

ERGO LIETUVA GYVYBĒS DRAUDIMAS	
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ERGO



The Twofold Growth of ERGO Insurance Group

Last year life and non-life insurance premiums increased twice for the companies of ERGO Insurance Group in Lithuania, investment activities were also successful.

In 2002, ERGO Group in Lithuania signed insurance premiums for 147,9 million litas. According to the direct insurance premiums ERGO Lietuva grew twice - last year the number of the signed premiums increased by 109%. In 2001, the company signed direct premiums for 40,9 million litas, and last year for 85,5 million litas.

In 2002, the profit of ERGO Lietuva was 301.063 litas. The authorized capital was increased by 250.000 litas. The company has accumulated by 43% more than last year technical provisions of unearned premiums.

After the merger of ERGO Lietuva and Preventa, the total number of agreements increased from 64.000 in 2001 to 409.000 in 2002. Our own sales network expanded - currently the representatives and regional centres of ERGO Lietuva can be found in 43 and 8 towns respectively. The number of employees increased from 80 to 496.

Despite the depression in world financial markets, the investment activities of ERGO Lietuva were very successful. The company chose a conservative investment policy and last year the result of investment activities was by 13% bigger than in 2001. The income from investment activities last year made up 4,2 million litas (3,7 million litas in 2001). The company was keeping to the conservative investment policy; it invested to the Government Securities of the Republic of Lithuania, real estate and bank deposits.

ERGO Lietuva Gyvybės Draudimas became a leading company in the life insurance market of the country according to the new premiums received in 2002 and according to the volume of pensions insurance.

Last year the company signed new agreements for 15,4 million litas and this determined its leading position in the life insurance market. ERGO Lietuva Gyvybės Draudimas took 33% of the life insurance market of the country according to the newly signed agreements. The total sum of the signed premiums makes up 29,4 million litas (the sum of signed life insurance premiums in 2001 was 14,9 million litas).

According to the audited data, last year the profit of ERGO Lietuva Gyvybės Draudimas amounted to 530.000 litas. Technical provisions grew almost twice - up to 36 million litas - and the portfolio of investments increased to 42,5 million litas in 2002.

ERGO Lietuva Gyvybės Draudimas accounted a surplus of 7% for its customers; 4% of them are provided in accumulation agreements and 3% are received from the successful investment and other activities. In total, customers of the company will get the surplus of 1,7 million litas for the last year.

Dear customers and business partners,

The year 2002 was a year of expansion and changes to ERGO Group in Lithuania. Our own network of sales, well developed conservative investment strategy and temperate risk taking policy, a modernized system of claim charges regulation and loss compensation and the cooperation with reliable partners determined positive results of the group. Last year, life and non-life insurance premiums increased twice for the companies of ERGO Insurance Group in Lithuania. Despite the fact that last year was the year of depression for world financial markets, the result of ERGO Lietuva investment activities was by 13% bigger than in 2001, and ERGO Lietuva Gyvybės Draudimas accounted a surplus of 1,7 million litas for its customers.

After the enforcement of mandatory vehicle owner's and manager's civil liability insurance, ERGO Group in Lithuania managed to take a large part of the market. We also celebrate the increased demand of life insurance products; successful was our work in other spheres; we step by step were improving existing insurance products and introducing new ones. The second half of the year saw the first effects of the merger; the strong points of Preventa sales network became visible. The joint company of ERGO Lietuva and Preventa became a company with a strong financial background and one of the largest sales networks in Lithuania.

This year the insurance business will become fully concentrated; we will be able to introduce common standards, to create a common network and to offer our customers even more new attractive insurance products. The largest project planned for the forthcoming year is to create a single system of processes in the Baltic States. This system will enable ERGO to unify work processes, to offer equal services to customers in all countries, to coordinate and manage information about sales and results, to share urgent information on time and to solve various problems.

