

BANKO

VILNIAUS  
PASKOLOS LAKŠTAS

# LITHUANIAN COMPANIES

## FACT BOOK

VILNIUS

1998



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VIENA VARDINĖ

AKCIJA



# LITHUANIAN COMPANIES



**NSEL**

**VILNIUS**

**1998**

**Lithuanian Companies  
Fact Book**

**1998**

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**Dear Reader,**

The publication of this Fact Book describing listed Lithuanian companies coincides with the 5th anniversary of the National Stock Exchange of Lithuania. Dynamic changes in the country's political and economic life have a direct impact on the securities market, where the NSEL performs one of the foremost functions, i.e. to facilitate concentration of capital and ensure proper asset allocation among various branches of economy. Five years were required to establish basic principles for the functioning and development of the securities market. During this period, legal framework, market surveillance and information disclosure procedures were put into work.

This is already the second edition of the Fact Book displaying economic and financial variables of the leading Lithuanian companies and offering a good opportunity to assess and compare their development. I would like to draw your attention to the fact that the handbook is composed of the Official and Current List companies. In June 1998, the NSEL carried out a listing reform and reorganised the trading lists in order to bring them in line with the requirements set forth in the EU directives 79/279/EEC, 82/121/EEC and others.

Today, the Official List comprises seven companies, and the Current List holds fifty-seven issuers. You will find them all in this publication. The limited size of the handbook does not allow to include all available information about the companies, but the NSEL Listing Department is always ready to provide it at Your request. Annual reports, interim financial statements and material information subject to immediate dissemination enable safe investment in our market.

The Lithuanian securities market is the largest in the Baltic region. The total market capitalisation of the NSEL amounts to LTL 10 billion and will grow significantly with the privatisation of Lithuanian Telecom, Lithuanian Airlines and other large-scale companies. A threefold increase in the NSEL trading volumes last year demonstrates stable development of the market. Fast growing, sound companies, professional market intermediaries, strict market regulation and efficient information disclosure system are the priorities of the Lithuanian securities market. This market is open to You.

Rimantas Busila  
Director General of the NSEL  
Chairman of the Board



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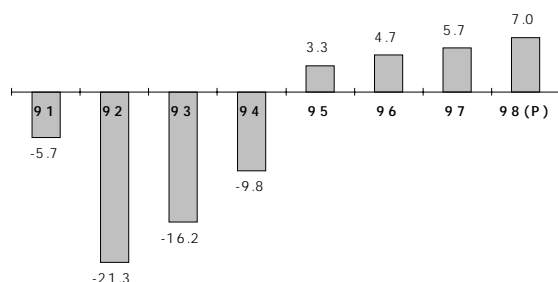
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## MACROECONOMIC REVIEW

Year 1997 witnessed a rapid growth of Lithuania's economy: the volumes of industrial output and agricultural produce increased, services sector faced speedy development, financial markets consolidated, flow of investments intensified, while the consumer price index subsided stimulating rise in the living standard of the population. The gross domestic product (GDP) of the country gained 5.7% or LTL 38.2 billion in real terms and outpaced the growth rate of 1996 by 1 per cent. GDP per capita augmented by 5.8% and stood at LTL 10,308 or US\$ 2,575 at the end of 1997.

### Development of Gross Domestic Product, %



It should be noted that the advancement of GDP was greatly influenced by the increase in production volumes in most economic sectors. Positive changes occurred in the industry and agriculture adding 6.1% and 3.6% respectively to their share in GDP, yet services showed the most remarkable growth. Trade advanced by 10.7%, transport and communications gained 9.3%, while the revived Lithuanian construction sector soared by 12% in 1997 GDP terms.

Industry and agriculture constituted a considerable part of the country's economy - 18.5% and 11.3% respectively. Beer and clothing industries underwent rapid restructuring and outpaced the GDP growth rate in terms of their production output by more than three times. The foodstuffs and beverages sector carried a significant 22% weight in the structure of Lithuania's industry, while light manufacturing accounted for 10 per cent. However, the overall growth of the national industry was mainly effected by the outstanding performance of oil industry, since energy sector accounted for 30% in the industry structure. In 1997, oil refinement surged by 23.7 per cent. This impressive growth was for the most part attributable to the accelerated restructuring processes. The energy sector was reorganised. A highly unprofitable heating segment was separated from the electricity business and transferred to regional municipalities. Development of the dairy industry was marked by intense consolidation when leading companies acquired smaller dairies in order to reduce production costs and increase their market share.

It would have been impossible to achieve these remarkable results without the intensifying inflow of foreign investments. In 1997, gross domestic savings made up 13.6% of GDP, including 11.6% contributed by the private sector and 2% by the Government. They were insufficient to satisfy the country's growing needs for investments. Therefore, companies were searching for foreign partners, and their efforts were rewarded. In 1997, as compared to 1996, foreign direct investment in Lithuania augmented by 2.3 times and comprised LTL 4.2bn or US\$ 1.04bn at the beginning of 1998. Foreign direct investment per capita reached US\$ 281. The bulk of foreign direct investment was allotted to wholesale and retail trading (30.9%), the

foodstuffs, beverages and tobacco industry (12.0%), financial intermediation (7.1%), and textile products, woven articles and products of leather (3.7%). The food industry absorbed 50.5% of the reinvested profit. The major part of foreign direct investment in 1997 was obtained from the USA (24.6%), Sweden (12%), Estonia (10.7%) and Germany (7.6%).

Foreign investments favourably told on the industrial capacity of domestic companies and strengthened their competitive power in the international markets. In 1997, the clothing industry exported 91% of its production, the transport sector 85%, the radio and television equipment industry 84%, the chemical industry 75%, while export of the textile sector constituted 71 per cent.

The appearance of foreign investors on the shareholders' lists encouraged Lithuanian companies to adopt international accounting standards and brought recognition of foreign financial institutions as well as cheap financial resources for further modernisation and development. In 1997, annual financial statements of 35 out of top 100 Lithuanian companies were audited by international auditors.

With restructuring of industry and widening of the range of provided services, share of services in GDP was rapidly increasing. During the year, 55.4% of GDP were created in services sector, i.e. the weight of services in the structure of national economy advanced by 2.2% as compared to 1996. Thus, successful development of services was the motive power to the growth of the Lithuanian economy. 1997 was an outstanding year for the transport sector. Lithuania took advantage of its geopolitical situation and economic needs of the recovering Russian economy. The volume of cargo transported by railway increased by 4.3 per cent. At the same time, the number of passengers carried by Lithuanian air transport operators rose by 13.4%, the transportation of cargo expanded by 50.6 per cent. Modernisation and expansion of Klaipėda seaport continued, with the cargo turnover going up by 8.7 per cent.

The private sector contributed about 70% of GDP.

The consumer price index was further subsiding and by the end of 1997 its growth constituted mere 8.7 per cent. Producer prices advanced by 0.9 per cent. Although the index of construction costs was also descending, it rose by 7.7% in comparison with the previous year.

Year 1997 brought radical changes to the privatisation process. Fourteen successful large-scale infrastructure companies were added to the privatisation list. 270 companies were privatised during the year, pouring LTL 81m to the state and municipalities' privatisation funds. Although foreign investors took part in privatisation of just 8 companies, they accounted for 79% to the total income from privatisation. The bulk of revenue (75% or LTL 61.4m) was received through public auctions of state-held shares at the National Stock Exchange of Lithuania. The auctions that offered shares of Baltijos Laivu Statykla, Sanitas and Akmenes Cementas attracted foreign investors and carried auction rates far above the bid prices.

Advancement of the country's international ratings had a favourable impact on the inflow of foreign capital investments. At the beginning of the year, the rating agency Fitch/IBCA ranked the country's long-term debt in foreign currency at BB+, while in June it was taken a step higher to investment grade rating BBB- by Standard & Poor's. In December a third rating agency Moody's raised Lithuania's long-term debt rating to Ba1.



The national currency retained stability throughout the year. It was pegged to the US Dollar at a fixed exchange rate. Yet pegging of the Litas to the US Dollar proved to be an obstacle for the country's rapid integration into the EU, hence the Bank of Lithuania introduced a new monetary policy programme that would lead to phasing out of the currency board arrangement while retaining the fixed exchange rate regime during the transitional period. Even though the country's current account deficit was increasing due to structural problems and in 1997 comprised 10.3% of GDP or LTL 3.9bn, it did not point to overvaluing of the Litas: since Lithuanian export of goods and services maintained its great vigour and managed to expand by 25.6% over the year. Financing of the current account deficit did not cause serious problems, as foreign debt of the state and private sectors combined comprised only US\$ 2.1bn or 21.2% of GDP.

In 1997, the banking sector became stronger and regained trustworthiness lost during the crisis in 1995. At the end of the

year, deposits with banks totalled LTL 5.9bn and showed a considerable increase by 45% compared to 1996, including private deposits that soared by 50% to LTL 2.2 billion. Deposits in foreign currency constituted LTL 2.3bn or 39 per cent. Assets of the operating domestic commercial banks climbed 40% higher over the year and reached LTL 8.3bn, while lending rose by 18% to LTL 4 billion. The amount of loans extended by Vilniaus Bankas doubled. Loans granted by Bankas Hermis exceeded those of the previous year 2.4 times. Interests on loans were gradually decreasing: in 1995, the average interest rate on loans in Litas equalled 23.88%, in 1996, it declined to 16 per cent. At the year end of 1997, the rate stood at 11.93 per cent. The average interest on loans in foreign currency was 20.37%, 14.73% and 10.35% respectively.

Insurance market also underwent a spectacular growth in 1997, as collected premiums rose by 37.2% and exceeded LTL 250 million.

## STRUCTURE OF GDP BY PRODUCTION APPROACH (at current prices), %

	1993	1994	1995	1996	1997
Agriculture, fishing, hunting and forestry	13.8	10.1	10.8	11.3	11.3
Manufacturing, mining and quarrying	29.4	22.8	20.7	20.5	18.5
Electricity, gas and water supply	4.0	2.7	3.3	3.2	2.9
Construction	5.0	6.8	6.5	6.5	6.5
Wholesale and retail trade	13.7	16.6	16.3	15.4	15.1
Restaurants and hotels	1.3	1.3	1.4	1.5	1.5
Transport, storage and communications	9.5	9.5	8.8	8.7	8.3
Financial intermediation	7.2	4.7	3.1	2.6	2.1
Real estate	4.1	6.4	6.5	7.0	7.4
Public administration and defence	2.9	4.8	5.2	5.7	5.6
Education	2.7	4.0	4.4	4.6	5.1
Health and social work	1.8	2.4	2.6	2.6	2.9
Other community, social and personal service activities	2.3	2.4	2.4	2.3	2.2

## AVERAGE ANNUAL INTEREST RATES ON RESIDENT DEPOSITS, %

	1993	1994	1995	1996	1997
Total time deposits in Litas	79.90	19.73	16.81	11.04	6.03
up to 1 month	85.52	21.94	14.78	11.39	5.27
1-3 months	77.64	19.39	17.56	10.62	6.18
3-6 months	76.69	20.9	16.69	11.17	6.40
6-12 months	86.76	25.03	16.98	13.49	7.16
1-2 years	61.12	16.81	11.94	12.27	7.05
over 2 years	-	-	-	-	7.62
Demand deposits in Litas	19.68	7.61	7.38	4.25	1.94
Total time deposits in foreign currencies	32.72	14.21	13.09	7.85	4.75
up to 1 month	42.58	10.92	12.18	6.07	3.36
1-3 months	32.97	16.14	13.06	7.11	4.74
3-6 months	27.46	16.03	13.26	8.84	4.76
6-12 months	36.29	15.82	15.10	14.64	5.82
1-2 years	30.62	16.84	12.69	8.65	5.98
over 2 years	-	-	-	-	5.00
Demand deposits in foreign currencies	2.50	2.38	2.72	1.39	1.25
The average yield on T-bills, %					
1 month		13.92	26.24	20.49	6.7
3 months		21.38	27.12	20.53	8.97
6 months		-	27.56	17.1	9.18
12 months		-	20.15	-	9.25



## KEY STATISTICS

	1993	1994	1995	1996	1997	1998E
GDP at current prices, LTL m	11590	16904	24103	31569	38201	43690
As compared to corresponding period of previous year at constant prices of 1993, %	-16.2	-9.8	3.3	4.7	5.7	6.8
Inflation, %		45.1	35.7	13.1	8.4	6.1
Population (beginning of period), thou	3730	3721	3715	3710	3706	3704.2
GDP per capita at current prices, LTL	3107	4543	6488	8510	10308	11795
Unemployment (annual) rate, %	4.4	3.8	6.1	7.1	5.9	6.6
<b>Foreign trade</b>						
<b>Goods, LTL m</b>						
Trade balance	<b>-665.00</b>	<b>-802.04</b>	<b>-2791.73</b>	<b>-3584.81</b>	<b>-4589.95</b>	<b>-6210.00</b>
Merchandise exports (f.o.b.prices)	8711.00	8078.98	10824.38	13652.40	16769.65	18790
As compared to previous period, %		92.7	134.0	126.1	122.8	118.77
Merchandise imports (f.o.b.prices)	9376.00	8881.02	13616.11	17237.21	21359.60	25000.00
As compared to previous period, %		94.7	153.3	126.6	123.9	117.92
<b>Services, LTL m</b>						
Balance	<b>-240.45</b>	<b>-215.52</b>	<b>-51.65</b>	<b>483.4</b>	<b>537.91</b>	1580.00
Credit	855.77	1281.86	1940.87	3190.13	4127.39	5380
As compared to previous period, %		149.79	151.41	164.37	129.38	130.27
Debit	1096.22	1497.38	1992.52	2706.73	3589.48	3800
As compared to previous period, %		136.59	133.07	135.84	132.61	115.15
Balance of goods (f.o.b.prices) and services, LTL m	-905.4	-1017.6	-2843.3	-3101.4	-4052.1	-4630.00
Exports of goods (f.o.b.prices) and services, LTL m	9566.8	9360.8	12765.3	16842.5	20897.0	24170.00
As compared to previous period, %		97.8	136.4	131.9	124.1	115.7
Imports of goods (f.o.b.prices) and services, LTL m	10472.2	10378.4	15608.6	19943.9	24949.1	28800.00
As compared to previous period, %		99.1	150.4	127.8	125.1	115.4
Foreign trade balance compared with GDP, %	-7.81	-6.02	-11.80	-9.82	-10.61	-10.60
<b>Current account balance, LTL m</b>						
	-362.8	-359.7	-2457.5	-2890.3	-3925.3	-4802.0
Including interest payments	16.4	48.0	165.6	268.6	361.6	n/a
Current account balance compared with GDP, %	-3.1	-2.1	-10.2	-9.2	-10.3	-11.0
<b>Gross saving, LTL m</b>						
Gross saving compared with GDP, %	16	16.3	14.5	15.3	13.6	14.0
<b>Gross domestic investment, LTL m</b>						
	2221.4	3113.4	5958.7	7731.3	8979.3	10485.6
As compared to previous period, %		140.15	191.39	129.75	116.14	116.78
<b>Lithuania's investment abroad, US\$ m</b>						
	-94.37	26.6	47.53	197.29	238.62	100.0
As compared to previous period, %			178.62	415.09	120.95	-58.09
<b>Foreign investment in Lithuania, US\$ m</b>						
	207.22	334.91	645.01	875.21	1256.03	1841.0
As compared to previous period, %		161.62	192.59	135.69	143.51	146.6
<b>Foreign investment in Lithuania per capita, US\$ m</b>						
	55.6	90.0	173.6	235.9	338.9	497.0
<b>Reserves assets, US\$ m</b>						
	412.3	587.2	819.0	834.3	1062.7	1200
<b>Reserves assets compared with GDP, %</b>						
	13.87	13.90	13.59	10.57	11.13	10.99
<b>Foreign debt, US\$ m</b>						
	352.6	481.1	826.3	1206.6	1401.8	1730
<b>Foreign debt compared with GDP, %</b>						
	13.2	11.4	13.7	15.3	14.7	15.8
<b>Foreign debt per capita, US\$</b>						
	94.52	129.30	222.42	325.26	378.26	467.06
<b>Foreign debt compared with exports of goods and services, %</b>						
	16.0	20.4	25.9	28.7	26.8	28.8
<b>Internal debt, LTL m</b>						
	*	*	*	2499.1	2470.1	2380.0
<b>National budget balance compared with GDP, %</b>						
	0.3	-2.0	-2.1	-2.2	-1.2	-1.6

## INVESTORS INTO EQUITIES

(in the accounts of financial intermediaries)

Year after year foreign investments gain more weight in Lithuania. In 1997, foreign investments in the country constituted LTL 5bn (cf. 43.5% in 1996), foreign direct investment made up LTL 1.42 bn (rose by 43.1%), and value of investment portfolio stood at LTL 722.2 million. In 1996, foreign investments amounted to 11.1% GDP, in 1997, they reached 13.2% GDP. Foreign loans accounted for the major part (35.8%) of this increase. During the year, LTL 3.4bn were received in the form of foreign loans and LTL 1.6bn were repaid.

Market value of equities in the accounts of intermediaries of public trading enjoyed a continuous rise until the withdrawal of foreign (Estonian in the first place) investors from the Lithuanian stock market. Foreign investors pulled out some of their funds in October 1997 incited by the financial crisis in Asia and liquidity problems in Estonia. This outflow of capital had greatest impact on the most liquid Official List shares - the LITIN index curve was more volatile than LITIN-A's at that period. The situation stabilised in December, and in the first quarter of 1998, market value of shares held in the accounts of intermediaries edged up by 5% or

LTL 92.2m and reached LTL 1968.3 million. During that period, stock prices fluctuated insignificantly, therefore, increase was brought about mainly by the growth of investment portfolios. At the end of the first quarter 1998, the share of foreign investors augmented by LTL 138m and exceeded resident investments reaching 54% portion (cf. resident share at the end of 1997 accounted for 50.7%).

