THE DISTRIBUTION OF PROFIT

The positive insurance technical business together with a negative result of non-insurance business produced 174.000 Litass of net annual profit (last year, the profit made up 173.000 Litass).

No profit tax had to be paid in the year 2001.

No increase of the legal reserve was required.

The Board of Management proposed the following distribution of profit:

1. Undistributed profit 34.207,08 Litass
2. Net annual profit 174.201,90 Litass
3. The fixed amount for dividends comes to 160 thousand Litass
4. For tantiemes 18.400 Litass
5. 30.008,92 Litass shall be carried forward to the undistributed profit of 2002





B A L A N C E

BALANCE

THE BALANCE SHEET AS OF 31 DECEMBER 2001

ASSETS

	2001/Litas	2000/Litas
A. Intangible assets	41.473,55	14.156,63
B. Fixed assets		
Other long term investments		
I. Bonds and other securities	17.650.874,28	7.993.954,79
II. Other loans		
Mortgage loans	674.054,72	81.639,59
Registered bonds	901.700,00	951.300,00
III. Deposits with banks	6.520.000,00	4.326.480,00
	25.746.629,00	13.353.374,38
C. Receivables		
I. Amounts receivable from direct insurance business	2.635.129,61	1.086.417,97
1. From insured	2.633.336,97	1.086.417,97
1.1. Amounts claimed	1.204.876,85	238.642,46
1.2. Amounts not yet claimed	1.428.460,12	847.775,51
2. From insurance intermediaries	1.792,64	0,00
II. Amounts receivable from reinsurance business	47.628,01	0,00
III. Other amounts receivable	972.444,21	987.258,98
Out of which miscellaneous:	324,50	987.258,98
out of which: from associated companies	972.119,71	0,00
	3.655.201,83	2.073.676,95
D. Other assets		
I. Assets and stocks	90.116,34	133.740,53
II. Cash at bank, cheques and in hand	1.292.469,68	1.222.383,09
	1.382.586,02	1.356.123,62
E. Accrued (receivable) income and deferred expenditure		
I. Accrued (receivable) income from interest and rent	653.882,30	149.336,46
II. Other accrued expenditure	54.548,56	483.068,11
	708.430,86	632.404,57
Total	31.534.321,26	17.429.736,15

1 EUR = 3,4528 LT



SHAREHOLDERS' EQUITY AND LIABILITIES

	2001/Litas	2000/Litas
A. Equity capital		
I. Authorised (subscribed)	6.000.000,00	4.000.000,00
II. Share premiums	3.049.487,09	1.049.487,09
III. Undistributed profit	206.332,08	235.283,15
IV. Distribution of profit	-172.125,00	-201.487,50
Undistributed profit of the preceding year: 34.207.08 Lt		
V. Net profit/loss	174.201,90	172.536,43
	9.257.896,07	5.255.819,17
B. Insurance technical provisions		
I. Unearned premiums		
1. Gross amount	6.375.755,86	3.912.097,34
2. Out of which: reinsurance share	377.794,76	36.512,74
	5.997.961,10	3.875.584,60
II. Technical provision for insurance premium refunds		
1. Gross amount	822.144,68	10.103,85
2. Out of which: reinsurance share	0,00	0,00
	822.144,68	10.103,85
III. Technical provision for policy reserve		
1. Gross amount	12.301.325,89	6.710.914,55
2. Out of which: reinsurance share	0,00	0,00
	12.301.325,89	6.710.914,55
IV. Technical provision for outstanding claims		
1. Gross amount	680.941,65	367.421,83
2. Out of which: reinsurance share	82.386,15	101.457,02
	598.555,50	265.964,81
	19.719.987,17	10.862.567,81
C. Other provisions	170.000,00	183.143,92
D. Deposits from reinsurers	145.170,66	36.512,74
	145.170,66	36.512,74
E. Other amounts payable and liabilities		
I. Liabilities	1.663.510,21	446.630,76
To insured	1.195.835,04	446.630,76
To insurance intermediaries	467.675,17	0,00
II. Liabilities to reinsurers	273.389,68	178.644,71
III. Other amounts payable and liabilities	304.367,47	466.417,04
Out of which miscellaneous:	96.650,62	283.032,17
out of which: taxes	114.035,96	47.744,79
out of which: social security	40.237,31	17.258,60
out of which: to associated companies	53.443,58	118.381,48
	2.241.267,36	1.091.692,51
F. Accrued expenditure and deferred income		
I. Accrued (receivable) income from interest and rent	0,00	0,00
II. Other accrued expenditure	0,00	0,00
Total	31.534.321,26	17.429.736,15