The year 2003 will be challenging to Lithuanian insurance companies. The forthcoming EU membership not only will open new possibilities but also will introduce new challenges of the competitive environment. Insurance companies have to be properly prepared for the getting into the EU market: they have to accumulate sufficient technical provisions, to perform a balanced risk taking policy and to get prepared to join the Green Card System.

We would like to thank you for your trust in us, which is a basis for our successful operation. We hope that the future cooperation will meet your expectations in full.

Yours truly,



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

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 THE MAIN

BOARD OF MANAGEMENT

VALDAS CICÉNAS, VILNIUS
CHAIRMAN OF THE BOARD OF MANAGEMENT

DR. KĘSTUTIS BAGDONAVIČIUS, VILNIUS

KAIDO KEPP, TALLINN

THE AUDITORS

BDO DEUTSCHE WARENTRUHAND AKTIENGESELLSCHAFT
AUDITING COMPANY, DÜSSELDORF

MOKESČIŲ EKSPERTŲ BIURAS
AUDITING COMPANY, VILNIUS

THE OVERALL ECONOMIC SITUATION

In 2002, Lithuanian economy achieved striking results and demonstrated immunity and flexibility in the conditions of the global economic decline. The growth of GDP by 6,7% based on the exports and the increased domestic demand surpassed all even most optimistic expectations. In 2002, the fiscal deficit of the state budget preliminary was 1,2%, i.e. lower than the set 1.5% marker.

Gross Domestic Product. According to the data of the Department of Statistics, GDP grew by 6,7% and made up 50.679 billion litas in 2002.

Inflation. In December 2002, deflation made up 1% in comparison with December 2001. The level of annual deflation was determined by the 5,3% decrease of prices of food products and non-alcohol beverages. The decrease of prices of services and consumer goods was partially compensated for by the increase of prices of transport (9,4%) and water, electricity, gas and other fuel, and housing (by 1,5%). The influence on the change in prices of other type of goods and services was insignificant.

In 2002, the average annual inflation made up 0,3%.

Employment. In 2002, the unemployment growth was managed to be stopped for the first time since 1997. The average annual unemployment rate according to the data of the Labour Exchange was by 1,2 per cent point lower than in 2001 and made up 11,3%. The data of the Department of Statistics also shows the decreasing unemployment rate: 13,8% in 2002 and 17,4% in 2001. The demand of labour force has increased, and the number of unemployed has decreased.

The unemployment rate decreased in all districts; most of all in Šiauliai (by 3,3 points) and Marijampolė (by 3,1 points). The annual unemployment rate larger than 20% was recorded in seven municipalities of the country (in 13 municipalities in 2001).

State debt. On 31 December 2002, the total state debt made up 13.161,5 million litas or 26% of the preliminary GDP. The state debt decreased by 0,9% of GDP in comparison with 2001.

Foreign state debt made 9.178 million litas (18,1% of GDP) or 69,7% of the total state debt at the end of the year.

At the end of the year short-term obligations of the state in foreign and national currency made up 712,4 million litas (804 million litas in 2001) or 5,4% (6,2% in 2001) of the total state debt.

Trade. According to the data of the Department of Statistics, the turnover of the trade increased by 10,9%, exports by 10,6% and imports by 11% in 2002 in comparison with 2001.

The main foreign trade partners of Lithuania according to the main trade system were: Russia (12,2% of the total exports, 20,2% of the total imports), Germany (10,3% and 19% respectively), UK (13,5% and 3,2%), Latvia (9,6% and 3,8%) and Poland (3,6% and 6,4%).

Investment. In 2002, the flow of foreign direct investment made up almost 2,4 billion litas in Lithuania. It is by a third more than in 2001. The flow of foreign direct investment totally compensated for the deficit of the current account.

Insurance. When the civil liability insurance of vehicles' owners and managers became obligatory in 2002, the insurance market grew by 72,18% in Lithuania (349,7 million litas in 2001, 602,1 million litas in 2002). The market grew by 23,8% if road transport civil liability insurance is excluded. During the same period expenditure for insured events grew by 68,3% (excluding road transport civil liability insurance, by 52,34%).