Investors from 37 countries hold equities of Lithuanian companies. The US investors owning shares for LTL 427m (nearly 80% in the form of GDRs) are the leaders among foreign investors in terms of amount invested. The UK takes the second place, whereas Estonia is the third largest investor. Investors from Finland and Sweden increased their share in the Lithuanian market by LTL 29m and LTL 34m accordingly. The first quarter 1998 data reported a LTL 15m growth of investment portfolio since the beginning of the crisis in the Asian financial markets. Although this growth is very small, it fully compensates the overall decline in stock indices and is the largest in the recent periods.

INVESTORS	Dec 31, 96		Mar 31, 97		Jun 30, 97		Sep 30, 97		Dec 31, 97		Mar 31, 98	
	LTL m	%	LTL m	%	LTL m	%	LTL m	%	LTL m	%	LTL m	%
Brokerage companies	6.6	0.8	6.7	0.6	7.1	0.5	9.1	0.5	19.1	1.0	16.4	0.8
Commercial banks	2.5	0.3	51.2	4.7	59.3	4.4	90.5	4.6	80.0	4.3	92.8	4.7
Insurance companies	6.5	0.8	6.0	0.5	5.0	0.4	4.5	0.2	4.2	0.2	1.5	0.1
Investment companies	25.2	3.0	13.7	1.3	10.6	0.8	12.3	0.6	8.7	0.5	33.0	1.7
Individuals	85.6	10.4	160.2	14.6	160.5	11.9	214.5	11.0	254.1	13.5	248.1	12.6
State enterprises and institutions	6.7	0.8	5.5	0.5	25.5	1.9	61.7	3.2	18.6	1.0	19.2	1.0
Companies with private capital exceeding 50%	378.7	45.8	394.9	36.1	379.2	28.0	409.8	21.0	541.2	28.8	464.9	23.6
Other	33.2	4.0	9.5	0.9	10.2	0.8	6.3	0.3	26.2	1.4	30.1	1.5
<b>TOTAL RESIDENTS</b>	<b>545.0</b>	<b>65.9</b>	<b>647.7</b>	<b>59.2</b>	<b>657.4</b>	<b>48.5</b>	<b>808.7</b>	<b>41.4</b>	<b>952.1</b>	<b>50.7</b>	<b>906.2</b>	<b>46.0</b>
USA	98.9	12.0	136.3	12.5	336.5	24.8	499.2	25.6	353.5	18.8	426.6	21.7
Estonia	33.2	4.0	100.3	9.2	64.1	4.7	180.0	9.2	149.6	8.0	111.1	5.6
UK	66.2	8.0	91.5	8.4	94.1	6.9	148.1	7.6	125.3	6.7	130.7	6.6
Sweden	19.1	2.3	24.4	2.2	45.5	3.4	73.6	3.8	45.9	2.4	79.8	4.1
Latvia	6.3	0.8	7.9	0.7	9.7	0.7	17.9	0.9	32.7	1.7	29.5	1.5
Finland	0.1	0.0	14.6	1.3	27.3	2.0	45.4	2.3	32.6	1.7	61.5	3.1
Denmark	7.9	1.0	7.7	0.7	20.6	1.5	42.3	2.2	32.0	1.7	19.4	1.0
Switzerland	14.5	1.8	15.7	1.4	18.5	1.4	30.0	1.5	27.2	1.4	23.9	1.2
Norway	2.7	0.3	7.1	0.6	4.4	0.3	4.6	0.2	24.2	1.3	26.6	1.3
Bermudas	20.7	2.5	23.7	2.2	26.4	1.9	24.3	1.2	21.4	1.1	19.8	1.0
Caiman islands	1.5	0.2	2.6	0.2	1.7	0.1	13.7	0.7	12.6	0.7	18.2	0.9
Bahamas	0.0	0.0	0.0	0.0	4.4	0.3	6.2	0.3	10.8	0.6	4.5	0.2
The Netherlands	4.2	0.5	4.8	0.4	8.9	0.7	12.0	0.6	10.7	0.6	12.2	0.6
Ireland	0.0	0.0	0.0	0.0	0.2	0.0	7.9	0.4	10.3	0.6	21.5	1.1
Austria	0.0	0.0	0.8	0.1	2.6	0.2	4.9	0.3	0.9	0.1	25.7	1.3
Investors from other states	6.8	0.8	9.1	0.8	32.1	2.4	33.4	1.7	34.3	1.8	51.3	2.6
<b>TOTAL NON-RESIDENTS</b>	<b>281.9</b>	<b>34.1</b>	<b>446.5</b>	<b>40.8</b>	<b>697.0</b>	<b>51.5</b>	<b>1143.5</b>	<b>58.6</b>	<b>924.0</b>	<b>49.3</b>	<b>1062.1</b>	<b>54.0</b>
<b>TOTAL</b>	<b>826.9</b>		<b>1094.2</b>		<b>1354.4</b>		<b>1952.7</b>		<b>1876.1</b>		<b>1968.3</b>	<b>100.0</b>

**Methods of calculation:** The structure of the value of shares by groups of investors (in Litas) shall be calculated as the value of the securities portfolio, i.e. the amount of shares, at the beginning and end of period, respectively, shall be multiplied by the latest rate established at the National Stock Exchange of Lithuania trading session in the central market (if said rate is not established, the amount of shares shall be multiplied by the par value of shares)

Source: Central Securities Depository of Lithuania

## MARKET TRENDS 1997

At the end of 1997, the Current List of the National Stock Exchange of Lithuania (NSEL) contained 607 share issues of 667 issuers: 600 issues of 546 public limited companies, 51 issues of 49 holding companies and 16 issues of 12 banks.

Taking into account sales and services as of 1997, seventy-one out of top 100 Lithuanian companies were listed on the Exchange, thirty-six of them belonged to the 50 best performing companies.

In the beginning of 1997, market capitalisation of the NSEL totalled LTL 3.5bn, and by the end of 1997, it amounted to LTL 10.2bn, i.e. multiplied by 2.5. Public companies constituted 55.3% (LTL 5642m) of the total capitalisation, while banks made up 11.59 per cent (LTL 1182m).

Year 1997 was marked by a dramatic jump in turnover volumes. During the period under review, traded amount augmented threefold and brought LTL 1463 million to the market. Average quarterly turnover reached LTL 366m, monthly volume comprised LTL 122m (cf. LTL 42.5m in 1996), and turnover per session averaged LTL 6.5m (cf. LTL 2m in 1996). In the course of the year, supply multiplied by eleven, demand experienced a fivefold increase. Number of transactions increased 6 times, while market capitalisation rose by 67 per cent. Such a remarkable growth is largely attributable to the recent trading system enhancements initiated by the Exchange, as well as to the objective market development trends prompted by the overall progress of the national economy. During 1997, inflation was curbed to 8.4% (cf. 13.1% in 1996), while GDP grew by 5.7 per cent. In 1996, the NSEL capitalisation constituted 19% of GDP, while at the end of 1997, it accounted for 26% of GDP.

The market susceptibly reacted to domestic events. Foreign investors demonstrated heightened interest in the Lithuanian securities market at the beginning of the year - stock prices soared (the LITIN-A index reached its year-high of 3242 on 17 January, LITIN-G peaked 2825 points on 21 January), equity trading volume amounted to LTL 98m in January (cf. average monthly equity turnover stood at LTL 16m in 1996). Withdrawal of foreign capital in October and November stimulated by the crisis in the Asian financial markets manifested that the Lithuanian stock market is dependent on foreign investors' policies, and that domestic capital is not sufficient to maintain stability. Although the impact of the crisis on the market volume was insignificant (4Q 1997 equity turnover accounted for 34% of the annual equity turnover), it seriously affected the level of stock prices - all NSEL indices slid to their lowest values on 24-25 November.

Total NSEL turnover increased due to growing volumes of equity trading. During 1997, number of transactions with shares rose sevenfold, share turnover advanced 5 times to LTL 959m and accounted for 65.6% of the total securities trading (cf. 37% in 1996).

In the course of 1997 bank shares were most active on the market - their turnover saw a sixfold increase to LTL 333.7m and constituted 35% of total trading in shares. Public limited companies demonstrated a fivefold rise, reached LTL 621m and made up 65% respectively.

In April, the Official List of "blue chips" was launched. Market capitalisation of the five issuers admitted to the List accounted for almost 10% of the total market cap, and their trading volume comprised LTL 309m or 32% of the annual equity turnover. Simultaneously, the NSEL introduced the Official List benchmark - the index LITIN.

Group A of the Current List closed the year with 48 companies

included, their capitalisation shared 48.2% of the total, turnover amounted to LTL 454.7m or 47.4% of the trading in shares. Capitalisation of Group B companies made up 20.6%, likewise their turnover share in the total trading value.

During the end of October - beginning of November 1997, subscription rights to newly issued shares of Lietuvos Taupomasis Bankas were traded at the NSEL for the first time.

Shares of Bankas Hermis (16.8% of the total share turnover), Akmenės Cementas, Vilniaus Vingis, Utenos Gėrimai and Klaipėdos Nafta were traded most actively throughout the year.

Although trading in T-bills did not face such a rapid growth as the stock market did, volumes increased by 57% to LTL 504.3m and accounted for 34.5% of the total securities turnover (cf. 63% in 1996). The bulk of T-bills trading activity was generated on the central market - 77% or LTL 390.5m (cf. 35.5% in 1996). Taking into account T-bills balance in the intermediaries' accounts as of year-end 1997, residents were principal investors in these securities, as their accounted for 98.8% of all investments in T-bills. 84.2% of the amount were invested by commercial and savings banks and 9.9% by insurance companies.

In the recent five years, the NSEL has been progressing hand in hand with the Lithuanian capital market. Market capitalisation soared from LTL 40m to LTL 10bn, whereas the 1997 trading volume of LTL 1,463m exceeded the overall amount of LTL 1,088m generated during years 1993-1996.

1997 was devoted to the trading system development while passing from single price fixing to continuous trading at a variable price.

On 19 March 1998, the Parliament of the Republic of Lithuania enforced Amendments and Supplements of the Law on Public Trading of Securities which facilitated implementation of the new listing concept at the NSEL. On 16 April 1998, pursuant to the amendments of the Law, the Exchange Board adopted Listing Rules of the NSEL (approved by the Securities Commission on 17 April 1998) that specify the new listing procedure on the NSEL. The admission requirements applied to the Official and Current List issuers and their securities fully correspond to the European Union directives. Listing Rules came into force on 1 June 1998. Based on these Rules, three trading lists were created at the Stock Exchange:

- the Official List;
- the Current List;
- Unlisted Securities.

The Official List is an elite list that contains securities of fast growing, profitable and sound companies.

The number of the Current List securities was significantly reduced in comparison to 1997 (from 667 securities in 1997 to 57 at present) moving from quantity to quality. Securities are admitted to this list at the issuer's request and upon its commitment to fully and timely disclose information on the company's business, financial status and material events. Issuers of securities quoted on the Current List and their securities must comply with special listing requirements applicable thereto. Reliability of the companies as well as strict requirements for disclosure of information make the Current List attractive to investors.

On 1 June 1998, the tier of Unlisted Securities was formed at the NSEL. Unlisted securities either do not comply with the requirements of the Current List or their issuers did not apply for listing on the Exchange. Issuers of unlisted securities do not have to conform with additional qualitative or quantitative requirements,



investors and the public receive less information about their activities. Therefore, unlisted securities make up the group of the highest investment risk at the NSEL.

Securities are admitted to the Official and Current Lists at the issuers' own will. Other securities that are subject to public trading and are registered with the Securities Commission and the Central Depository of Lithuania are added to the tier of Unlisted Securities.

Currently, 1375 securities quoted at the NSEL distribute as follows:

- 7 companies comprise the Official List (including 2 banks);
- 57 companies make up the Current List (including 6 banks and 2 holding companies);
- 1311 companies compose the Unlisted Securities (including 17 holding companies).

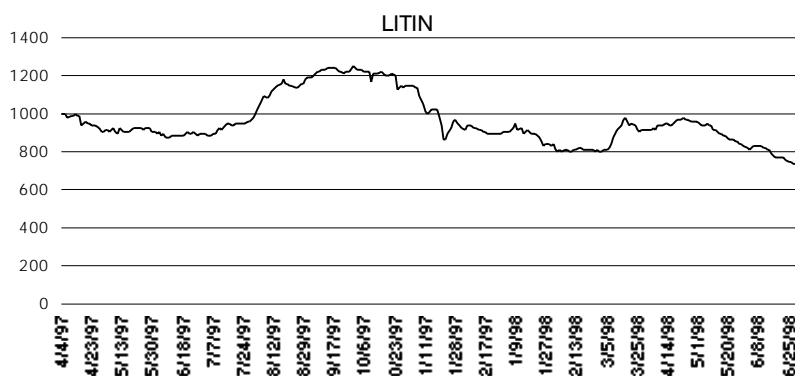
At the beginning of June 1998 the NSEL capitalisation stood at LTL 13,824 million. Listed securities accounted for 51.5% (LTL 7121 m) of the total market cap: shares constituted 40.3% (LTL 5567 m), while T-bills made up 11.2 per cent (LTL 1554 m).

Listed companies fall under the following sectors of industry:

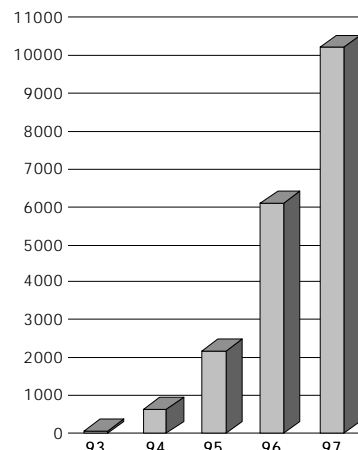
- manufacturing - 41 companies (64.1%) (includes 16 companies engaged in manufacture of food products, beverages and tobacco, 7 companies engaged in manufacture of textiles and 18 companies engaged in other activities);
- financial intermediation - 12 companies (18.7%);
- transport, storage and communication - 4 companies (6.3%);
- construction - 2 companies (3.1%);
- wholesale and retail trade - 2 companies (3.1%);
- electricity, gas and water supply - 2 companies (3.1%);
- agriculture - 1 company (1.6%).

	1993	1994	1995	1996	1997				
	Value	Value	Change, %	Value	Change, %	Value	Change, %	Value	Change, %
Listed companies	44	183	315.9	351	91.8	460	31.1	607	32.0
<b>Total NSEL capitalisation (LTL m)</b>	<b>71</b>	<b>635</b>	<b>794.4</b>	<b>2160</b>	<b>240.2</b>	<b>6100</b>	<b>182.4</b>	<b>10202</b>	<b>67.2</b>
Equity capitalisation (LTL m)	71	417	487.3	1518	264.0	5012	230.2	8691	73.4
Quoted shares capitalisation (LTL m)	39	246	530.8	630	156.1	3604	472.1	6824	89.3
Non-quoted shares capitalisation (LTL m)	32	171	434.4	888	419.3	1408	58.6	1867	32.6
T-bills capitalisation (LTL m)	-	218		642	194.5	1088	69.5	1511	38.9
Total capitalisation as % of GDP	0.64	3.74		9.06		19.40		26.8	
Trading sessions	14	50		148		255		255	
Equity trading sessions	14	50		66		117		255	
Number of transactions	36	2307	6308.3	6289	172.6	12059	91.7	71118	489.8
Equity supply-demand ratio	1.3	1.6	23.1	5.7	256.3	3.28	-42.5	8.21	150.3
<b>Total turnover (units, m)</b>	<b>0.16</b>	<b>18.4</b>	<b>11400.0</b>	<b>81.9</b>	<b>345.1</b>	<b>60.5</b>	<b>-26.1</b>	<b>220.4</b>	<b>264.3</b>
Average turnover per session (units, m)	0.01	0.37	3600.0	0.5	35.1	0.2	-60.0	0.98	390.0
Equity turnover (units, m)	0.16	18.2	11275.0	78.3	330.2	57.4	-26.7	215.3	275.1
T-bills turnover (units, m)	-	0.1		3.6	3500.0	3.1	-13.9	5.1	64.5
<b>Total turnover value (LTL m)</b>	<b>1.2</b>	<b>77.8</b>	<b>6383.3</b>	<b>499.9</b>	<b>542.5</b>	<b>509.6</b>	<b>1.9</b>	<b>1463.4</b>	<b>187.2</b>
Average turnover value per session (LTL m)	0.08	1.6	1900.0	3.4	112.5	2.0	-41.2	5.7	185.0
Average transaction value (LTL thou)	33.1	33.7	1.8	79.5	135.9	42.3	-46.8	20.6	-51.3
<b>Turnover CM (LTL m)</b>	<b>0.005</b>	<b>11.1</b>	<b>221900.0</b>	<b>16.8</b>	<b>51.4</b>	<b>154.2</b>	<b>817.9</b>	<b>653.5</b>	<b>323.8</b>
Number of CM transactions	26	1932	7330.8	4378	126.6	10250	134.1	62116	506.0
Average CM transaction value (LTL thou)	0.2	5.8	2800.0	3.9	-32.8	15.1	287.2	10.52	-30.3
Average CM turnover per session (LTL m)	0.00	0.22		0.26	18.2	0.60	130.8	2.6	333.3
CM turnover as % of total (%)	0.43	14.3		3.4		30.3		44.7	
<b>Turnover BT (LTL m)</b>	<b>1.2</b>	<b>66.7</b>	<b>5458.3</b>	<b>483.1</b>	<b>624.3</b>	<b>355.4</b>	<b>-26.4</b>	<b>809.9</b>	<b>127.9</b>
Number of BT transactions	10	375	3650.0	1911	409.6	1809.0	-5.3	9002	397.6
Average BT transaction value (LTL thou)	0.12	177.76	148034.4	261.61	47.2	196.46	-24.9	90.0	-54.2
Average BT turnover per session (LTL m)	0.08	1.33	1470.0	3.26	145.1	1.4	-57.4	3.2	130.2
BT turnover as % of total (%)	99.5	85.7		96.6		69.7		55.3	
<b>Equity turnover value (LTL m)</b>	<b>1.2</b>	<b>65.5</b>	<b>5358.3</b>	<b>148.3</b>	<b>126.4</b>	<b>188.9</b>	<b>27.4</b>	<b>959.1</b>	<b>407.7</b>
Equity turnover on CM (LTL m)	0.005	8.5	169900.0	11.8	38.8	40.2	240.7	262.9	554.0
Equity turnover by BT (LTL m)	1.19	5.7	379.0	136.5	2294.7	148.7	8.9	696.1	368.1
Number of share transactions	36	2297	6280.6	4893	113.0	10137	107.2	70567	596.1
Average share transaction value (LTL thou)	33.1	28.5	-13.9	30.32	6.4	18.6	-38.7	13.6	-26.9
Average share turnover per session (LTL m)	0.085	1.3	1429.4	2.2	69.2	1.6	-27.3	3.8	137.5
Share turnover as % of total turnover (%)	100	84.19		29.67		37.07		65.54	
Share turnover on CM as % of total share turnover	0.42	12.98		7.96		21.28		27.41	
<b>T-bills turnover value (LTL m)</b>	<b>-</b>	<b>12.3</b>	<b>351.6</b>	<b>2758.5</b>	<b>320.7</b>	<b>-8.8</b>	<b>504.3</b>	<b>57.2</b>	
T-bills turnover on CM (LTL m)	-	2.6		4.9	88.5	114.0	2226.5	390.5	242.5
T-bills turnover by BT (LTL m)	-	9.7		346.6	3473.2	206.7	-40.4	113.8	-44.9
Number of T-bills transactions	-	10		1396	13860.0	1922	37.7	551	-71.3
Average T-bills transaction value (LTL thou)	-	1232.6		251.84	-79.6	166.85	-33.7	915.3	448.6
Average T-bills turnover per session (LTL m)	-	0.60		2.38	295.9	1.26	-47.1	1.9	51.1
T-bills turnover as % of total turnover (%)	-	15.81		70.33		62.93		34.46	
T-bills turnover on CM as % of total T-bills turnover	-	21.14		1.39		35.55		77.43	
LITIN	-	-		-		-		903.48	-9.7
LITIN-A	-	-		-		1660.68	66.1	1930.85	16.3
LITIN-B	-	-		-		1327.47	32.8	1862.89	40.3
LITIN-VVP	-	-		-		1235.36	23.5	1368.43	10.8