1 EUR = 3,4528 LT



PROFIT / LOSS ACCOUNT

for a period from 1 January, 2001 to 31 December, 2001

	2001/Litas	2000/Litas
I. Insurance business		
1. Earned premiums		
1.1. Gross premiums written	14.866.691,43	8.969.785,91
1.2. Premiums transferred to reinsurance	1.168.699,70	210.173,64
	13.697.991,73	8.759.612,27
1.3. Change in unearned gross premiums	2.463.658,52	1.458.311,38
1.4. Change in unearned gross premiums - reinsurers' share	341.282,02	10.335,46
	2.122.376,50	1.447.975,92
	11.575.615,23	7.311.636,35
<hr/>		
2. Income from long term investments		
2.1. Participating income		
out of which: from associated companies 0,00 Lt	0,00	0,00
2.2. Income from other long term investments		
out of which: from associated companies	0,00	0,00
2.2.1. Income from land, buildings and similar rights including buildings on land of third parties	0,00	0,00
2.2.2. Income from other long term investments	1.300.334,40	686.959,44
	1.300.334,40	686.959,44
<hr/>		
3. Claims incurred		
3.1. Insurance benefits		
3.1.1. Gross amount	852.983,17	307.856,74
3.1.2. Reinsurers' share	305.889,79	0,00
	547.093,38	307.856,74
<hr/>		
4. Change in technical provision for policy reserve		
4.1. Gross amount	5.009.726,73	3.257.563,81
4.2. Reinsurers' share	0,00	0,00
	5.009.726,73	3.257.563,81
<hr/>		
5. Change in provision for insurance premium refunds		
5.1. Gross amount	812.040,83	-922,09
5.2. Reinsurers' share	0,00	0,00
	812.040,83	-922,09
<hr/>		
6. Change in technical provision for outstanding claims		
6.1. Gross amount	313.519,82	263.330,15
6.2. Reinsurers' share	-19.070,87	70.220,39
	332.590,69	193.109,76
	6.701.451,63	3.757.608,22
<hr/>		
7. Insurance business expenditure		
5.1. Expenditure related to conclusion of contracts	4.573.175,21	2.803.813,76
5.2. Management expenses	1.411.373,13	952.033,93
Total	5.984.548,34	3.755.847,69
5.3. Commissions received from contracts transferred to reinsurance	-356.287,82	-89.137,04
	5.628.260,52	3.666.710,65

1 EUR = 3,4528 Lt



	2001/Litas	2000/Litas
8. Expenses on long term investments		
8.1. Investment administration expenses, interest expenses and other investment costs	31.989,89	23.111,36
8.2. Write-off of long-term investments	200.656,13	77.950,00
8.3. Losses on disposal of long term investments	0,00	0,00
	232.646,02	101.061,36
9. Insurance business result	313.591,46	473.215,56
II. Non - insurance business		
1. Other income	337.133,55	43.800,15
2. Other expenditure	389.902,72	344.080,63
3. Ordinary business result	260.822,29	172.935,08
4. Extraordinary income	65.646,92	1,00
5. Extraordinary expenses	152.267,31	399,65
6. Extraordinary result	-86.620,39	-398,65
7. Income and profit tax	0,00	0,00
8. Other taxes	0,00	0,00
9. Net profit / loss	174.201,90	172.536,43
10. Undistributed profit/loss of the preceding year	34.207,08	33.795,65
11. Dividends	160.000,00	160.000,00
12. Tantiemes/profit disbursements	18.400,00	12.125,00
13. Undistributed profit/loss	30.008,98	34.207,08