INSURANCE ACTIVITY

Gross premiums received by 31 December 2002 amounted to LTL 30,1 million, which was twice as much as during the preceding year (LTL 14,9 million). The budget targeted for LTL 13 million, thereby the budget goal was exceeded by 130%. Endowment gross premiums increased by 107,17% in comparison with the preceding year and amounted to LTL 19,3 million. Studies insurance premiums increased from LTL 2,4 million in 2001 to LTL 4,68 million in 2002. LTL 3,79 million were received in pension insurance premiums. Premium growth was more rapid than budget forecasts and secured the leading position in the insurance market with respect to pension insurance. Life risk insurance gross premiums increased by 38% in comparison with the preceding year and amounted to LTL 0,37 million. Consequently the market share expanded to 33% with respect to new business, which ensured the best position in the insurance market among ERGO life insurance companies in the Baltic States.

On 31 December 2002 unearned gross premiums accounted for LTL 8,3 million, which was by LTL 5,4 million more than last year.

Throughout the accounting year the gross expenditure of the Company was LTL 10,3 million or 50%. Last year such expenditure amounted to LTL 6,7 million or 56% of the premiums received.

Change in the policy reserves, which was LTL 5 million in 2001 amounted to LTL 8,7 million for the accounting year.

Gross commission paid accounted for LTL 7,5 million.

Gross management costs declined by LTL 245 thousand and amounted to LTL 1,2 million for the accounting year.

The gross expenditure of the Company's insurance activity increased from LTL 5,8 million last year to LTL 9,6 million throughout the accounting year. This growth reflects the amount of new business. In comparison with the preceding year the gross expenditure of insurance activity decreased from 49% to 47,5% throughout the accounting year.

Income from the long-term investment increased from LTL 1,3 million in 2001 to LTL 1,7 million during the accounting year. During the same period the long-term investment costs declined from LTL 233 thousand to LTL 148 thousand.

BALANCE

The assets of the company increased from LTL 31,5 million to LTL 56,1 million or by 78%.

The long-term investment accounts for LTL 42,2 million and increased by LTL 16,5 million or 64% in comparison with the previous year.

Throughout the accounting year the amount accounted for by bonds and other securities increased from LTL 17,6 million to LTL 36,3 million.

Bank deposits declined from LTL 6,5 million last year to LTL 4,3 million this year. This resulted from decreasing interest rates offered by banks for term deposits. More investment was drawn by government securities.

Following the increase in premium income, the receivables also increased from LTL 3,6 million in 2001 to LTL 9,9 million in 2002.

Other assets increased from LTL 1,4 million in the preceding year to LTL 3 million during the current business year.

Current accounts with banks amount to 2,8 million, last year this figure was LTL 1,3 million.

The authorised capital of the Company remains unchanged and amounts to LTL 6 million.

The owner's equity increased from LTL 9,25 million to LTL 9,6 million. This growth was contributed by the net annual profit.

There was a significant increase in the technical provisions for the Company's insurance activity: from LTL 19,7 million to LTL 39,7 million in 2002. Such increase was due to significant increase in unearned premiums (from LTL 6 million to LTL 14,2 million during the accounting year), policy reserves (from LTL 822 thousand to LTL 1,7 million during this business year) and technical reserves in respect of outstanding claims (increased by LTL 11 million up to LTL 23,1 million in 2002).

Other provisions comprise LTL 170 thousand for management costs.

Due to increase in new business deposits from reinsurers grew from LTL 145 thousand to LTL 256 thousand.

In comparison with the preceding year other obligations increased from LTL 2,2 million to LTL 6,4 million.

PROPOSAL REGARDING THE DISTRIBUTION OF PROFIT

The positive technical insurance business result and the negative non-insurance business result produced LTL 528 thousand in the net annual profit. Last year the profit was LTL 174 thousand.

No tax on profits was payable in 2002.