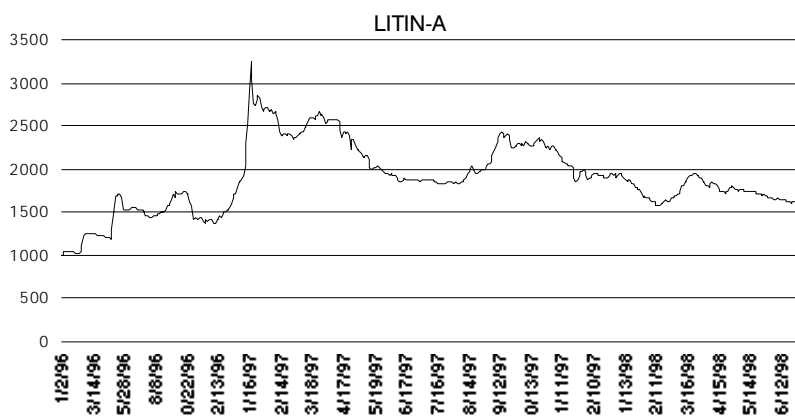
**NSEL INDICES (Official List)**



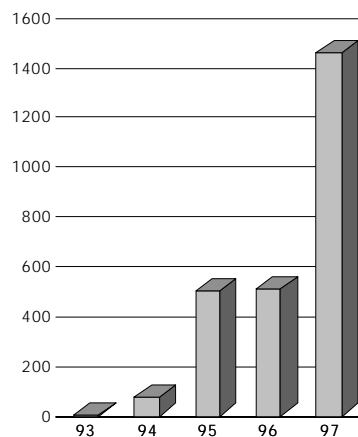
**CAPITALISATION OF THE NSEL (LTL m)**



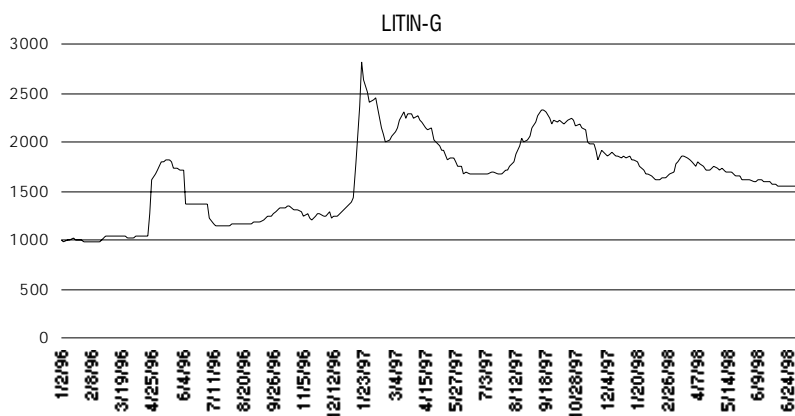
**NSEL INDICES (Current List, Group A)**



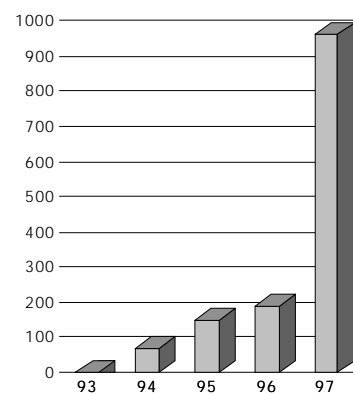
**TOTAL TURNOVER (LTL m)**



**NSEL INDICES (All quoted Shares)**



**EQUITY TURNOVER (LTL m)**



## NOTES

- The macroeconomic review was written by financial analyst Margarita Starkevičiūtė. Sector analyses have been kindly provided by Paulius Dumšė, Aistė Bakšytė and Daiva Rakauskaitė from Talinvest Suprema, Sigitas Petraitis from VB Vilfima and Linas Tomkevičius.
- Data appearing in the publication were supplied by issuers, brokerage houses, the Department of Statistics, the Ministry of Finance and the Bank of Lithuania.
- Under the headings of the elected bodies and management, we have given the situation as of June 1998. Lists of shareholders reflect the situation on the date of the annual general shareholders' meeting of each company.
- Under the heading capitalisation, the figures were calculated from the average price of the shares on 30 June 1998. (Capitalisation = the number of listed shares times the average price of the share as of June 30).
- In the financial statements and ratios, we have specified as to which accounting system the data is applicable. LAS refers to data compiled according to Lithuanian accounting standards, IAS applies to data prepared according to international accounting standards.
- The Lithuanian monetary unit is Litas (LTL). It is pegged to the US Dollar at a fixed exchange rate of 4 to 1.
- Acronym CM refers to the trading activity on the central market of the NSEL, BT stands for block (direct) trades.
- Price trend  
(NSEL, until 1 July 1998)

Name of Security (Face value, LTL)	
Market Price (LTL)	Turnover CM (units)





## DAIRY PRODUCTS

### BACKGROUND

The Lithuanian dairy industry has a long tradition and accounts for a significant share of the national economy. The dairy sector has its foundations in Lithuania's relatively large rural population, favourable weather conditions and nearby export markets. Lithuanian dairy products (especially butter) first gained reputation in Europe during the mid-war period. Growing exports and quality-oriented development were disrupted with the occupation of Lithuania in 1940 by Soviet Russia, with subsequent nationalisation of the agro-business.

The milk industry was heavily consolidated during the Soviet occupation resulting in only 7 large regional milk processors and four specialised dairies. Exports to Western Europe were stopped and replaced by shipments of butter, cheese and condensed milk to the huge Soviet markets. Lithuania was one of the most important suppliers of dairy and meat products in the Soviet-wide specialisation system.

The milk industry, like agriculture in general, faced another major restructuring with the regaining of independence in 1990. The fast privatisation process caused large milk processing enterprises to split into small and medium size companies, also a number of new private ones were set up.

Collective farms, often by dividing them into smaller entities, were turned into private enterprises. Also newly established private farms emerged, but faced lack of capital and economies of scale to compensate the decline in total output. The milk supply started to show signs of recovery only during the second half of 1995 as a result of general stabilisation of the economy and increasing efficiency of private sector farms but also government support in the form of subsidies.

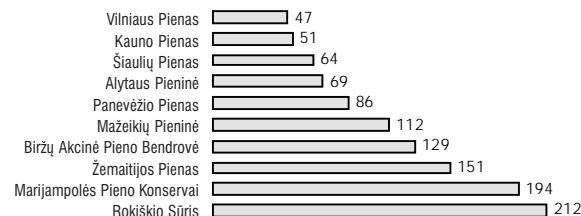
### COMPANIES

Two years ago there were 42 dairies (with 3.7m Lithuanian population), so competition in the sector was quite stiff and was increasing every year. Dairies compete not only in the finished product market, which is currently overloaded with milk products, competition in the raw milk sector is also growing, since dairies' output is dependent on the raw milk supply.

Both competition in the dairy market and concentration of milk processing enterprises are increasing: during last two years 16 dairies went bankrupt or joined stronger milk enterprises.

Larger dairies, which have good export markets and/or increasing domestic sales, are trying to acquire their smaller competitors in order to gain access to their raw milk supply sources and local market. All these factors caused recent consolidation in the milk industry, which will probably result in 10-15 dairies. It is likely that there will be 6-7 dairies with most competitive quality and cost. Today, seven biggest dairies process about 50% of the total processed raw milk. Prognoses are that in the future all largest dairies will show high growth rates, though this will result in contraction of smaller dairies.

### Largest Lithuanian dairies by sales in 1997, LTL thou



Increasing competition in the sector has forced companies to expand range of their products, create trademarks, and improve product promotion. All dairies produce fresh milk (which has short shelf life and therefore can be marketed only in a small area) and compete heavily for the share of the domestic market. Big dairies have developed distribution networks allowing them to access most of the Lithuanian cities.

Import production occupies a relatively small part of the Lithuanian milk products market and present no serious competition to Lithuanian producers. Currently, import duties are levied on the following products: on sour cream, fresh milk products, yoghurts, canned milk products, dry skimmed milk products - 20% import tariff, on butter 45%, on cheese - 30 per cent.

The Lithuanian dairy industry depends on several fatal factors:

- Raw milk supply: quantity, seasonal fluctuations, raw material quality and price;
- Milk processors' production capacity and progress both in quality management and cost reduction areas;
- Situation in internal and external sales markets.

### MILK SUPPLY

Despite significant growth in the raw milk output, dairies face problems related to the reliability of supply, high seasonal fluctuation of output and milk quality.

Summer milk purchases almost twice exceed purchases that are made in winter. Many Lithuanian dairies operate at 100% capacity utilisation level in summer, while in winter, when sales are the most profitable, only at 30-50%. Milk processors and milk suppliers make long term agreements, where processors oblige to buy milk throughout the year. That is why enterprises that have comparatively better supply in the wintertime, have its excess in summer.

Starting from 1995, prices of raw milk are subject to government regulation. Government determines the minimal purchase price depending on the quality of milk and also provides subsidies paid as part of the price for raw milk. This factor influences milk output and especially costs of dairies, as raw

milk constitutes 50–70% of total dairies' costs. Though economically it would be most reasonable to support highest quality milk suppliers, Lithuanian government in 1997 allotted 2/3 of subsidies to second grade milk suppliers, and so showed social preferences. It is expected that in the future these subsidies will remain. Eventually they will be reduced, but state will support milk processors with favourable investments and loans.

## DOMESTIC MARKET

The domestic demand for milk products has gone through dramatic changes as a result of the economic transition that started in early 90s. In 1996, consumption of milk and dairy products (per capita per year, in kilograms) in the three Baltic states was comparatively: 409 kg in Estonia, 311 kg in Latvia, and 213 kg in Lithuania.

It is estimated that in 1997 a Lithuanian household spent 44.5% of the total income on foodstuffs (cf. 30% in 1989). However, if compared to 54.1% in 1996, this proportion diminished. More than 5% of this amount are spent on dairy products, basically on fresh milk products.

## EXPORT MARKETS

Increasing competition in the local market forced many dairies to seek for opportunities elsewhere. From 1990 export share was increasing evenly: in 1990, export accounted for 30% of the dairy production, in 1993, 48%, last year about 50 per cent. For example, the USA exports 5% of total output, while European countries export about 10 per cent.

The CIS markets, comprised primarily of Russia and Ukraine, are potentially more lucrative due to their large population and relatively lower quality requirements in comparison with Western markets. Recovering CIS economy guarantees growing demand for milk products. The FSU markets are accustomed to consume Baltic dairy products and these still appear to have a sound reputation among CIS consumers. Major export potential is related to butter, cheese and condensed milk. Lithuanian milk processors are especially interested in entering Kaliningrad region market, additionally exporting there fresh milk products.

Export to Western countries has so far been dominated by aged cheese products and milk powder. Quality is still a major concern when exporting to the West and many companies lack capital needed to introduce new technologies and machinery.

In the beginning of 1998, thirteen Lithuanian companies received European Agriculture Commission certificates, allowing them to export milk products to the European Union. Similar certificates were granted to six milk producers in the neighbouring Latvia, while Estonian and Polish producers were banned from selling their products in the EU. Lithuania mainly exports cheese and milk powder to the European Union.

Export account for a significant part in total sales, and it is why Lithuanian dairies' income depends heavily on the situation in the international market. Milk processing enterprises can more or less influence prices in the local market (though they are limited by competition), but they are price-takers in the international market, where prices are set by main exporters - Australian and New Zealand companies.

## Output of ten largest dairies by main products in 1997, tonnes thou

	Sour cream					Curd cheese and desert curd cheese						
	Aged chese					Condensed milk with sugar						
	Sour milk products					Curd						
	Dry milk products					Ice cream						
	Butter					Yoghurts						
	Milk					Cream						
Vilniaus Pienas	3155	35		4147		320	339		839	97	126	89
Kauno Pienas	7152	209		3168		806	426		606		89	54
Šiaulių Pienas	3200	868		1497	2862	1426	210		703	215		17
Alytaus Pieninė	3499	1596	2638	784		272	60		304	666	28	
Panevėžio Pienas	9168	1588		2794	986	2048	560		1413	1686	136	168
Mažeikių Pieninė	7198	3503	5232	3818	252	2325	292		1522		16	39
Biržų Akcinė Pieno Bendrovė	874	2463	4098	1783	21	2596	228		1505	2	706	241
Žemaitijos Pienas	6942	3177	1870	3098	3226	993	340					49
Marijampolės Pieno Konservai	2061	5268	5596	720	90	386	645	13993	1089	27		
Rokiškio Sūris	2566	1979		1129	1233	791	255		535			
Other dairies	25575	13910	10360	5190	7586	6546	1524		3107	7521	510	135

## BIRŽŲ AKCINĖ PIENO BENDROVĖ

DAIRY PRODUCTS

<b>Address:</b>	Parodos g. 21, 5280 Biržai	<b>Established:</b>	1926
<b>Phone:</b>	(370-20) 51251, 51889	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-20) 51747	<b>Number of employees:</b>	1203
<b>Registration date:</b>	31/03/92	<b>Authorised capital (LTL m):</b>	43.29
<b>Registration code:</b>	5474961	<b>Capitalisation (LTL m) (01/07/98):</b>	40.4
<b>Auditor:</b>	<b>Coopers &amp; Lybrand</b>	<b>Trading List:</b>	<b>Official</b>

**Supervisory Board** (participation in the company): Janina Krūminienė, Chairperson (0.007%), Vaidotas Bagdonas (0.006%), Feliksas Grunskis (0.01%), Egidijus Karpavičius (0.03%), Algirdas Antanas Tauras (0.05%)

**Management Board:** Vladas Songaila, Chairman (0.14%), Raimonda Ajutienė (0.02%), Genovaitė Gabriūnienė (0.02%)

**Managing Director:** Vladas Songaila

**Investment Relations:** Audronė Latonaitė, tel. (370-20) 5 12 51

## CORPORATE HISTORY

The company's predecessor was established in 1926 as a joint stock company. In 1945, it was nationalised and subsequently integrated into a group of dairies under the name of PANEVĖŽIO PIENO KOMBINATAS. However, in 1991, the company split from this group and became a milk-processing state enterprise BIRŽŲ PIENO PERDIRBIMO ĮMONĖ.

In March 1992, the company underwent privatisation and got registered with the Companies' Register as a joint stock company with the authorised capital of LTL 180,285 (36,057 shares at LTL 5 par). Later size of the share capital multiply changed, mainly by issuing new shares out of the company's reserves (profit or revaluation reserves) and distributing them among shareholders in proportion with their holdings. In December 1996, BIRŽŲ AKCINĖ PIENO BENDROVĖ issued 4.8m shares out of additional contributions and sold them for LTL 24m to foreign investors.

Year after year, the company invested substantial amounts into production and know-how seeking to enrich the assortment. As a result, annual output of dairy products kept growing: in 1992, the company produced and realised its production for LTL 10.28m, in 1993, this figure tripled to LTL 35.90m, in 1994 and 1995, sales totalled LTL 51.60m and 83.7m respectively, in 1996, the company generated LTL 99.40m revenue, while in 1997, sales reached LTL 128.7 million.

## BUSINESS ACTIVITY

The principal company's activity is manufacture of dairy products. Today BIRŽŲ AKCINĖ PIENO BENDROVĖ assortment comprises 46 dairy products. The products fall under two large groups: fresh milk products manufactured for Lithuanian consumers and production intended for export. Skim milk powder, sour cream and butter account for the bulk of the company's sales in 1995 - 1997.

The share of production sold in Lithuania was constantly growing from 45% in 1993 to 65.2% in 1996. The remainder of products is exported.