1 EUR = 3,4528 LT



Development of Assets in A and B in 2001 reporting year

	Balance value Previous year/ Litas	Additions/ Litas	Transfer from one account into another	Assets transferred to third persons/ Litas	Reappraisal (indexa- tion)/ Litas	Depreciation/ Litas	Balance value Business year/ Litas
A. Intangible assets	14.156,63	38.777,00	0,00	0,00	0,00	11.460,08	41.473,55
B. Other long term investments							
1. Bonds and other securities	7.993.954,79	20.664.313,47	0,00	10.856.337,85	0,00	151.056,13	17.650.874,28
2. Mortgage, land lease and rent claims	81.639,59	1.129.488,17	0,00	537.073,04	0,00	0,00	674.054,72
3. Other loans/registered bonds	951.300,00	0,00	0,00	0,00	0,00	49.600,00	901.700,00
4. Deposits with banks	4.326.480,00	40.568.139,75	0,00	38.374.619,75	0,00	0,00	6.520.000,00
Total B.	13.353.374,38	62.361.941,39	0,00	49.768.030,64	0,00	200.656,13	25.746.629,00
Total	13.367.531,01	62.400.718,39	0,00	49.768.030,64	0,00	212.116,21	25.788.102,55

Other receivable amounts

	2001 / Litas	2000 / Litas
Amounts receivable from associated companies	972.119,71	984.039,51
Other	324,50	3.219,47
Total	972.444,21	987.258,98

Insurance technical provisions

	2001 / Litas	2000 / Litas
Technical provision for policy reserve Gross amount	12.301.325,89	6.710.914,55

Capital formation insurance, pension and life risk insurance

Tariffs	Share in the technical provision for policy reserve / %
Ri	0,31
RiE, RiD	0,53
K6	61,09
K9	7,09
S8, ES8	17,98
Pension	13,00

1 EUR = 3,4528 LT



Other amounts payable and liabilities

	2001 / Litas	2000 / Litas
Liabilities to associated companies	53.443,58	118.381,48
Remunerations payable	30.771,22	8.870,12
Taxes payable	114.035,96	47.744,79
Social security contributions	40.237,31	17.258,60
Other	65.879,40	274.162,05
Total	304.367,47	466.417,04

DATA FOR PROFIT / LOSS ACCOUNT

Gross premiums

	2001 / Litas	2000 / Litas
Individual agreements	12.067.366,30	8.153.903,22
Group agreements	1.453.139,09	815.882,69
	13.520.505,39	8.969.785,91
Regular premiums	13.003.227,49	8.530.298,09
Single premiums	517.277,90	439.487,82
	13.520.505,39	8.969.785,91

Other income

	2001 / Litas	2000 / Litas
Other interest and similar income, when they are received from short-term investments	27.072,29	21.694,38
Profit from changes in foreign exchange rates	81.273,92	0,00
Other	228.787,34	22.105,77
Total	337.133,55	43.800,15

Other expenditure

	2001 / Litas	2000 / Litas
Related to the company as an entity	222.055,66	175.536,67
Losses related to change in foreign exchange rates	75.052,75	-2.296,73
Costs associated with formation of other provisions	88.447,33	0,00
Services to other companies	0,00	167.786,07
Other	4.346,98	3.054,62
Total	389.902,72	344.080,63

Extraordinary income

	65.646,92	1,00
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1 EUR = 3,4528 LT



EXPLANATORY NOTES

METHODS OF FORMATION OF THE BALANCE SHEET AND EVALUATION OF ASSETS

Other long term investments are valued at historical cost. Deposits and term deposits, cash in hand, current accounts with banks and amounts receivable are reflected in the balance sheet at their nominal value.

Equipment required for the business of the Company is reflected in the balance sheet at historical cost, less depreciation, by applying the straight line method.

Unearned premiums are calculated on the basis of 1/365 method.

Technical provision for the policy reserve is calculated by interpolating the values at the beginning and at the end of the period. Technical provision for the policy reserve at the end of insurance year is calculated on the basis of prospective method, in accordance with the rules of insurance mathematics, separately for each case.

Other provisions are calculated in accordance with the expected demand.

All other amounts payable and liabilities are calculated on the basis of the figures specified in the contracts.

Investments, amounts receivable, debt and insurance technical provisions, including items carried forward from the preceding year, when they were executed in foreign currencies, on the date of the balance sheet are evaluated in Litas at the rate of exchange of the balance sheet date. Items of respective income and expenditure are accounted in Litas at the rate of exchange on the date of receipt or occurrence thereof.

OTHER INFORMATION

99,9% of our authorised capital is owned by the Company ERGO Europa Beteiligungsgesellschaft AG (Düsseldorf), the shares of which are managed by ERGO Versicherungsgruppe AG (Düsseldorf). Our authorised capital makes up 6.000.000 Litas and is divided into 6000 fully paid registered shares, with par value of one share being 1000 Litas.