No increase of the legal reserve was required.

THE BALANCE SHEET AS OF 31 DECEMBER 2002

ASSETS

	2002 / Litas	2001 / Litas
A. Intangible assets	196.726,12	41.473,55
B. Fixed assets		
Other long term investments		
I. Bonds and other securities	36.624.056,04	17.650.874,28
II. Other loans		
Mortgage loans	410.741,00	674.054,72
Registered bonds	882.694,30	901.700,00
III. Deposits with banks	4.309.514,17	6.520.000,00
	42.227.005,51	25.746.629,00
C. Receivables		
I. Amounts receivable from direct insurance business	9.560.573,97	2.635.129,61
1. From insured	9.560.573,97	2.633.336,97
1.1. Amounts claimed	6.032.618,35	1.204.876,85
1.2. Amounts not yet claimed	3.527.955,62	1.428.460,12
2. From insurance intermediaries	0,00	1.792,64
II. Amounts receivable from reinsurance business	102.104,32	47.628,01
III. Other amounts receivable	208.746,19	972.444,21
Out of which miscellaneous:	208.746,19	324,50
	9.871.424,48	3.655.201,83
D. Other assets		
I. Assets and stocks	277.140,25	90.116,34
II. Cash at bank, cheques and in hand	2.783.009,97	1.292.469,68
	3.060.150,22	1.382.586,02
E. Accrued (receivable) income and deferred expenditure		
I. Accrued (receivable) income from interest and rent	731.869,62	653.882,30
II. Other accrued expenditure	38.710,94	54.548,56
	770.580,56	708.430,86
Total	56.125.886,89	31.534.321,26

1 EUR = 3,4528 LT

SHAREHOLDERS' EQUITY AND LIABILITIES

	2002/Litas	2001/Litas
A. Equity capital		
I. Authorised (subscribed)	6.000.000,00	6.000.000,00
II. Share premiums	3.049.487,09	3.049.487,09
III. Undistributed profit	208.408,98	206.332,08
IV. Distribution of profit	-178.400,00	-172.125,00
Undistributed profit of the preceding year: 30.008,98 Lt		
V. Net profit/loss	528.888,92	174.201,90
	9.608.384,99	9.257.896,07
B. Insurance technical provisions		
I. Unearned premiums		
1. Gross amount	14.631.415,84	6.375.755,86
2. Out of which: reinsurance share	364.170,76	377.794,76
	14.267.245,08	5.997.961,10
II. Technical provision for insurance premium refunds		
1. Gross amount	1.693.625,91	822.144,68
2. Out of which: reinsurance share	0,00	0,00
	1.693.625,91	822.144,68
III. Technical provision for policy reserve		
1. Gross amount	23.145.624,14	12.301.325,89
2. Out of which: reinsurance share	0,00	0,00
	23.145.624,14	12.301.325,89
IV. Technical provision for outstanding claims		
1. Gross amount	704.068,48	680.941,65
2. Out of which: reinsurance share	97.465,74	82.386,15
	606.602,74	598.555,50
	39.713.097,87	19.719.987,17
C. Other provisions	170.000,00	170.000,00
D. Deposits from reinsurers	256.255,68	145.170,66
	256.255,68	145.170,66
E. Other amounts payable and liabilities		
I. Liabilities		
To insured	5.487.506,99	1.663.510,21
To insurance intermediaries	2.627.101,91	1.195.835,04
	2.860.405,08	467.675,17
II. Liabilities to reinsurers	462.440,81	273.389,68
III. Other amounts payable and liabilities	428.200,55	304.367,47
Out of which miscellaneous:	155.409,82	96.650,62
out of which: taxes	126.899,35	114.035,96
out of which: social security	79.473,86	40.237,31
out of which: to associated companies	66.417,52	53.443,58
	6.378.148,35	2.241.267,36
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	56.125.886,89	31.534.321,26