The company's exports consist of skim milk powder, butter, milk protein, Feta cheese and other fresh products. Products of BIRŽŲ AKCINĖ PIENO BENDROVĖ are popular with European, Asian and Latin American consumers. They are also being distributed by wholesalers in France, Germany, Denmark, and Holland. Butter is exported to Azerbaijan. Ninety seven per cent of skim milk powder and 25% of butter are exported. Fresh milk products are mainly sold in the Baltic countries, the bulk is realised in Latvia.

## DEVELOPMENTS IN 1997

In 1997, the company expanded the range of its products, worked at improving the packaging. Currently, the company offers 46 kinds of dairy products. In 1997, BIRŽŲ AKCINĖ PIENO BENDROVĖ introduced yoghurt Karališki Pusryčiai (Royal Breakfast) with 6 sorts of grain, pears and apples, and the product immediately won consumers' recognition. In 1997, two new yoghurts Aušrinė and Vakarė specially worked out for women, also yoghurt with strawberries enriched with vitamins entered the market.

The company purchased new equipment for packing butter. This renovation allowed to offer butter not only in 250g packs, but also in smaller packs containing 100 grammes. For the buyers' convenience Feta cheese is now supplied in 250g pots.

In July 1997, a new line for bottling milk was launched. It is capable of handling 45-50t of milk round the clock, however demand for milk is twice as high. The company purchased new equipment for processing and bottling of milk from the US, UK and Italian firms for LTL 4.8 million.

Bottling of milk into plastic bottles enabled the company to produce 1%, 2.5% and 3.5% milk in addition to milk with 3.2% fat content. The shelf life of pasteurised milk intended for the domestic market is four days. Milk is bottled into bottles with a capacity of 1 and 2 litres, which used to be delivered to buyers in polythene packs (each containing 6 bottles). In order to reduce losses incurred due to damaged bottles, milk will be transported to retailers in plastic containers. Bottling of milk into plastic bottles raised sales tenfold compared with earlier years.

In summer 1997, the International Economic Forum granted BIRŽŲ AKCINĖ PIENO BENDROVĖ certificate of The Most Rapidly Growing Manufacturer in the Central and Eastern Europe.

In September 1997, the company's general shareholders' meeting decided to acquire Kauno Sūrinė (cheese-maker) and to increase share capital from LTL 42.25m to LTL 43.29 million. Approximately LTL 2-3m will be channelled into the reconstruction of Kauno Sūrinė. These investments will enable the company to produce aged cheese.

## PLANS, PROSPECTS FOR 1998

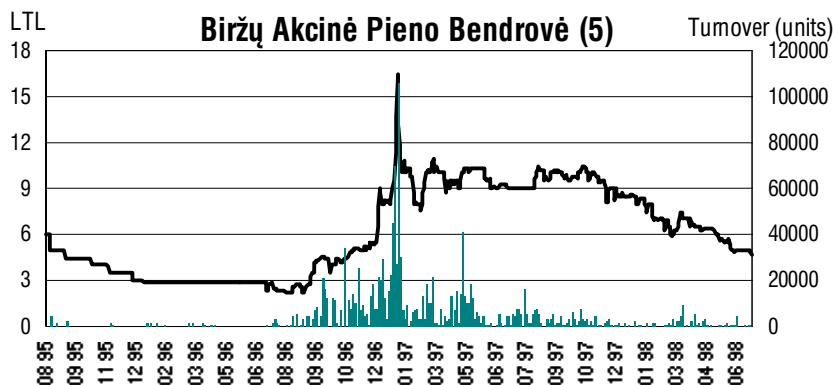
Sales of the subsidiary Kauno Sūrinė are expected to increase from LTL 11m to LTL 30m within a year. BIRŽŲ AKCINĖ PIENO BENDROVĖ intends to start production of durable dairy products and thus augment exports to Russia and other CIS countries. The company has already acquired a sterilizing machine that prolongs the shelf life of fresh milk to 2-3 months. However, at



present total milk output is sold in Lithuania. Thus, in order to satisfy Lithuanian consumers and to have part of milk exported to Russia, the dairy has to acquire one more line for producing bottles and bottling milk. The company plans to reduce sales costs where transport expenses account for 90% and will cut costs related to collection of raw milk where transport expenses

make up significant 57-59 per cent. Lately, the company has been paying more attention to the market research and identified opportunities to export new products, e.g. protein, to Japan and the USA.

In July 1998, BIRŽŲ AKCINĖ PIENO BENDROVĖ acquired 70.44% of Vilnius Dairy at a privatisation auction.



BALANCE SHEET (LTL)	IAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		36055000	58368000	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		36137000	28884000	Current ratio	2.04	1.02
Stock		9519000	7439000	Quick ratio	1.50	0.76
Amounts receivable within one year		9035000	20198000	Net working capital (LTL thou)	18381.00	569.00
TRANSFER ACCOUNTS		0	0	Net working capital to total assets	0.25	0.01
<b>TOTAL ASSETS</b>		<b>72192000</b>	<b>87252000</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		47236000	51453000	Profit margin (%)	0.02	0.02
Capital		42251000	43292000	Return on assets (%)	0.03	0.03
Subscribed capital		42251000	43292000	Return on equity (%)	0.05	0.05
Share premium account		165000	894000	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.35	0.41
Reserves		3592000	5486000	Debt / equity ratio	0.53	0.70
Profit (loss) brought forward		1228000	1781000	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		7200000	7484000	Inventory turnover	10.94	13.18
Amounts payable within year and short-term liabilities		17237000	25709000	Receivables turnover	13.42	8.81
ACCRUED CHARGES AND DEFERRED INCOME		519000	2606000	Net working capital turnover	5.41	226.23
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>72192000</b>	<b>87252000</b>	Long-term assets turnover	2.76	2.21
				Total assets turnover	1.38	1.48
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		99402000	128726000			
COST OF GOODS SOLD AND SERVICES RENDERED		86789000	111711000			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>2202000</b>	<b>2447000</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	29931	72249
First	3.00	8.20	8.55	Share book value (LTL)	5.34	5.57
Max	9.00 (12.20)	16.41 (01.20)	8.55 (01 05)	Price / book value ratio [P/BV]	1.54	1.54
Min	2.2 (08.13)	7.6 (02.21)	4.65 (06 29)	Earnings per share (LTL)	0.26	0.28
Last	8.2 (12.31)	8.55 (12.31)	4.67 (06 30)	Price / earnings ratio [P/E]	31.47	30.25
Change (%)	173.33	4.27	-45.38	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	607	1836	430	Dividend payout ratio	-	-
Turnover CM (units)	439091	1139576	84175			
Turnover CM (LTL)	2295214	11811814	548535			
Turnover BT (units)	658167	228034	34741			
Turnover BT (LTL)	2665905	2192085	210760			
CM turnover as % in total	40.02	83.33	70.79			
Total turnover (units)	1097258	1367610	118916			
Total turnover (LTL)	4961119	14003899	759295			
Turnover ratio (%)	30.06	16.18	1.37			
As % in the total share turnover	2.63	1.46	0.17			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 43,291,665

### Ordinary shares:

- 8658333 registered shares at LTL 5 par (security code 10923) accounting for 100% of the auth. capital (listed on the Official List on 12.05.97).

## STRUCTURE OF OWNERSHIP

Bankers Trust Company (New York) 60.16%  
Bank of Bermuda 7.58%

## MARIJAMPOLĖS PIENO KONSERVAI

(CANNED) DAIRY PRODUCTS

<b>Address:</b>	Kauno g. 114, 4520 Marijampolė	<b>Established:</b>	1978
<b>Phone:</b>	(370-43) 71620	<b>Privatised:</b>	1995
<b>Fax:</b>	(370-43) 73731	<b>Number of employees:</b>	1721
<b>Registration date:</b>	22/11/90	<b>Authorised capital (LTL m):</b>	63.9
<b>Registration code:</b>	5100463	<b>Capitalisation (LTL m) (01/07/98):</b>	19.05
<b>Auditor:</b>	<b>J. Kabašinskas ir Partneriai TŪB</b>	<b>Trading List:</b>	<b>Current</b>

**Supervisory Board** (participation in the company): Juozas Šneideris (0.0042%), Teresė Kirejeva (0.0187%), Algirdas Pilipavičius (0%), Nijolė Maksimavičienė (0%), Birutė Gudaitienė (0%), Albinas Mitrulevičius (0%)

**Managing Director:** Stasys Šablevičius (0.0123%)

**Investment Relations:** Teresė Kirejeva, tel. (370-43) 71744

## CORPORATE HISTORY

MARIJAMPOLĖS PIENO KONSERVAI, a milk processing plant, was built in 1978. It specialised in production of canned milk, butter and whole milk products. In 1995, the state company was reorganised into a public limited company with the authorised capital of LTL 56.8m, out of which 84% belonged to the state, 15.7% to employees and 0.3% to farmers.

With the acquisition of Prienų Dairy in 1997, the company's share capital augmented by LTL 0.9 million. Today, the company's share capital constitutes LTL 63.9m, including 48.9% held by the state, 36.6% by farmers and 14.5% by other individuals.

In March 1998, the general shareholders' meeting decided to raise share capital to LTL 92 million. The company will issue 28m ordinary registered shares and place them among one or several institutional investors.

## BUSINESS ACTIVITY

MARIJAMPOLĖS PIENO KONSERVAI is the largest manufacturer of dairy products in the Baltic region. The company produces canned milk: butter, ice-cream, whole milk products, powdered skim milk, casein, ultra heat treated milk, natural instant coffee, dry soluble products, aged cheese LILIPUTAS, juice and non-alcoholic beverages.

The company encompasses 7 dairies, 3 sections, 7 separation divisions and 253 purchase centres for buying raw milk. MARIJAMPOLĖS PIENO KONSERVAI exports the bulk of its production, while most of supplies come from Lithuanian companies.

## DEVELOPMENTS IN 1997

In 1997, the company produced 38.7m milk cans, 5400t of butter, 5574t of skim milk powder, 12600t of whole milk products, 409t of casein, 2697t of ultra heat treated milk and beverages. Last year the company purchased 176,635t of raw milk or by 18% more than in the previous year.

In 1997, exports made up 80% of total sales. MARIJAMPOLĖS PIENO KONSERVAI exported 94% of canned milk, including 0.5% to EU, 72% of butter (to Eastern Europe countries), 90% of skim milk powder (exclusively to EU), and 73% of casein (to EU).

In addition to the principal activity, the company provided transport, storage and leasing services that accounted for 2% of sales revenue. The company generated sales and services of LTL 193.8m (cf. LTL 166.2m in 1996). Net profit saw a 15% rise and amounted to LTL 6.9 million.

## PLANS, PROSPECTS FOR 1998

The management plans to increase sales to LTL 236 million. The company anticipates rise in exports, especially to the CIS countries. Three new sorts of juice will be introduced.

The company intends to make new investments: to launch a new TETRA PAK line for packaging juice, expand the boiler-house, install gas pipes, reconstruct whole milk products section, as well as to carry out partial renovation of canning shop equipment and major repairs of the Marijampolė Dairy. Total investments would amount to LTL 24 million.

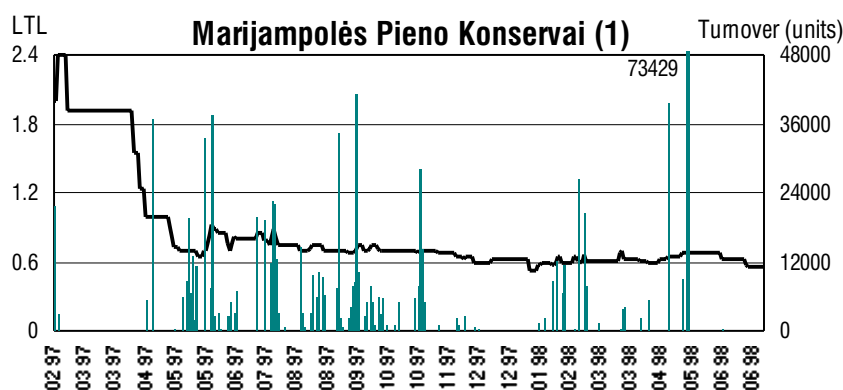
## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 3636.

Ministry of Agriculture	66.45%
Employees	11.74%

## SUBSIDIARIES (Branch offices)

	Date of establishment (acquisition)
Virbalio Diary	1981
Jurbarko Diary	1986
Lukšių Diary	1981
Lazdijų Diary	1981
Prienų Diary	1996



<b>BALANCE SHEET (LTL)</b>		<b>LAS (1996, 1997)</b>		<b>1996</b>		<b>1997</b>		<b>FINANCIAL RATIOS</b>		<b>1996</b>		<b>1997</b>	
<b>LONG TERM ASSETS</b>				81482547		88502306		<b>LIQUIDITY RATIOS</b>					
<b>SHORT TERM ASSETS</b>				46909555		50042127		Current ratio		6.63		2.79	
Stock				25407424		29762747		Quick ratio		3.04		1.13	
Amounts receivable within one year				17501883		18125536		Net working capital (LTL thou)		39835		32121	
TRANSFER ACCOUNTS				0		0		Net working capital to total assets		0.31		0.23	
<b>TOTAL ASSETS</b>				<b>128392102</b>		<b>138544433</b>		<b>PROFITABILITY RATIOS</b>					
<b>CAPITAL AND RESERVES</b>				44617741		52454255		Profit margin (%)		0.04		0.04	
Capital				63017725		63926843		Return on assets (%)		0.05		0.05	
Subscribed capital				63017725		63926843		Return on equity (%)		0.14		0.13	
Share premium account				0		0		<b>FINANCIAL LEVERAGE RATIOS</b>					
Revaluation reserve				12438245		12438245		Total debt ratio		0.65		0.62	
Reserves				810782		810782		Debt / equity ratio		1.88		1.64	
Profit (loss) brought forward				-31649011		-24721615		<b>ASSETS UTILISATION RATIOS</b>					
Amounts payable after one year and long-term liabilities				74750159		66655348		Inventory turnover		6.61		6.52	
Amounts payable within year and short-term liabilities				7074808		17920751		Receivables turnover		9.86		10.88	
ACCRUED CHARGES AND DEFERRED INCOME				0		0		Net working capital turnover		4.17		6.03	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>				<b>128392102</b>		<b>138544433</b>		Long-term assets turnover		2.04		2.19	
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>								Total assets turnover		1.29		1.40	
SALES AND SERVICES				166216503		193816219							
COST OF GOODS SOLD AND SERVICES RENDERED				161255924		179733351							
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>				<b>6466859</b>		<b>6927396</b>							

<b>TRADING STATISTICS</b>		<b>1997</b>		<b>1-2Q 1998</b>		<b>MARKET VALUE RATIOS</b>		<b>1996</b>		<b>1997</b>	
<b>PRICE (LTL)</b>						Capitalisation (LTL thou)		21817			
First		2.00		0.63		Share book value (LTL)		0.71		0.82	
Max		0.60 (12.15)		0.70 (03 23)		Price / book value ratio [P/BV]		-		0.77	
Min		2.40 (02.19)		0.52 (01 19)		Earnings per share (LTL)		0.10		0.11	
Last		0.63 (12.16)		0.55 (06 18)		Price / earnings ratio [P/E]		-		5.81	
Change (%)		-68.50		-12.70		Dividend per share (LTL)		0.00		0.00	
Number of transactions (CM)		423		112		Dividend yield		-		-	
Turnover CM (units)		636548		322310		Dividend payout ratio		-		-	
Turnover CM (LTL)		516663		207329							
Turnover BT (units)		149701		485126							
Turnover BT (LTL)		123559		308530							
CM turnover as % in total		80.96		39.92							
Total turnover (units)		786249		807436							
Total turnover (LTL)		640222		515859							
Turnover ratio (%)		2.27		2.33							
As % in the total share turnover		0.07		0.11							

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 63,926,843

### Ordinary shares:

- 34630813 registered shares at LTL 1 par (security code 11474) accounting for 54.17% of the auth. capital (admitted to trading at the NSEL on 10.02.97)
- 16251291 registered shares at LTL 1 par (security code 11473) accounting for 25.42% of the auth. capital (not admitted to trading at the NSEL)
- 750509 registered shares at LTL 1 par (security code 12276) accounting for 1.174% of the auth. capital (not admitted to trading at the NSEL)

### Preference shares:

- 120857 registered shares at LTL 1 par with 5% non-cumulative dividend (security code 122277) accounting for 0.19% of the auth. capital (not admitted to trading at the NSEL)

### Shares of agricultural producers:

- 12135621 shares at LTL 1 par (security code 11475) accounting for 18.983% of the auth. capital (not admitted to trading at the NSEL)
- 37752 shares at LTL 1 par (security code 122278) accounting for 0.06% of the auth. capital (not admitted to trading at the NSEL)



## MAŽEIKIŲ PIENINĖ

## DAIRY PRODUCTS

<b>Address:</b>	Skuodo g. 4, 5500 Mažeikiai	<b>Established:</b>	1990
<b>Phone:</b>	(370-293) 65341, 66509	<b>Privatised:</b>	1994-1995
<b>Fax:</b>	(370-293) 66590	<b>Number of employees:</b>	914
<b>Registration date:</b>	16/11/90	<b>Authorised capital (LTL m):</b>	14.8
<b>Registration code:</b>	6640348	<b>Capitalisation (LTL m) (01/07/98):</b>	18.4

<b>Auditor:</b>	<b>J. Kabašinskas ir Partneriai TŪB</b>	<b>Trading List:</b>	<b>Current</b>
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**Management Board** (participation in the company): Julius Kvaraciejus (4.49%), Voldemaras Klovas (4.52%), Edvardas Karečka (0.06%), Vytautas Lapėnas (0.06%), Danutė Rutkauskienė (0.08%), Aleksandr Smagin (0.25%), Kazys Šemėta (2.08%), Linas Sasnauskas (11.1%)

**Managing Director:** Voldemaras Klovas

**Investment Relations:** Aušrys Baravykas, tel. (370-293) 6 63 38

## CORPORATE HISTORY

MAŽEIKIŲ PIENINĖ was founded in 1990 and in 1995 was transferred into private hands. On 10 June 1994, the company's authorised capital of LTL 1.76m (containing LTL 0.95m of state capital and LTL 0.81m of private share capital) was registered with the Companies' Register. The capital was divided into 811,800 shares at LTL 1 par.