We do not possess our own shares and no settlements or pledges in respect of the shares have taken place.

PERSONNEL REPORT

During 2001, there was an average of 10 employees working at the company.

Remuneration expenses combined with social security contributions made up 1.599.494,65 Litas during the reporting year (1.155.568,12 Litas last year).

GOVERNING BODIES OF OUR COMPANY

Names of the members of Supervisory Board and Board of Management are presented on page 5.

We would like to draw attention to the Report of the Supervisory Board.

No salaries were paid to the members of the Board of Management.

As of 31 December, 2001 no loans have been granted to the members of the Board of Management.

LIABILITIES AND COMMITMENTS

There exist no liability relations other than indicated in the balance sheet and the report of the Board of Management on the company status.

Vilnius, 15 March 2002

ERGO Lietuva Gyvybės draudimas

V. CİCĖNAS

K. BAGDONAVIČIUS

K. KEPP



THE AUDIT REPORT

We have duly audited the annual accounts including the accounting and the status report of the Insurance Company ERGO Lietuva Gyvybės draudimas, Vilnius, for the period from 1 January, 2001 until 31 December, 2001. In accordance with the provisions of German commercial law and resolutions amending the statute, the Board of Management of the Company bears the responsibility for the accounting and for the preparation of annual report and the status report. Our duty is to deliver, on the basis of our audit, the assessment of the annual accounts, including the accounting and the Management report.

We have conducted the audit in accordance with article 317§ of the German Commercial Code (HGB), taking into the consideration the principles of German audit established by the Institute of German Certified Public Accountants (IDW), on the basis of which the audit shall be planned and conducted so as to surely detect any mistakes and violations that substantially affect the view of assets, finance and income reflected in annual report and company status report. While determining the audit procedures, we have taken into account the company's business, its economic and legal environment and possible mistakes. During the audit, we have used the representative spot checks method to assess the efficiency of internal control as well as the statements concerning the accounting, the annual report and status report information. The audit also assessed the principles applied in the formation of the balance sheet, significant opinions of the legal representatives and the overall adequacy of the presentation of the annual accounts and the Management report. We consider our audit to provide substantial basis for the assessment. The audit did not give grounds for objections.

In our opinion and according to the accounting principles, the annual accounts provide fair view on the assets, finance and income of the company. The Management Report truly represents the actual status of the company.

Vilnius, 15 March 2002

BDO Deutsche Warentreuhand AG
Auditing Company

W.WEIST

Mokesčių ekspertų biuras
Auditing Company

D.PAULAVIČIENĖ

REPORT OF THE SUPERVISORY BOARD

During the 2001 reporting year the Board of Management of Insurance Company ERGO Lietuva Gyvybės draudimas regularly supplied written and verbal information on the performance of the company and all important matters associated with its activities to the Supervisory Board. The Board of Management provided the Supervisory Board with an overview of the Company's performance and overall economic situation together with guidelines for its further development. The Supervisory Board controls the work of the Management Board of Insurance Company ERGO Lietuva Gyvybės draudimas on a continual basis. All the instructions of the Supervisory Board were duly carried out by the Board of Management.

Meetings of the Supervisory Board were held regularly, once a quarter in the year 2001. Members of the Board of Management of the Insurance Company ERGO Lietuva Gyvybės draudimas attended all meetings of the Supervisory Board.

At its scheduled quarterly meeting on 18 March, 2002 the Supervisory Board examined the financial statements (the status report, the annual balance, the auditor's report and all explanatory statements) of the Insurance Company ERGO Lietuva Gyvybės draudimas. The Supervisory Board approved the annual financial report delivered by the Board of Management and presented it for approval at the general shareholders' meeting on 18 March, 2002.

In the year 2001 changes occurred in the company's Board of Management. Following the tragic death of Mr. Günter M.Parth, Chairman of the Board of Management of Insurance Company ERGO Lietuva Gyvybės draudimas, Mr. Valdas Cicėnas was appointed Chairman of the Board of Management on 28 December, 2001.