1 EUR = 3,4528 Lt

PROFIT / LOSS ACCOUNT

For a period from 1 January 2002 to 31 December 2002

	2002/Litas	2001/Litas
I. Insurance business		
1. Earned premiums		
1.1. Gross premiums written	30.119.102,86	14.866.691,43
1.2. Premiums transferred to reinsurance	1.699.435,76	1.168.699,70
	28.419.667,10	13.697.991,73
1.3. Change in unearned gross premiums	8.255.659,98	2.463.658,52
1.4. Change in unearned gross premiums - reinsurers' share	-13.624,00	341.282,02
	8.269.283,98	2.122.376,50
	20.150.383,12	11.575.615,23
2. Income from long term investments		
2.1. Participating income		
out of which: from associated companies 0,00 LTL	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	1.715.879,62	1.300.334,40
	1.715.879,62	1.300.334,40
3. Claims incurred		
3.1. Insurance benefits		
3.1.1. Gross amount	920.989,19	852.983,17
3.1.2. Reinsurers' share	292.167,32	305.889,79
	628.821,87	547.093,38
4. Change in technical provision for policy reserve		
4.1. Gross amount	8.744.802,75	5.009.726,73
4.2. Reinsurers' share	0,00	0,00
	8.744.802,75	5.009.726,73
5. Change in provision for insurance premium refunds		
5.1. Gross amount	871.481,23	812.040,83
5.2. Reinsurers' share	0,00	0,00
	871.481,23	812.040,83
6. Change in technical provision for outstanding claims		
6.1. Gross amount	23.126,83	313.519,82
6.2. Reinsurers' share	15.079,59	-19.070,87
	8.047,24	332.590,69
	10.253.153,09	6.701.451,63

1 EUR = 3,4528 Lt

	2002/Litas	2001/Litas
7. Insurance business expenditure		
7.1. Expenditure related to conclusion of contracts	8.937.264,01	4.573.175,21
7.2. Management expenses	1.166.707,85	1.411.373,13
Total	10.103.971,86	5.984.548,34
7.3. Commissions received from contracts transferred to reinsurance	-445.464,12	-356.287,82
	9.658.507,74	5.628.260,52
8. Expenses on long term investments		
8.1. Investment administration expenses, interest expenses and other investment costs	27.567,31	31.989,89
8.2. Write-off of long-term investments	119.993,24	200.656,13
8.3. Losses on disposal of long term investments	0,00	0,00
	147.560,55	232.646,02
9. Insurance business result	1.807.041,36	313.591,46
II. Non - insurance business		
1. Other income	586.771,51	337.133,55
2. Other expenditure	1.863.683,99	389.902,72
3. Ordinary business result	530.128,88	260.822,29
4. Extraordinary income	429,84	65.646,92
5. Extraordinary expenses	1.669,80	152.267,31
6. Extraordinary result	-1.239,96	-86.620,39
7. Income and profit tax	0,00	0,00
8. Other taxes	0,00	0,00
9. Net profit / loss	528.888,92	174.201,90
10. Undistributed profit/loss of the preceding year	30.008,98	34.207,08
11. Dividends	300.000,00	160.000,00
12. Tantiemes/profit disbursements	98.017,72	18.400,00
13. Undistributed profit/loss	160.880,18	30.008,98

Development of Assets in A and B in 2002 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	41.473,55	173.182,22	0,00	0,00	0,00	17.929,65	196.726,12
B. Other long term investments							
1. Bonds and other securities	17.650.874,28	27.794.093,24	0,00	8.719.923,94	0,00	100.987,54	36.624.056,04
2. Mortgage, land lease and rent claims	674.054,72	100.000,00	0,00	363.313,72	0,00	0,00	410.741,00
3. Other loans/registered bonds	901.700,00	0,00	0,00	0,00	0,00	19.005,70	882.694,30
4. Deposits with banks	6.520.000,00	4.309.514,17	0,00	6.520.000,00	0,00	0,00	4.309.514,17
Total B	25.746.629,00	32.203.607,41	0,00	15.603.237,66	0,00	119.993,24	42.227.005,51
Total	25.788.102,55	32.376.789,63	0,00	15.603.237,66	0,00	137.922,89	42.423.731,63