With the revaluation of long-term tangible assets in March 1994, the company's share capital augmented by LTL 6.25m to reach LTL 8 million.

The state's contribution of LTL 0.4m raised the company's capital to LTL 8.4 million. Under the Lithuanian Government resolution as of 22 February 1992, farmers bought 206,626 ordinary shares of MAŽEIKIŲ PIENINĖ at LTL 1 par from the state within February - June 1994, while during September - October 1994 farmers purchased 3,065,010 ordinary shares at LTL 1 par. The state retained 704,900 ordinary shares.

On 1 January 1995, the company's share capital of LTL 8.4m was divided into 4,004,649 shares of agricultural producers and 3,698,736 ordinary shares with the face value of LTL 1.

In July 1995, the state's share decreased to 199,494 ordinary shares, since under the Government resolution 505,406 ordinary shares were sold to the company's employees. On 18 April 1996, the authorised capital was increased out of LTL 0.4m supplementary contributions to LTL 8.8 million. The state share accounted for LTL 6 million.

On 1 January 1997, the authorised capital of MAŽEIKIŲ PIENINĖ equalled LTL 8.8m and comprised 4,404,143 agricultural producers' shares and 4,403,288 ordinary shares (854 owned by the state).

A new issue of 6,000,000 ordinary registered shares at LTL 1 par was successfully placed in 1997. In June 1997, the authorised capital amounted to LTL 14.8m and was divided into 4,404,143 agricultural producers' shares and 10,403,288 (854 state-held) ordinary shares.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company specialises in milk processing and engages in whole and retail trade of dairy products.

In 1997, MAŽEIKIŲ PIENINĖ purchased new equipment: automatic machine ALFAST for standardisation of milk composition and automated packing equipment FIN PACK, HUGART. The company began to pack milk and kefir into cardboard packages. Dessert yoghurt and cottage cheese with 13% fat content expanded the range of products last year. In 1997, the cream butter Venta was awarded golden medal at the exhibition AGROBALT.

The company's financial results as of 1997 surpassed budgeted figures. Sales revenues increased by 14% from LTL 98.46m in 1996 to LTL 112.4m in 1997. The pre-tax profit totalled LTL 8.7m, while net profit showed an outstanding 86% increase to reach LTL 7.5 million. Profit margin came to 6.6 per cent.

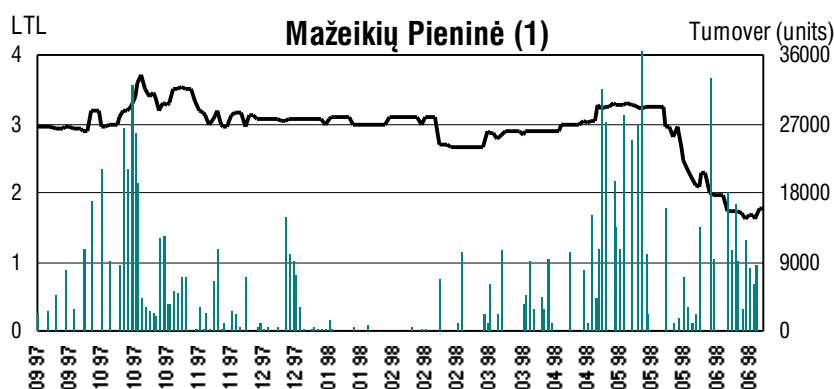
## PLANS, PROSPECTS FOR 1998

In 1998, a new German cheese processing line SWARTHE will be installed in Tauragė branch. The company intends to produce 1000t of aged cheese per year.

MAŽEIKIŲ PIENINĖ's efforts will aim at developing its logistics section, purchasing new automatic machinery and improving the quality of raw milk.

## SUBSIDIARIES (Branch offices)

	Date of establishment
Akmenė branch	28/11/90
Skuodas branch	28/11/90
Tauragė branch	22/09/97



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		14524560	18304872	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		14744952	18491721	Current ratio	1.02	1.37
Stock		7132176	12096580	Quick ratio	0.53	0.48
Amounts receivable within one year		6618212	5259410	Net working capital (LTL thou)	306	5023
TRANSFER ACCOUNTS		0	20910	Net working capital to total assets	0.01	0.14
<b>TOTAL ASSETS</b>		<b>29269512</b>	<b>36817503</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		10115868	21272249	Profit margin (%)	0.04	0.07
Capital		8808285	14808285	Return on assets (%)	0.14	0.20
Subscribed capital		8808285	14808285	Return on equity (%)	0.40	0.35
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.65	0.42
Reserves		590667	963964	Debt / equity ratio	1.89	0.73
Profit (loss) brought forward		716916	5500000	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		4714879	2055871	Inventory turnover	12.74	10.62
Amounts payable within year and short-term liabilities		14438765	13489383	Receivables turnover	13.53	18.93
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	321.58	22.38
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>29269512</b>	<b>36817503</b>	Long-term assets turnover	6.78	6.14
				Total assets turnover	3.36	3.05
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		98462979	112419780			
COST OF GOODS SOLD AND SERVICES RENDERED		93236041	102108728			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>4009979</b>	<b>7465938</b>			

TRADING STATISTICS	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		13521
First	2.95	3.07	Share book value (LTL)	1.15	1.44
Max	2.90 (10.01)	3.30 (05 07)	Price / book value ratio [P/BV]	-	2.14
Min	3.70 (10.22)	1.61 (06 26)	Earnings per share (LTL)	0.46	0.50
Last	3.07 (12.31)	1.77 (06 29)	Price / earnings ratio [P/E]	-	6.09
Change (%)	4.07	-42.35	Dividend per share (LTL)	0.080	0.050
			Dividend yield	-	0.02
Number of transactions (CM)	480	548	Dividend payout ratio	0.18	0.10
Turnover CM (units)	366157	629662			
Turnover CM (LTL)	1173794	1759045			
Turnover BT (units)	567637	813536			
Turnover BT (LTL)	1872024	2252497			
CM turnover as % in total	39.21	43.63			
Total turnover (units)	933794	1443198			
Total turnover (LTL)	3045818	4011541			
Turnover ratio (%)	21.20	13.87			
As % in the total share turnover	0.32	0.87			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 14,808,285

### Ordinary shares:

-10404142 registered shares at LTL 1 par (security code 11167) accounting for 70.26% of the auth. capital (admitted to trading at the NSEL on 18 08 97)

### Shares of agricultural producers:

-4404143 shares at LTL 1 par (security code 11168) accounting for 29.74% of the auth. capital (not admitted the trading at the NSEL)

## STRUCTURE OF OWNERSHIP

AS Hansa Investments	11.1%
Baltijos Pieno Prekyba UAB	7.8%
Agrolitas Imeks Lesma UAB	6.3%

## PANEVĖŽIO PIENAS

## DAIRY PRODUCTS

<b>Address:</b>	Tinklų g. 9, 5319 Panevėžys	<b>Established:</b>	1942
<b>Phone:</b>	(370-54) 61965, 61647	<b>Privatised:</b>	1996
<b>Fax:</b>	(370-54) 61073	<b>Number of employees:</b>	742
<b>Registration date:</b>	22/06/95	<b>Authorised capital (LTL m):</b>	20.17
<b>Registration code:</b>	4702212	<b>Capitalisation (LTL m) (01/07/98):</b>	14.2
<b>Auditor:</b>	Pačiolis UAB	<b>Trading List:</b>	Current

**Management Board** (participation in the company): Jonas Simutis (0.25%), Vladas Navikas (0%), Česlovas Ožekauskas (0.19%), Albinas Gvildys (0.98%), Regina Nakrošienė (0.32%), Veronika Apšėgienė (0.03%), Edvardas Gabinaitis (0%)

**Managing Director:** Jonas Simutis

**Investment Relations:** Jonas Simutis, tel. (370-54) 6 19 65

### CORPORATE HISTORY

The dairy was established in 1942 as a state-owned company. By 1996 it was fully transformed into a public limited company with no residual holdings retained by the state.

In March 1997, the general shareholders' meeting decided to raise the share capital out of the company's reserves by LTL 10 million. In December, 103,960 ordinary shares acquired by farmers were converted into shares of agricultural producers.

The authorised capital of the company equals LTL 20.17 million. It is split into 5,071,766 ordinary shares at LTL 2 par and 5,010,920 shares of agricultural producers with the face value of LTL 2.

### BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company produces butter, aged cheese, ice-cream, whole milk products, skim-milk cheese and peptide. During 1997, PANEVĖŽIO PIENAS processed 85 thou tonnes of milk and produced 1589t of butter, 964t of aged cheese, 36184t of whole milk products, 1685t of ice-cream, 707t of peptide and 613t of skimmed cheese. Exports to Hungary, Holland, Russia, Estonia and other countries accounted for 24% (LTL 21m) of the total sales.

In 1997, the company installed a processing line for granular

curds, milk packaging machine ELOPAK, the ice-cream mix boiling line and renovated other equipment. New dairy products including granular curds, ice-cream with hazelnuts and kefir were introduced.

Within the year number of staff went up from 722 to 742, while the average salary increased by 18.1 per cent.

Compared with 1996, company's sales rose by 12% to LTL 86 million. Milk supplies augmented by 24 per cent. The company's net profit saw a 5% increase and amounted to LTL 8.4 million. PANEVĖŽIO PIENAS paid out LTL 1m in dividends (5% of the share face value) for the financial year of 1997.

### PLANS, PROSPECTS FOR 1998

Taking into account growing competition in the dairy industry, the company aims to expand the range of products and to implement a more aggressive marketing strategy in order to boost its sales.

In 1998, PANEVĖŽIO PIENAS intends to reconstruct the aged cheese production, to introduce ice-cream and wafer processing lines, and launch new Dutch freezing equipment into operation. It will allow to increase ice-cream output and improve the quality of cheese.

### STRUCTURE OF OWNERSHIP

None of the shareholders owns more than 5% of the stock.

Natural and legal persons 100%

### STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 20,165,372

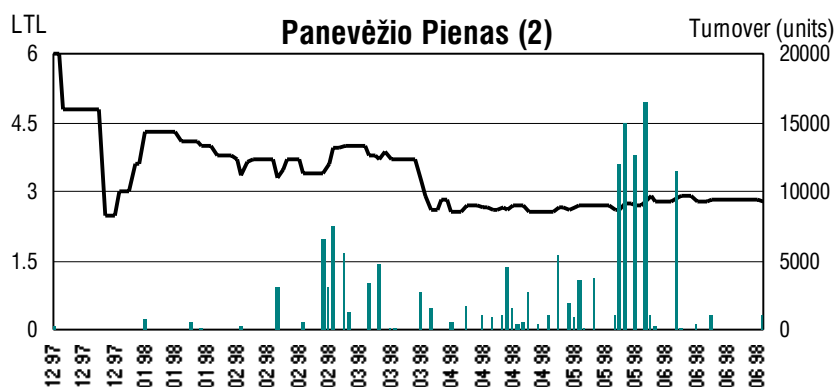
**Ordinary shares:**

-5071766 registered shares at LTL 2 par (security code 11311) accounting for 50.30% of the auth. capital (admitted to trading at the NSEL on 08.12.97)

**Shares of agricultural producers:**

-5010920 shares at LTL 2 par (security code 11312) accounting for 49.70% of the auth. capital (not admitted to trading at the NSEL)





<b>BALANCE SHEET (LTL)</b>		<b>LAS (1996, 1997)</b>		<b>1996</b>		<b>1997</b>		<b>FINANCIAL RATIOS</b>	
<b>LONG TERM ASSETS</b>				14755615	17627015			<b>LIQUIDITY RATIOS</b>	
<b>SHORT TERM ASSETS</b>				15417756	19080163			Current ratio	3.74 4.82
Stock				8357064	13078178			Quick ratio	1.72 1.43
Amounts receivable within one year				5277837	4747636			Net working capital (LTL thou)	11309 14905
TRANSFER ACCOUNTS				12722	53010			Net working capital to total assets	0.37 0.41
<b>TOTAL ASSETS</b>				<b>30186093</b>	<b>36760188</b>			<b>PROFITABILITY RATIOS</b>	
<b>CAPITAL AND RESERVES</b>				26064771	32795974			Profit margin (%)	0.11 0.10
Capital				10144267	20165372			Return on assets (%)	0.27 0.23
Subscribed capital				10144267	20165372			Return on equity (%)	0.31 0.26
Share premium account				0	0			<b>FINANCIAL LEVERAGE RATIOS</b>	
Revaluation reserve				0	0			Total debt ratio	0.14 0.11
Reserves				12099223	2016537			Debt / equity ratio	0.16 0.12
Profit (loss) brought forward				3821281	10614065			<b>ASSETS UTILISATION RATIOS</b>	
Amounts payable after one year and long-term liabilities				0	0			Inventory turnover	8.23 6.51
Amounts payable within year and short-term liabilities				4121322	3964214			Receivables turnover	15.97 18.05
ACCRUED CHARGES AND DEFERRED INCOME				0	0			Net working capital turnover	6.78 5.77
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>				<b>30186093</b>	<b>36760188</b>			Long-term assets turnover	5.19 4.88
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				76630669	86027537			Total assets turnover	2.54 2.36
SALES AND SERVICES				76630669	86027537				
COST OF GOODS SOLD AND SERVICES RENDERED				61971727	70303779				
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>				<b>8042851</b>	<b>8731878</b>				

<b>TRADING STATISTICS</b>		<b>1997</b>		<b>1-2Q 1998</b>		<b>MARKET VALUE RATIOS</b>		<b>1996</b>		<b>1997</b>	
<b>PRICE (LTL)</b>											
First		6.00	3.00			Capitalisation (LTL thou)		15215			
Max		2.50 (12.29)	4.30 (01 14)			Share book value (LTL)		2.57	3.23		
Min		6.00 (12.10)	2.50 (04 30)			Price / book value ratio [P/BV]		-	0.93		
Last		3.00 (12.30)	2.80 (06 30)			Earnings per share (LTL)		0.79	0.84		
Change (%)		-50.00	-6.67			Price / earnings ratio [P/E]		-	3.59		
Number of transactions (CM)		11	262			Dividend per share (LTL)		0.100	0.100		
Turnover CM (units)		330	159603			Dividend yield		-	0.03		
Turnover CM (LTL)		1875	482040			Dividend payout ratio		0.13	0.12		
Turnover BT (units)		4866	298411								
Turnover BT (LTL)		15231	838387								
CM turnover as % in total		6.35	34.85								
Total turnover (units)		5196	458014								
Total turnover (LTL)		17106	1320426								
Turnover ratio (%)		0.10	9.03								
As % in the total share turnover		0.00	0.29								

## ROKIŠKIO SŪRIS

## DAIRY PRODUCTS

<b>Address:</b>	Pramonės g. 3, 4820 Rokiškis	<b>Established:</b>	1966
<b>Phone:</b>	(370-78) 51130, 54070	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-78) 53370	<b>Number of employees:</b>	1045
<b>Registration date:</b>	28/02/92	<b>Authorised capital (LTL m):</b>	33.24
<b>Registration code:</b>	7305751	<b>Capitalisation (LTL m) (01/07/98):</b>	121

<b>Auditor:</b>	<b>Price Waterhouse</b>	<b>Trading List:</b>	<b>Official</b>
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**Supervisory Board** (participation in the company): Aldona Tursienė, Chairperson (0.381%), Stefanija Suvaizdienė (0.015%), Rimantas Kučinskas (0.37%), Andrius Jukna (0.069%), Liuda Mikulėnienė (6 shares), Dalius Trumpa (2.74%), Algirdas Ražauskas (0.002%), Jonas Kubilius (0.071%), Vytautas Vilys (0.016%), Balys Vilimas (0.002%), Alfredas Augulis (0.004%), Jonas Burbulas (0.001%), Alfredas Dzikavičius (0.035%), Juozas Varžgalys (0.0001%)

**Management Board:** Antanas Trumpa, Chairman (27.4%), Vytautas Legas (0.006%), Remigijus Marmokas (0.2%), Stasė Jasinevičienė (0.02%), Balys Turakevičius (0.0003%), Algirdas Bakutis (2 shares), Alvydas Žabolis (0%)

**Managing Director:** Antanas Trumpa

**Investment Relations:** Antanas Trumpa, tel. (370-78) 5 11 30

## CORPORATE HISTORY

The company's predecessor, a specialised state enterprise ROKIŠKIO SŪRIS, established in February 1966 was the largest cheese manufacturing company in the Baltics. In 1991, ROKIŠKIO SŪRIS was partially privatised through an initial public offering and registered as a public limited company. The nominal value of ordinary registered share equalled LTL 1. In 1993, the remainder of the state stake was sold and converted to shares with the face value of LTL 5. In 1994, following Government decrees the company carried out revaluation of its property. The authorised capital after indexation came to LTL 11.23 million. Within 1993-1998, the share capital was raised 6 times out of supplementary contributions, twice out of the company's reserves and twice due to reorganisation. In February 1997, the company issued 1.2m ordinary shares for the total amount of LTL 12m, while in November 300 thou shares saw light, 150 thou of them represented by GDRs. At present, the company's share capital tops LTL 33.24 million.

In order to ensure constant supply of raw milk and strengthen positions in the domestic market, ROKIŠKIO SŪRIS acquired two milk processing companies - Zarasų and Ukmergės dairies and obtained a controlling interest (51%) in the dairy Utenos Pienas during 1994-1996. At the end of 1997, the company came to an agreement with the dairy Šalčininkų Pieninė regarding a new acquisition. The authorised capital will augment to LTL 33.46 million.

In 1994, foreign investments were channelled into ROKIŠKIO SŪRIS for the first time. Presently, around 41% of the stock are owned by foreign investors, international investment bank Williams de Broë the largest among them.