Vilnius, 18 March 2002

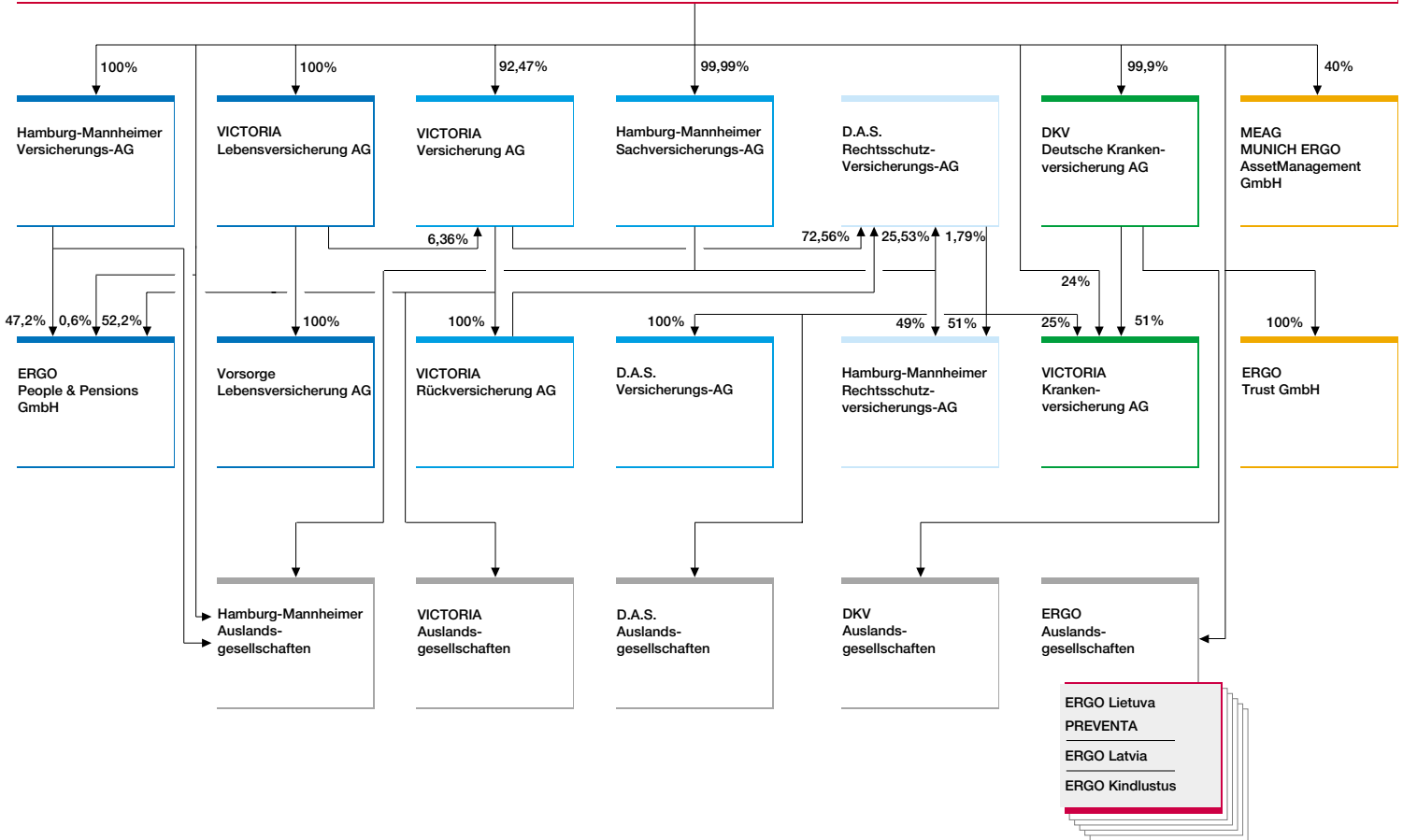
The Supervisory Board of ERGO Lietuva Gyvybės draudimas

H.-D.KNÜTTEL
Chairman of the Supervisory Board



ERGO

Versicherungsgruppe AG



- Gyvybė
Leben
Life
- Žalos / Nelaimingi atsitikimai
Schaden / Unfall
Property / Casualty
- Teisinės pagalbos išlaidų
Rechtsschutz
Legal expenses
- Sveikatos
Kranken
Health
- Finansinių paslaugų
Finanzdienstleistungen
Financial services
- Užsienis
Ausland
Abroad

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GYVybĖS DRAUDIMAS**

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