Other receivable amounts

	2002 / Litas	2001 / Litas
Amounts receivable from associated companies	231.847,08	972.119,71
Other	-23.100,89	324,50
Total	208.746,19	972.444,21

SHAREHOLDERS' EQUITY AND LIABILITIES

Insurance technical provisions

	2002 / Litas	2001 / Litas
Technical provision for policy reserve		
Gross amount	23.145.624,14	12.301.325,89

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

Other amounts payable and liabilities

	2002 / Litas	2001 / Litas
Liabilities to associated companies	66.417,52	53.443,58
Remunerations payable	88.886,07	30.771,22
Taxes payable	126.899,35	114.035,96
Social security contributions	79.473,86	40.237,31
Other	66.523,75	65.879,40
Total	428.200,55	304.367,47

DATA FOR PROFIT / LOSS ACCOUNT

Gross premiums

	2002 / Litas	2001 / Litas
Individual agreements	25.794.383,00	12.067.366,30
Group agreements	2.347.436,00	1.453.139,09
	28.141.819,00	13.520.505,39
Regular premiums	27.107.829,00	13.003.227,49
Single premiums	1.033.990,00	517.277,90
	28.141.819,00	13.520.505,39

Other income

	2002 / Litas	2001 / Litas
Other interest and similar income, when they are received from short-term investments	33.361,27	27.072,29
Profit from changes in foreign exchange rates	447.037,49	81.273,92
Other	106.372,75	228.787,34
Total	586.771,51	337.133,55

Other expenditure

	2002 / Litas	2001 / Litas
Related to the company as an entity	575.789,28	222.055,66
Losses related to changes in foreign exchange rates	1.183.505,54	75.052,75
Costs associated with formation of other provisions	102.647,30	88.447,33
Other	1.741,87	4.346,98
Total	1.863.683,99	389.902,72

Extraordinary income

	2002 / Litas	2001 / Litas
Extraordinary income	429,84	65.646,92

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, 2002 until 31 December, 2002. 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, 18 March 2003

BDO Deutsche Warentreuhand AG
The audit company

W. Weist
Auditor

Mokesčių Ekspertų Biuras
The audit company

A. Kapitanovas
Auditor

REPORT OF THE SUPERVISORY BOARD

The Board of the Company kept the Supervisory Board informed on a regular basis as to the performance of the Company and the relevant situation. The Supervisory Board constantly monitored the process of the Company's management throughout the whole accounting year 2002.

The auditors BDO Deutsche Warentreuhand AG, Düsseldorf, and Mokesčių ekspertų biuras UAB, Vilnius, have examined the annual balance sheet for the year ending on 31 December 2002 accompanied by an explanatory document, a report on the financial position of the Company and account books, and have found all matters to be in compliance with legal provisions and the bylaws of the Company. The auditors involved have given their unqualified opinions.

The Supervisory Board has examined the annual financial accounts for the year ending on 31 December 2002, the report on the financial position of the Company and the proposal on the balance sheet profit. No comments have followed the examination. The Supervisory Board approves the annual financial accounts and the proposal of the Board regarding the allocation of the profit (loss).

Vilnius, 18 March 2003

ERGO Lietuva Gyvybės Draudimas
Supervisory Board

H.-D. Knüttel
Chairman

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 2002, there was an average of 21 employees working at the company.

Remuneration expenses combined with social security contributions made up 1.378.365,68 Litas during the reporting year (1.599.494,65 Litas last year).

GOVERNING BODIES OF OUR COMPANY

Names of the members of Supervisory Board and Board of Management are presented on page 88.

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, 2002 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, 18 March 2003

ERGO Lietuva Gyvybės Draudimas

V. Cicėnas

Dr. K. Bagdonavičius

K. Kepp