## BUSINESS ACTIVITY, DEVELOPMENTS IN 1997

ROKIŠKIO SŪRIS is the leading Lithuanian dairy specialised in aged cheese production. It is the second largest Lithuanian dairy in terms of sales. According to 1997 sales, ROKIŠKIO SŪRIS is one of the largest food processing companies in Lithuania.

The company processes milk and other raw material, and produces dairy products (aged cheese, skimmed cheese, butter, whey protein concentrate (WPC), milk sugar, cheese spreads, and whole milk products). During the 30-year history, the main product has been aged (fermented) cheese. As a cheese-maker, ROKIŠKIO SŪRIS is a modern company that meets European quality standards.

ROKIŠKIO SŪRIS accounts for about 45% of the fat cheese production in Lithuania, 6.8% of the butter market, 8% of cheese spread, and covers the whole market of milk sugar and WPC. In 1997, sales of all sorts of cheese saw a 41% increase compared to 1996. In 1997, production of aged cheese reached 12,201 tonnes. The company output 112t of cheese spread and over 26 000t of other dairy products.

In 1997, the company's sales totalled LTL 211.69 million (cf. LTL 85.63m). ROKIŠKIO SŪRIS generated pre-tax profit of LTL 21.59 million (cf. LTL 12.56m).

In total the company's export sales account for 75% in value terms. In 1997, 18% of cheese were realised in the domestic market, while 82% were exported, including 55% to Western Europe. ROKIŠKIO SŪRIS sold 2055t of cheese in Lithuania, which accounts for approximately 21% of the total domestic aged cheese market. Milk sugar exports, mainly to Poland and Czech Republic, comprised 90% of the total amount produced.

ROKIŠKIO SŪRIS distribution network covers the following countries: the Netherlands (cheeses Goja and Parmazan), Denmark (peptide), Italy (cheese Parmazan), Cyprus (skimmed cheese), Russia (cheese Rokiškis, butter), Poland (milk sugar), Azerbaijan (cheese Rokiškis). Fresh milk products (milk, sour milk, sour cream, curds, etc.) are sold on the domestic market with some regional focus. Western exports are handled through long-term contracts with 5 wholesalers, whereas in Russia by 10 long-term wholesalers. In Lithuania the company has established a continuing business relationship with 10 distributors and 300 retail outlets.

The main raw material - milk - is supplied by regional farmers. In 1997, supply of milk rose by 34% comparing to 1996. Other substances and materials used in production - ferment, salt, chemicals, packaging - are purchased in Lithuania or imported from the Netherlands, CIS, USA and Estonia.

In January 1998, ROKIŠKIO SŪRIS was granted a European Union certificate (EU veterinary code) to export its products to EU countries. The certificate is issued to the companies whose dairy products answer EU veterinary control and quality requirements.

In order to increase its domestic market share and more importantly ensure continuous supply of milk - critical factor determining the industry's development - the company has acquired smaller competitors.

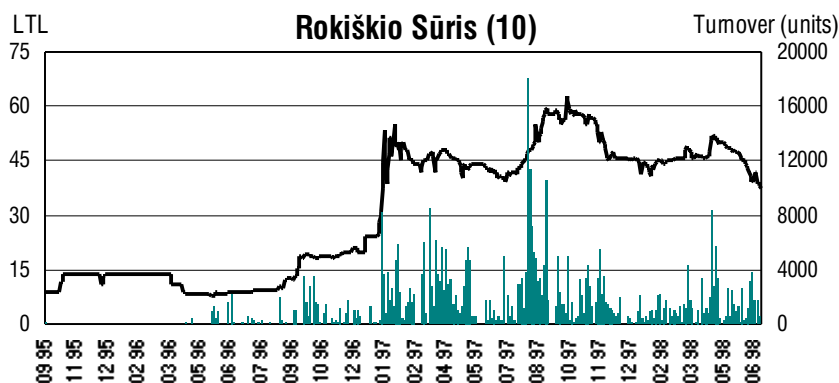
Since foreign capital investment has reached the amount of US\$ 2m in the company, beginning with January 1997, ROKIŠKIO SŪRIS enjoys tax holiday (exemption from corporate profit tax).

Profit margin rose from 8.9% in 1996 to 13.4% in 1997 with the total turnover of US\$ 39.8 million.

## PROSPECTS FOR 1998

With its established product mix and strong record of Western export balanced by domestic sales of traditional whole milk products, ROKIŠKIO SŪRIS has no plans to change its output structure or marketing strategy. Instead, the company will focus on increasing production of highly marketable and profitable aged cheese by approximately 10 per cent.

Specialisation and integration will play an important role in further development. The company will pay constant attention to improvement of milk quality and hygiene conditions. Sales are expected to reach LTL 217,905 thou in 1998 and LTL 282,850 thou in the year 2000.



<b>BALANCE SHEET (LTL)</b>		<b>IAS (1996, 1997)</b>		<b>1996</b>		<b>1997</b>		<b>FINANCIAL RATIOS</b>		<b>1996</b>		<b>1997</b>	
<b>LONG TERM ASSETS</b>				35877000		54263000		<b>LIQUIDITY RATIOS</b>					
<b>SHORT TERM ASSETS</b>				39793000		100449000		Current ratio		3.64		4.66	
Stock				20162000		53635000		Quick ratio		1.80		2.17	
Amounts receivable within one year				89700000		31791000		Net working capital (LTL thou)		28867		78911	
TRANSFER ACCOUNTS				0		0		Net working capital to total assets		0.38		0.51	
<b>TOTAL ASSETS</b>				<b>75670000</b>		<b>154712000</b>		<b>PROFITABILITY RATIOS</b>					
<b>CAPITAL AND RESERVES</b>				58120000		108428000		Profit margin (%)		0.08		0.09	
Capital				18236000		33235000		Return on assets (%)		0.14		0.13	
Subscribed capital				18236000		33235000		Return on equity (%)		0.18		0.18	
Share premium account				2237000		13599000		<b>FINANCIAL LEVERAGE RATIOS</b>					
Revaluation reserve				3593000		4963000		Total debt ratio		0.23		0.30	
Reserves				8400000		20349000		Debt / equity ratio		0.30		0.43	
Profit (loss) brought forward				25654000		26964000		<b>ASSETS UTILISATION RATIOS</b>					
Amounts payable after one year and long-term liabilities				6624000		24746000		Inventory turnover		5.96		4.76	
Amounts payable within year and short-term liabilities				10498000		21538000		Receivables turnover		14.57		10.39	
ACCRUED CHARGES AND DEFERRED INCOME				428000		0		Net working capital turnover		4.28		2.68	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>				<b>75670000</b>		<b>154712000</b>		Long-term assets turnover		3.44		3.90	
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>								Total assets turnover		1.63		1.37	
SALES AND SERVICES				123457000		211685000							
COST OF GOODS SOLD AND SERVICES RENDERED				104097000		175733000							
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>				<b>10463000</b>		<b>19601000</b>							

<b>TRADING STATISTICS</b>		<b>1996</b>		<b>1997</b>		<b>1-2Q 1998</b>		<b>MARKET VALUE RATIOS</b>		<b>1996</b>		<b>1997</b>	
<b>PRICE (LTL)</b>								Capitalisation (LTL thou)		37531		78463	
First		14.00 (1.02)		24.06		46.00		Share book value (LTL)		31.95		29.86	
Max		24.06 (12.19)		62.68 (09.29)		52.05 (04.27)		Price / book value ratio [P/BV]		0.75		1.54	
Min		7.50 (05.21)		24.00 (01.06)		37.62 (06.30)		Earnings per share (LTL)		5.75		5.91	
Last		24.06 (12.31)		46.00 (12.31)		37.62 (06.30)		Price / earnings ratio [P/E]		4.18		7.78	
Change (%)		71.86		91.19		-18.22		Dividend per share (LTL)		1.00		1.00	
Number of transactions (CM)		236		2598		1316		Dividend yield		0.04		0.02	
Turnover CM (units)		42216		415778		121552		<b>STRUCTURE OF OWNERSHIP</b>					
Turnover CM (LTL)		674285		20157258		5691163.82		On 1 January 1998, the company's ownership was distributed in the following way: foreign investors (41.2%), employees (38.2%), private farmers and small farms (8.9%) and other shareholders (11.7%). The state held 0.3% of the stock.					
Turnover BT (units)		27505		1171344		337993		Antanas Trumpa				27.4%	
Turnover BT (LTL)		502629		44801117		15215666.76		Williams de Broe Pankkiirliike OY				6.5%	
CM turnover as % in total		60.55		26.20		26.45		Bank of Bermuda				5.0%	
Total turnover (units)		69721		1587122		459545							
Total turnover (LTL)		1176914		64958375		20906830.58							
Turnover ratio (%)		4.47		93.05		14.28							
As % in the total share turnover		0.62		6.77		4.55							

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 33,236,420

### Ordinary shares:

-1705733 registered shares at LTL 10 par (security code 10037) accounting for 51.32% of the auth. capital (admitted to trading at the NSEL on 24.07.95, listed on the Official List on 07.04.97)

-1200000 registered shares at LTL 10 par (sec. code 12211) accounting for 36.11% of the auth. capital (admitted to trading at the NSEL on 01.04.97)

-300000 registered shares at LTL 10 par (sec. code 12335) accounting for 9.03% of the auth. capital (admitted to trading at the NSEL on 17.11.97)

### Shares of agricultural producers:

-111457 shares at LTL 10 par (sec. code 11667) (3.35%) (not admitted to trading at the NSEL)

### Preference shares:

-6452 registered shares at LTL 10 par with 1% non-cumulative dividend (sec. code 12179) account for 0.19% of the auth. capital (not admitted to trading at the NSEL)

## SUBSIDIARIES

	<b>Date of establishment (acquisition)</b>	<b>Authorised capital</b>	<b>Share interest</b>
Utenos Pienas AB	1994	LTL13.8m	50.6%
Ukmergės Plėninė	1996		100%
Zarasų Plėninė	1995		100%



## ŠIAULIŲ PIENAS

## DAIRY PRODUCTS

<b>Address:</b>	V.Bielskio g. 18, 5402 Šiauliai	<b>Established:</b>	1957
<b>Phone:</b>	(370-1) 427889	<b>Privatised:</b>	1996
<b>Fax:</b>	(370-1) 421688	<b>Number of employees:</b>	941
<b>Registration date:</b>	31/08/95	<b>Authorised capital (LTL m):</b>	33.5
<b>Registration code:</b>	4408326	<b>Capitalisation (LTL m) (01/07/98):</b>	2.5
		<b>Trading List:</b>	<b>Current</b>

**Management Board** (participation in the company): Stanislovas Ambrasas, Chairman (0.108%), Juozas Arlauskas (0.075%), Algimantas Augys (1.178%), Irena Bielskienė (0.0815%), Alfonsas Pranckevičius (0.0716%), Valentinas Valiulis (1.91%), Vitoldas Pranas Zovė (3.424%), Jonas Tamašauskas (1.67%), Vaclovas Vingras (2.54%)

**Managing Director:** Stanislovas Ambrasas

**Investment Relations:** Alfonsas Pranckevičius, tel. (370-1) 441 764

**CORPORATE HISTORY**

The company's legal predecessor, ŠIAULIAI MILK PROCESSING PLANT, was established in 1957. In 1995, the public limited company ŠIAULIŲ PIENAS was registered. During 1988-1996, investments into construction and renovation totalled LTL 28.2 million.

Initially, the authorised capital amounted to LTL 22.2m, in 1996, it reached LTL 33.5 million.

In 1996, the company acquired Joniškis Dairy, and now has three regional dairies under control.

**BUSINESS ACTIVITY, LATEST DEVELOPMENTS**

The company's principal activity consists in processing of milk and manufacture of dairy products. The dairy also renders transport services, engages in wholesale and retail trade.

In 1997, whole milk products constituted 75% of the total output. ŠIAULIŲ PIENAS also produced cheese, skim milk products, butter and ice-cream.

Chiefly, ŠIAULIŲ PIENAS sells its products in Lithuanian cities and regions. Foreign markets cover Latvia, Estonia, Russia, Holland, Denmark, Kazakhstan. Last year the company exported 514 tonnes of butter, 1525t of cheese and 4507t of whole milk products.

In 1997, sales revenue amounted to LTL 64.3 million. Aged cheese and cheese spreads generated the bulk of income, while skim milk products made up 30 per cent.

The company suffered a LTL 1.2m loss in the accountable year. The loss was conditioned by increased depreciation costs (from LTL 1.8m in 1996 to LTL 2.8m in 1997). Continuously growing milk purchase prices and appreciation of energy resources also contributed to the negative result.

**PLANS, PROSPECTS FOR 1998**

ŠIAULIŲ PIENAS intends to modernise production, update know-how, conquer new markets and introduce new product lines.

**STRUCTURE OF OWNERSHIP**

State Securities Fund	21.8%
Private capital	78.2%

**STRUCTURE OF SHARE CAPITAL**

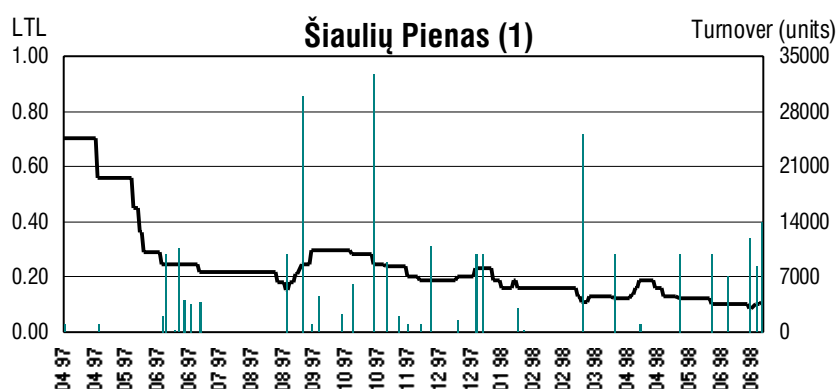
**Share capital:** LTL 33,541,683

**Ordinary shares:**

-22437891 registered shares at LTL 1 par (security code 11646) accounting for 66.90% of the auth. capital (admitted to trading at the NSEL on 10.03.97)

**Shares of agricultural producers:**

-11103792 shares at LTL 1 par (security code 11647) accounting for 33.10% of the auth. capital (not admitted to trading at the NSEL)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		49482017	48211762	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		23486916	26080559	Current ratio	1.18	1.19
Stock		17994342	19305989	Quick ratio	0.28	0.31
Amounts receivable within one year		5318441	6379085	Net working capital (LTL thou)	3608	4097
TRANSFER ACCOUNTS		33847	31822	Net working capital to total assets	0.05	0.06
<b>TOTAL ASSETS</b>		<b>73002780</b>	<b>74324143</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		36792872	35523772	Profit margin (%)	0.00	-0.02
Capital		33541683	33541683	Return on assets (%)	0.00	-0.02
Subscribed capital		33541683	33541683	Return on equity (%)	0.00	-0.04
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.50	0.52
Reserves		3447692	1982089	Debt / equity ratio	0.98	1.09
Profit (loss) brought forward		-196503	0	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		16296970	16784850	Inventory turnover	3.30	3.17
Amounts payable within year and short-term liabilities		19912938	22015521	Receivables turnover	13.47	11.00
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	17.04	15.70
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>73002780</b>	<b>74324143</b>	Long-term assets turnover	1.24	1.33
				Total assets turnover	0.84	0.87
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		61488521	64331482			
COST OF GOODS SOLD AND SERVICES RENDERED		55884645	59110345			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>-61830</b>	<b>-1269099</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		5161
First	0.70	0.23	Share book value (LTL)	1.10	1.06
Max	0.15 (08.27)	0.23 (01 07)	Price / book value ratio [P/BV]	-	0.22
Min	0.70 (04.28)	0.09 (06 23)	Earnings per share (LTL)	-0.002	-0.04
Last	0.23 (12.30)	0.11 (06 29)	Price / earnings ratio [P/E]	-	-
Change (%)	-67.14	-52.17	Dividend per share (LTL)	0.00	0.00
Number of transactions (CM)	87	32.00	Dividend yield	-	-
Turnover CM (units)	168498	101015.00	Dividend payout ratio	-	-
Turnover CM (LTL)	40994	11085.17			
Turnover BT (units)	114016	19284.00			
Turnover BT (LTL)	25235	2007.53			
CM turnover as % in total	59.64	83.97			
Total turnover (units)	282514	120299.00			
Total turnover (LTL)	66229	13092.70			
Turnover ratio (%)	1.26	0.54			
As % in the total share turnover	0.01	0.00			

## ŽEMAITIJOS PIENAS

## DAIRY PRODUCTS

<b>Address:</b>	Sedos g. 35, 5610 Telšiai	<b>Established:</b>	1924
<b>Phone:</b>	(370-94) 54855, 55031	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-94) 74897	<b>Number of employees:</b>	1157
<b>Registration date:</b>	23/06/93	<b>Authorised capital (LTL m):</b>	27.3
<b>Registration code:</b>	8024075	<b>Capitalisation (LTL m) (01/07/98):</b>	51.7

<b>Auditor:</b>	<b>Deloitte &amp; Touche</b>	<b>Trading List:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Asta Kiguolienė, Chairwoman (2.11%), Algirdas Žilinskas (0.21%), Gražina Norkevičienė (0.17%), Zita Vaitkuvienė (0.13%), Algis Stulpinas (0.16%), Albinas Aukštikalnis (0.07%), Algirdas Mika (0.05%), Vincas Rupšlaukis (0.06%), Ieva Stanienė (0.01%)

**Management Board:** Algirdas Pažemeckas, Chairman (33.74%), Romusis Jarulaitis (2.72%), Irena Baltrušaitienė (0.25%), Dalia Gecienė (1.23%), Petras Antanavičius (0.55%), Gediminas Vaitkevičius (0.26%), Vytautas Katauskas (0%), Irena Venckienė (0.05%), Verutė Masiliauskienė (0.01%)

**Managing Director:** Algirdas Pažemeckas

**Investment Relations:** Algirdas Pažemeckas, tel. (370-94) 5 48 55

## CORPORATE HISTORY

The company began its activity in 1924. For a number of decades, the company was known as a Telšiai cheese maker. On 23 June 1993, the company was registered as a public company ŽEMAITIJOS PIENAS.

In 1994, 144522 state-held shares were sold to farmers at a discount. In March 1995, general shareholders' meeting decided to raise company's authorised capital by LTL 3.46m out of supplementary contributions. In September 1995, ŽEMAITIJOS PIENAS registered share capital of LTL 7.77 million. The capital was divided into 632,159 ordinary registered shares (81.4%) and 144,522 shares of agricultural producers (18.6%). In March 1996, the general meeting resolved to increase authorised capital out of company reserves by LTL 6m and issue 504,408 ordinary registered shares and 115,316 shares of agricultural producers. The shares were successfully placed and the stock capital amounted to LTL 13.96 million.

With the acquisition of Ūta Ltd in February 1997, ŽEMAITIJOS PIENAS authorised capital reached LTL 14.75 million. The general shareholders' meeting that followed in March decided to increase the share capital by LTL 8.32m out of reserves and supplementary contributions to LTL 23.52 million.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

ŽEMAITIJOS PIENAS specialises in production of various dairy products: butter, milk, sour milk products, cream, sour cream, cottage cheese, aged cheese, curds and dry milk products.

In 1997, the company introduced pasteurised milk Žvalumas enriched with vitamins A and D, pasteurised milk Olimpas

enriched with calcium and protein, salted butter and other products.

In 1997, the company produced 3.2 thou tonnes of aged cheese (32.4%), 3.1 thou tonnes of butter (31% of the total output), 6.9 thou tonnes of milk (9.5%), 3 thou tonnes of sour milk products (5.3%), etc. Total production volume accounted for 19.6 thou tonnes or LTL 100.3 thousand.

ŽEMAITIJOS PIENAS sells its products in Lithuania (60%) and foreign countries (40%). From 1995, exports have been steadily growing (from 29% to 40%), in particular to the CIS countries, where Lithuanian foodstuffs are in great demand. On 5 February 1998, the company was granted EU certificate, which allows to deliver dairy products to EU countries.

In 1997, the company acquired substantial holdings in two Lithuanian dairies: Klaipėdos Pienas (85%) and Šilutės Rambynas (59%).

The pre-tax profit for year 1997 constituted LTL 15.7m, after-tax profit came to LTL 13.2m, a remarkable 75% rise since last year.

## PLANS, PROSPECTS FOR 1998

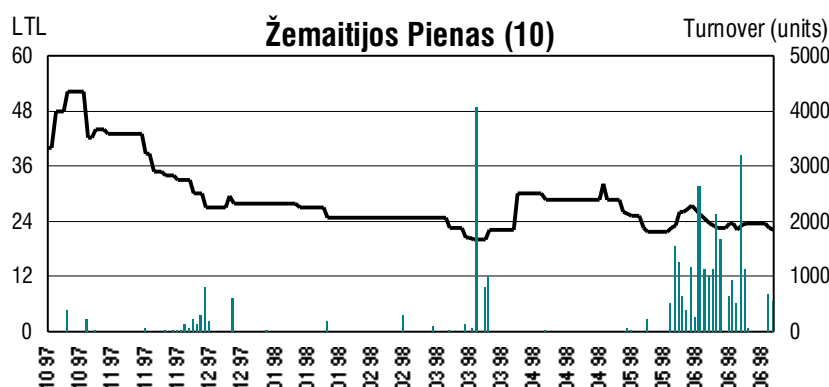
The company intends to augment its sales in Eastern markets and to complete modernisation of technical and technological platform.

In June 1998, the shareholders resolved to make a LTL 4m share issue. Firstly, the issue will be placed privately under the lead management of Williams de Broë plc and Vilfima Ltd. If part of the issue remains undersubscribed, public offering will be carried out.

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Klaipėdos pienas AB	1997	LTL 21.9m	85%
Šilutės Rambynas ABF	1997	LTL 15.6m	59%
Obligacija UAB		LTL 250 thou	33%
Telšių Autoservisas AB		LTL 1.1m	54%
Žemaitijos Prekyba UAB		LTL 100 thou	67%





<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		31967017	47744000	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		20183450	43926687	Current ratio	0.73	0.90
Stock		8117089	25552416	Quick ratio	0.43	0.38
Amounts receivable within one year		8827957	17754272	Net working capital (LTL thou)	-7613	-4688
TRANSFER ACCOUNTS		0	0	Net working capital to total assets	-0.15	-0.05
<b>TOTAL ASSETS</b>		<b>52150467</b>	<b>91670687</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		23989461	37348660	Profit margin (%)	0.07	0.09
Capital		13964050	23517890	Return on assets (%)	0.15	0.14
Subscribed capital		13964050	23517890	Return on equity (%)	0.32	0.35
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.54	0.59
Reserves		10025411	1296699	Debt / equity ratio	1.17	1.45
Profit (loss) brought forward		0	12534071	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		364160	5517013	Inventory turnover	11.56	6.96
Amounts payable within year and short-term liabilities		27796846	48805014	Receivables turnover	15.62	10.48
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	-15.29	-30.03
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>52150467</b>	<b>91670687</b>	Long-term assets turnover	3.64	2.95
				Total assets turnover	2.23	1.53
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		116410308	140769545			
COST OF GOODS SOLD AND SERVICES RENDERED		102959127	117836757			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>7690022</b>	<b>12534071</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		54594
First	40.00	28.00	Share book value (LTL)	17.18	15.96
Max	27.00 (12.15)	32.00 (05 01)	Price / book value ratio [P/BV]	-	1.75
Min	52.00 (10.27)	20.00 (03 20)	Earnings per share (LTL)	5.51	5.64
Last	28.00 (12.31)	22.14 (06 30)	Price / earnings ratio [P/E]	-	4.97
Change (%)	-30.00	-20.93	Dividend per share (LTL)	0.00	0.00
			Dividend yield	-	-
Number of transactions (CM)	72	495	Dividend payout ratio	-	-
Turnover CM (units)	4958	30824			
Turnover CM (LTL)	173508	716865			
Turnover BT (units)	21888	49605			
Turnover BT (LTL)	927284	639431			
CM turnover as % in total	18.47	38.32			
Total turnover (units)	26846	80429			
Total turnover (LTL)	1100792	1356296			
Turnover ratio (%)	1.38	3.44			
As % in the total share turnover	0.12	0.30			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 27,371,790

### Ordinary shares:

- 2335162 registered shares at LTL 10 par (security code 12186) accounting for 85.31% of the auth. capital (admitted to trading at the NSEL on 13.10.97)

### Shares of agricultural producers:

- 402017 shares at LTL 10 par (security code 12187) accounting for 14.69% of the auth. capital (not admitted to trading at the NSEL)

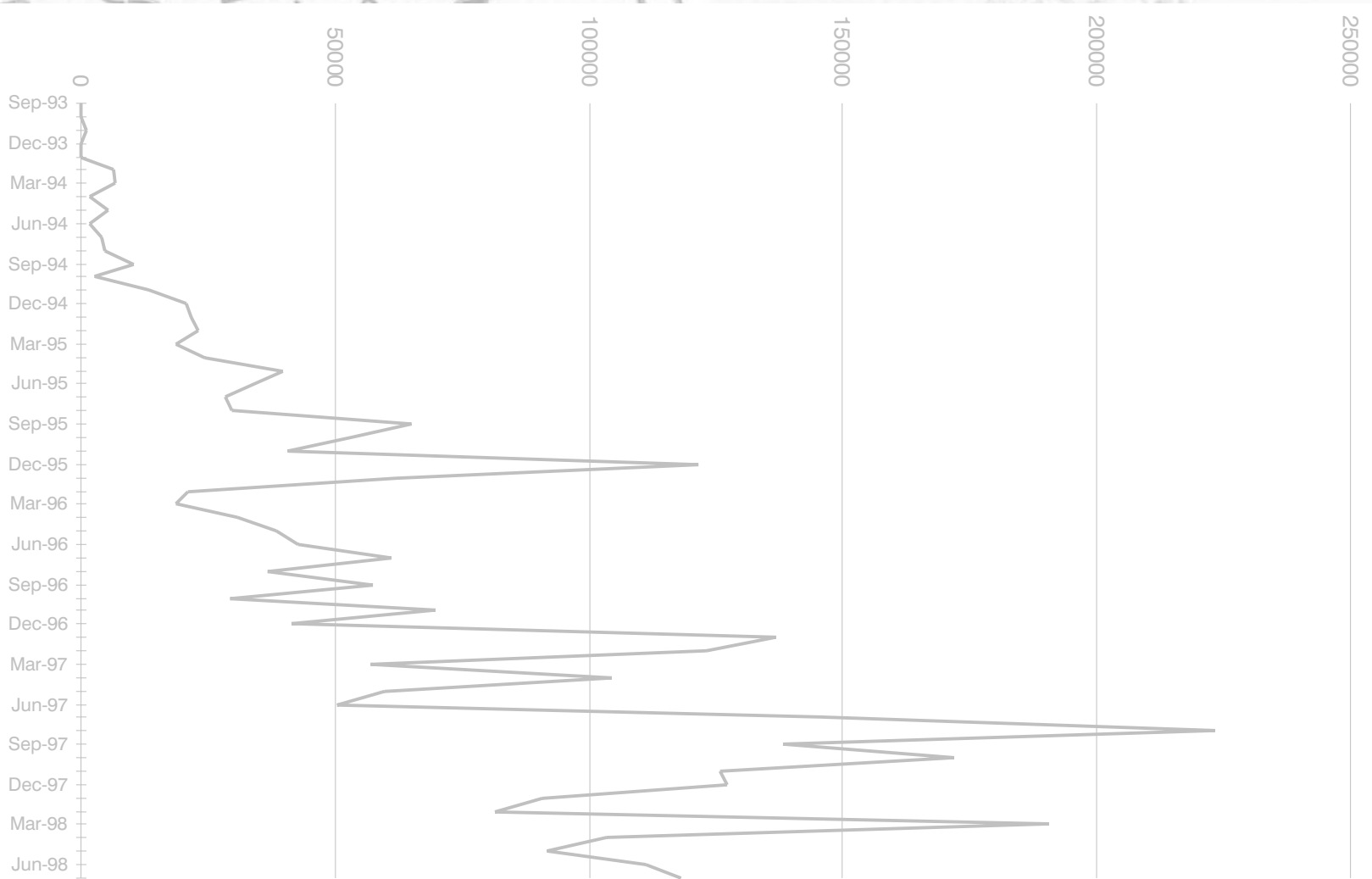
## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 4462.

Algirdas Pažemeckas 33.74%

# LITHUANIAN COMPANIES

TOTAL TURNOVER (LTL thou), 1993-1998



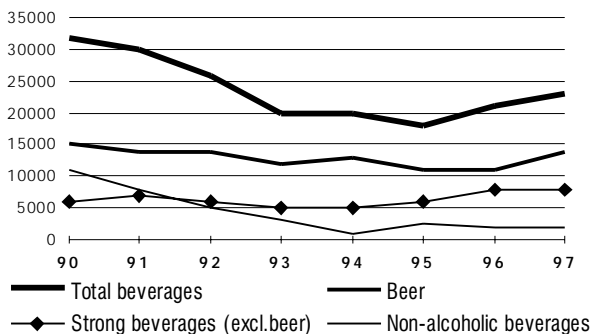
## BEVERAGES

The Lithuanian beverages sector is comprised of alcohol producers, breweries and non-alcoholic producers. Production of alcohol is regulated by the State with regard to the ownership structure of companies, excise taxes and licenses. According to the Department of Statistics of Lithuania, in 1996, consumption of alcoholic beverages per capita per year was 9.5 litres of 100% alcohol, excluding consumption of smuggled and home-made alcoholic beverages. According to unofficial figures, of the total amount consumed imported alcoholic beverages constituted about 10%, smuggled about 30% and domestic beverages 60% in 1996-1997.

In 1997, production of beverages increased by 11%, mostly due to the increase of beer production by 22% and non-alcoholic beverages by 7 per cent. We believe several reasons influenced this tendency:

- 1) Favourable excise tax policy for beer and growth of excise for liqueur during 1996-IQ'98 influenced growth of beer consumption instead of liqueur.
- 2) The increase of consumers' purchasing power allowed for higher consumption rates of beer and wine.
- 3) Changing consumption habits induced a reorientation from vodka and liqueurs to beer, wine and cocktails.
- 4) The warm summer of 1997 raised consumption of beer and non-alcoholic beverages, such as Coca-Cola, Pepsi-Cola, Selita, Libella fruit juices and mineral water.

### Production of beverages in Lithuania (thou dal)



### EXPORT

The main exporters among producers of liqueur are Sema, which exports about 50% of pure alcohol products, and Stumbras, which exports about 20% of total produced vodka, liqueurs and pure alcohol mainly to Kazakhstan. Exports of beverages are highly limited, because of various barriers created by neighbouring countries. Beer and non-alcoholic beverages are produced mainly for the domestic market, as well.

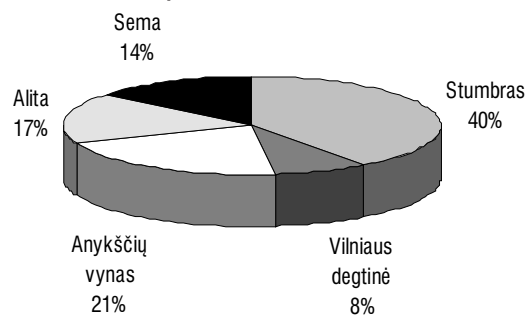
### ALCOHOLIC BEVERAGES SUB-SECTOR

Main producers Stumbras, Alita, Anykščių Vynas, Vilniaus Degtinė and Sema occupy about 98% of the Lithuanian alcohol production market. The State is the main shareholder of these companies except for Sema, therefore their activity is controlled directly. According to the Law on Alcohol Control, companies have been allowed to produce stronger than 22 proof beverages since 1 January 2001, only if state owned. Sema received a guarantee from the State that it will be permitted to develop current activity after the set date.

According to the Company Law, the State has the right to require 7% annual dividends per share since the beginning of 1997. If the company comes up short on earnings for 7% dividends, it may pay less.

In 1997, Stumbras was the largest alcohol producer in Lithuania, with the principal activity being the production of various kinds of vodka, liqueur and ethyl alcohol. Alita is the main producer of sparkling grape wine and various kinds of brandy. Anykščių Vynas manufactures fruit wines and liqueurs. Vilniaus Degtinė makes various kinds of vodka and liqueur. Sema is leading in production of ethyl alcohol.

### Structure of alcohol producers market in 1997, %



In 1997, sales of Lithuanian producers of liqueur decreased by 3% due to increase in excise taxes and rise in consumption of lighter beverages. However, Lithuanian producers created new brands of drinks and intend to compete with imported beverages.

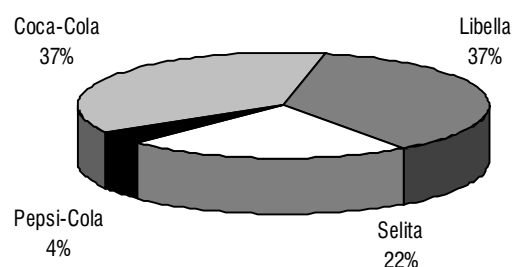
During 1997, production of sparkling wine fell by 22% due to the competition with Latvian sparkling wine, which took advantage of favourable export conditions under the Free-trade agreement among the Baltic states. At the beginning of 1998, Anykščių Vynas introduced new brands of sparkling fruit and berry wine.

In 1998, the state intends to sell its 27.16% stake in Sema. It is doubtful whether other privatisations in this sector will be carried out, because of the State's wish to keep its monopolistic control over the alcohol producers.

### NON-ALCOHOLIC BEVERAGES SUB-SECTOR

There are four large players in the market: Coca-Cola Bottlers Lietuva, Pepsi-Cola General Bottlers, Libella and Selita. They occupied 50% of the market in 1997. These companies are private, thus they are not listed on the NSEL.

### Structure of non-alcohol producers market in 1997, %





## ALITA

## SPARKLING WINE

<b>Address:</b>	Miškininkų g. 17, Alytus	<b>Established:</b>	1963
<b>Phone:</b>	(370-35) 79243, 79653	<b>Privatised:</b>	1991
<b>Fax:</b>	(370-35) 79467	<b>Number of employees:</b>	548
<b>Registration date:</b>	10/12/90	<b>Authorised capital (LTL m):</b>	73.09
<b>Registration code:</b>	4951989	<b>Capitalisation (LTL m) (01/07/98):</b>	95.01

**Auditor:** Arthur Andersen **Trading List:** Current

**Management Board:** (participation in the company): Pranas Jaciunkas (0%), Rūta Bilkštytė (0%), Ona Vitartienė (0%), Vytautas Junevičius (0.15%)

**Managing Director:** Vytautas Junevičius

**Investment Relations:** Arvydas Stankevičius, tel. (370-35) 7 90 54

## CORPORATE HISTORY

ALITA's predecessor, Alytus wine plant, was established in 1963. In 1964, the reconstruction was carried out and in the following year 169 thou dal of grape wine were bottled. The company started processing local raw material - apples. The second reconstruction of the wine plant started in 1969 and was completed by 1975. A new juice section was launched into operation. After the reconstruction, the production volume increased to 1800 thou dal of wine, including 1000 thou dal of fruit-berry wine. The range of products was growing together with the company: aromatic wines were introduced in 1968, natural fruit-berry wine in 1975, semi-dry wine appeared in 1976.

Year 1980 was the most important and significant in the company's history. Construction of a new section was completed and sparkling wine was produced for the first time. The projected capacity of the section amounted to 3m bottles per year. However, in 1985, the company produced 5.6m bottles of sparkling wine and 10m bottles in 1990.

In 1981, ALITA introduced new brand Auksinis and in 1983, wine Muskatinis joined the product line. In 1990, first bottles of sparkling wine Dainava appeared on the market, sparkling wines Karalius Mindaugas and Ieva were introduced in 1994 and 1996 accordingly. The section of sparkling wines is arranged following the most update technical and technological achievements and most progressive production methods. The company makes all sorts of sparkling wine Alita: brute, semi dry, dry, semi sweet and sweet. In 1995, 11.7m bottles of these wines were produced.

In 1989, the Italian line Manzini designed for the production of juice concentrate was mounted. The capacity of this line amounts to 400t of apples per 24 hours. With the help of this equipment, 25 thou tonnes of apples are processed per season, 2000t of concentrate are produced, and about 400 thou dal of juice are fermented.

In 1991, the company was reorganised into the state enterprise ALITA. In 1994, it was divided into two separate companies: state enterprise ALITA and Alytus soft drinks maker. On 16 March 1995, the company was registered as a special purpose public company ALITA.

## BUSINESS ACTIVITY

ALITA produces 13 brands of sparkling grape wine. It accounts for 58% of the company's total sales. Grape and fruit-berry wines are also popular with the consumers and comprise about 37% of the sales revenue.

In addition to wine, ALITA produces strong alcoholic drinks: popular brandy Alita and brandy Giminių made out of natural apple juice and aromatic herbs mix. Strong drinks account just for 4% of

ALITA's total sales, however their production volume has been constantly growing from 41 thou bottles in 1995 to 322 thou bottles in 1997.

Alcohol, sugar and apples are secured from local resources. The company used to import raw materials for grape wines from Moldova, however from 1996 supplies have been delivered from France. Natural corks are purchased in Spain, bottles in Estonia and Slovak Republic, ferments in Switzerland. Labels are printed not only in Lithuania, but also in Italy, Denmark, and Sweden. From 1986 the company exports wines to Hungary and Poland, from 1988 - to Germany, from 1995 - to Denmark.

## DEVELOPMENTS IN 1997

In 1997, new brand of sparkling wine Siurprizas was offered to the market. The company also started to produce white dry wine Vynas 136, wines Šelmių and Rožinis. Production output grew in all product lines except sparkling wine, which showed a decrease from 11.7m bottles in 1995 to 7.7m bottles in 1997. However, rise in other products output compensated this drop and in total sales slightly rose from LTL 92.5m in 1996 to LTL 92.7m in 1997.

ALITA's wines were recognised internationally. At exhibition VINMOLDOVA '97 (Kishenov) sparkling grape wine Karalius Mindaugas was granted gold medal, Alita wines were awarded silver and bronze medals. Sparkling wine Karalius Mindaugas was also honoured Grand Prix at the exhibition RIGAFOOD '97 (Riga), wine Ieva was accorded silver medal. In Poland, at the fair POLDRINK ALITA's sparkling wines were distinguished once again with the highest awards.

Last year the authorised capital of the company was increased by LTL 24.6m out of profit reserves to LTL 73 million. The state holds 83.77% of the stock, while the remaining 16.23% are in private hands.

The pre-tax profit in 1997 constituted LTL 17.2m, and net profit amounted to LTL 16.4 million.

## PLANS, PROSPECTS FOR 1998

ALITA aims at designing and introducing new products and technologies, completing wine section reconstruction and modernisation, renovating equipment and implementing a computerised bookkeeping system according to module Concorde XAL. In 1998, the company intends to allot LTL 7.5m for reconstruction and development. ALITA will pay particular attention to market research and distribution network.

In 1998, the company plans to produce 8m bottles of sparkling wine, 12.9m bottles of various wines and 1500 thou tonnes of apple juice concentrate.

<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		52300941	58389658
<b>SHORT TERM ASSETS</b>		73260890	75022560
Stock		41372826	47097998
Amounts receivable within one year		24466816	22486643
TRANSFER ACCOUNTS		2190446	266715
<b>TOTAL ASSETS</b>		<b>127752277</b>	<b>133678933</b>
<b>CAPITAL AND RESERVES</b>		92700688	100889138
Capital		48519628	73088135
Subscribed capital		48519628	73088135
Share premium account		0	0
Revaluation reserve		0	0
Reserves		44181060	27801003
Profit (loss) brought forward		0	0
Amounts payable after one year and long-term liabilities		0	0
Amounts payable within year and short-term liabilities		35051589	32733795
ACCRUED CHARGES AND DEFERRED INCOME		0	56000
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>127752277</b>	<b>133678933</b>
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>			
<b>SALES AND SERVICES</b>		96617552	95688889
<b>COST OF GOODS SOLD AND SERVICES RENDERED</b>		51348225	58637572
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>22103889</b>	<b>16431991</b>

<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LIQUIDITY RATIOS</b>		
Current ratio	2.15	2.30
Quick ratio	0.97	0.86
Net working capital (LTL thou)	40400	42499
Net working capital to total assets	0.32	0.32
<b>PROFITABILITY RATIOS</b>		
Profit margin (%)	0.23	0.17
Return on assets (%)	0.17	0.12
Return on equity (%)	0.24	0.16
<b>FINANCIAL LEVERAGE RATIOS</b>		
Total debt ratio	0.27	0.25
Debt / equity ratio	0.38	0.33
<b>ASSETS UTILISATION RATIOS</b>		
Inventory turnover	1.40	1.33
Receivables turnover	4.71	4.08
Net working capital turnover	2.39	2.25
Long-term assets turnover	1.85	1.64
Total assets turnover	0.76	0.72

<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
Capitalisation (LTL thou)		
Share book value (LTL)	1.91	1.38
Price / book value ratio [P/BV]	-	-
Earnings per share (LTL)	0.46	0.22
Price / earnings ratio [P/E]	-	-
Dividend per share (LTL)	0.070	0.070
Dividend yield	-	-
Dividend payout ratio	0.15	0.31

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 73,088,135

### Ordinary shares:

-73088135 registered shares at LTL 1 par (security code 11865) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 25.05.98)

## STRUCTURE OF OWNERSHIP

Ministry of Agriculture

83.77%

## ANYKŠČIŲ VYNAS

### MANUFACTURE AND BOTTLING OF WINE

<b>Address:</b>	Dariaus ir Girėno g. 8, 4930 Anykščiai	<b>Established:</b>	1926
<b>Phone:</b>	(370-51) 51251	<b>Number of employees:</b>	715
<b>Fax:</b>	(370-51) 52868	<b>Authorised capital (LTL m):</b>	33.4
<b>Registration date:</b>	21/11/90	<b>Capitalisation (LTL m) (01/07/98):</b>	43.5
<b>Registration code:</b>	5411165		

**Auditor:** Arthur Andersen **Trading List:** Current

**Supervisory Board** (participation in the company): J.Dvareckas, Chairman (0%), D.Kitkauskienė (1.08%), G.Belian (0%), R.Naujokienė (0%), A.Juknevičius (0%)

**Management Board:** J.Makštelė, Chairman (0.1%), A.Pipiras (0.07%), V.Mikulėnas (0.08%)

**Managing Director:** J.Makštelė

**Investment Relations:** A.Reisas, tel. (370-51) 5 28 68

#### CORPORATE HISTORY

In 1926, Balys Karazija started producing excellent, fragrant fruit and berry wine in Anykščiai region. Soon his wine gained international recognition. In 1938, wine Birutė won the first prize in the international fair in Paris, while wines Senasis and Banga were awarded gold medals.

After World War II ANYKŠČIŲ VYNAS became the leading wine-maker and laboratory for research and development. Natural wines received a quality mark and were displayed in international exhibitions in New York, Leipzig and London. The company's wines were a great success in London exhibition in 1969.

Since 1965 till 1995, the company had undergone a number of changes in its status from an experimental wine plant to the state enterprise and finally joint stock company ANYKŠČIŲ VYNAS.

#### BUSINESS ACTIVITY

ANYKŠČIŲ VYNAS is the oldest and largest wine maker not just in Lithuania, but in the whole Baltic region. The company produces fruit and berry wine, vodka-liqueur products, brandies, juice concentrate and sweets.

From 1987 a modern Swiss line Unipektin capable of processing 450t of apples has been in operation. Bottling is done by a general purpose line made up of German and Italian equipment. The capacity reaches 10-12 thou bottles per hour. It enables the company to manufacture products with extended consumption period without adding preservatives.

The company sells its produce through wholesalers and its own outlets in Lithuania, Russia, Czech Republic, and Germany. Raw supplies are secured from Estonia, Ukraine, Argentina, France, Norway and Great Britain.

#### DEVELOPMENTS IN 1997

In 1997, the company reconstructed its souvenirs section. Newly mounted bottling line enables to produce 100 thou dal of products packed in souvenir bottles of irregular shape.

New machinery for processing berries was launched into production. It is capable of handling 5t of berries per hour. As a result, the company processed 2.8 thou tonnes of berries during the past season.

Last year the company expanded the range of its products with grape and fruit-berry sparkling wine. ANYKŠČIŲ VYNAS mounted a new line for bottling sparkling wine. The productivity of the equipment amounts to 3 thou bottles per hour, which is sufficient to produce 4m bottles of top quality sparkling wine a year.

Number of employees grew over the year by 21% to reach 120. Staff experienced a 22.6% rise in salaries and currently earn LTL 1325 per month.

The company's sales saw a 24.5% increase compared with 1996, while ex-tax profit totalled LTL 13 million.

#### PLANS, PROSPECTS FOR 1998

The company anticipates increase in its sales revenue from LTL 75 thou in 1997 to LTL 90 thou in 1998.

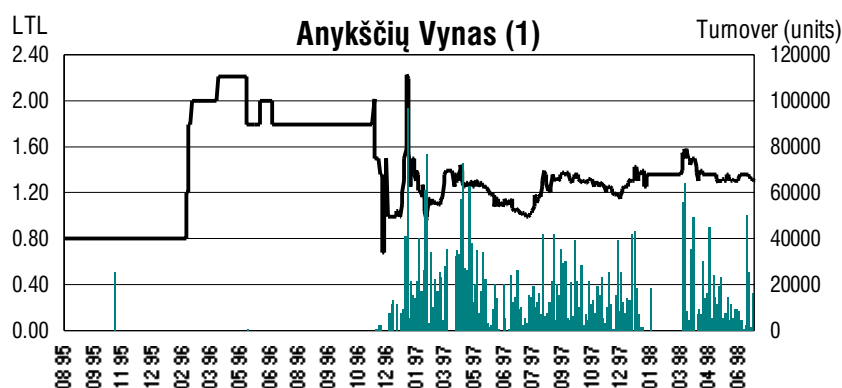
#### STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 891.	
State (Ministry of Agriculture)	84.47%
Employees	11.18%

#### STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 33,429,005
<b>Ordinary shares:</b>	-33429005 registered shares at LTL 1 par (security code 11277) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 10.07.95)





<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		55087356	65320609	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		35468372	43928695	Current ratio	2.76	2.10
Stock		22423729	29856608	Quick ratio	1.02	0.69
Amounts receivable within one year		12110485	10909089	Net working capital (LTL thou)	22626	23250
TRANSFER ACCOUNTS		0	469780	Net working capital to total assets	0.25	0.21
<b>TOTAL ASSETS</b>		<b>90555728</b>	<b>109719084</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		74058604	81290113	Profit margin (%)	0.22	0.17
Capital		57039646	57039646	Return on assets (%)	0.15	0.12
Subscribed capital		57039646	57039646	Return on equity (%)	0.18	0.16
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.18	0.26
Reserves		17018958	9661121	Debt / equity ratio	0.22	0.35
Profit (loss) brought forward		0	14589346	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		2595107	5962551	Inventory turnover	1.81	1.78
Amounts payable within year and short-term liabilities		12842017	20891684	Receivables turnover	5.33	6.54
ACCRUED CHARGES AND DEFERRED INCOME		0	257195	Net working capital turnover	2.67	3.24
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>90555728</b>	<b>109719084</b>	Long-term assets turnover	1.10	1.15
				Total assets turnover	0.67	0.69
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		60437559	75251957			
COST OF GOODS SOLD AND SERVICES RENDERED		37705950	46412595			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>13383619</b>	<b>12968055</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	57040	80996
First	0.80	1.00	1.42	Share book value (LTL)	1.30	1.43
Max	2.20 (05.16)	0.95 (02.14)	1.58 (03 20)	Price / book value ratio [P/BV]	0.77	1.00
Min	0.68 (12.11)	2.22 (01.17)	1.26 (01 14)	Earnings per share (LTL)	0.23	0.23
Last	1.00 (12.17)	1.42 (12.31)	1.30 (06 30)	Price / earnings ratio [P/E]	4.26	6.24
Change (%)	25.00	42.00	-8.45	Dividend per share (LTL)	0.07	0.041
				Dividend yield	0.07	0.03
Number of transactions (CM)	58	1891	661	Dividend payout ratio	0.30	0.18
Turnover CM (units)	42185	3091774	928666			
Turnover CM (LTL)	46698	3988306	1300922			
Turnover BT (units)	22770	626979	178763			
Turnover BT (LTL)	20038	753840	241703			
CM turnover as % in total	64.94	83.14	83.86			
Total turnover (units)	64955	3718753	1107429			
Total turnover (LTL)	66736	4742146	1542625			
Turnover ratio (%)	0.11	6.52	3.31			
As % in the total share turnover	0.04	0.49	0.34			

## SEMA

## ALCOHOLIC DRINKS

**Address:** Respublikos g. 82, 5319 Panevėžys  
**Phone:** (370-5) 461327, 466566  
**Fax:** (370-5) 465793  
**Registration date:** 28/03/95  
**Registration code:** 4702413

**Established:** 1891  
**Privatised:** 1992  
**Number of employees:** 361  
**Authorised capital (LTL m):** 20.7  
**Capitalisation (LTL m) (01/07/98):** 15.7

**Auditor:** Coopers & Lybrand

**Trading List:** Current

**Supervisory Board** (participation in the company): Alvidas Devenis, Chairman (0%), Bronius Ciganas (0.02%), Alma Grigalienė (0%), Vytautas Repečka (0.58%), Česlovas Talačka (0.36%), Steponas Algimantas Kubeckas (0.09%)

**Management Board:** Gediminas Sargūnas, Chairman (4.95%), Antanas Stoka (0.05%), Vidmantas Mažuolis (0.39%), Raimondas Vytautas Sklėnys (0.58%)

**Managing Director:** Gediminas Sargūnas

**Investment Relations:** Gediminas Sargūnas, tel. (370-5) 461 327

## CORPORATE HISTORY

SEMA is one of the oldest companies operating in Lithuania. Its history track dates as far back as 1891, when S.MONTVILA'S DISTILLERY was founded. During World War I the plant was destroyed, equipment dismantled and transported to Germany. In 1921, re-established distillery S.MONTVILA'S SUCCESSORS & CO started producing yeast, alcohol and vodka. With the occupation of Lithuania by the Soviet Army in 1940, the company was nationalised.

In 1992, PANEVĖŽYS STATE DISTILLERY underwent partial privatisation (22% of the enterprise's capital were privatised) and was transformed into state-public company SEMA. When part of the year 1992 profit was capitalised in 1993, state holdings fell to 27 per cent.

In December 1997, the company issued convertible bonds for LTL 8.5 million. Hermis Bank was chosen the underwriter of the issue.

## BUSINESS ACTIVITY

The company offers diversified products. Rectified spirit constitutes over 60% of total production, baking yeast accounts for 25%, the remainder of production is represented by carbonic acid, brandies, alcoholic cocktails and perfumes.

Approximately 60% of the rectified ethyl alcohol are exported to Russia, Kazakhstan, Uzbekistan, the remaining part is realised in Lithuania for medical and pharmaceutical purposes, manufacture of alcoholic drinks and food products. Domestic market consumes the bulk of baking yeast and carbonic acid, small amounts are exported to Kaliningrad. The main raw material - molasses - is supplied to the company by four Lithuanian sugar factories, also Ukrainian, Belarussian and Latvian partners.

## DEVELOPMENTS IN 1997

1997 was not very successful for the company. SEMA failed to place LTL 18m issue. The main reason was a volatile situation in the market and short placement period. But on 12 November 1997, shareholders approved the issue of convertible bonds amounting to LTL 8.5 million. On 15 January 1998, the distribution of this issue was successfully completed.

Within one year, the image of the company changed considerably. Significant results were attained in quality policy. The company fully implemented the quality control system according to ISO 9002 and was presented with the international quality certificate. During 15-17 December 1997, the German agency TUV-CERT carried out Certified Quality System audit and came to a conclusion that the quality system was fully operational in the company.

Production of beverages was directed towards the wine

products market, new product lines were developed. In 1996, SEMA started to produce alcoholic beverages, alc. vol. less 22%, namely: carbonised alcoholic cocktails, sweet brandies, aperitifs. In 1997, the company introduced aromatic grape wines. Red vermouth Sema produced according to a special technology and sophisticated recipe contains infusions of several tens herbs. Owing to new products, sales of alcoholic beverages almost tripled, even though excise levied on alcoholic drinks jumped up to 43% in April 1997.

An important step forward in solving environment protection issues was made, when the Lithuanian Government provided the state guarantee for the Danish bank Den Danske Bank, which granted SEMA a soft loan in amount of 13.89m Danish crowns for the period of 11.5 years to construct a waste water treatment plant for the joint stock company SEMA.

Seeking to consolidate the intellectual power, the company, assisted by the best Lithuanian and foreign consultancy firms, carried out training of the personnel. During last year SEMA laid foundation for the cost reduction programme, selected methods and identified measures based on the available information technology systems.

Capital investments in 1997 constituted LTL 2.8 million. The average number of staff in 1997 was 361 and the average monthly salary amounted to LTL 1429. The pre-tax profit totalled LTL 4.97 million. The net profit of the accountable year was LTL 3.77 million.

During the year the company raised stock capital by LTL 5.19m to reach LTL 20.7 million.

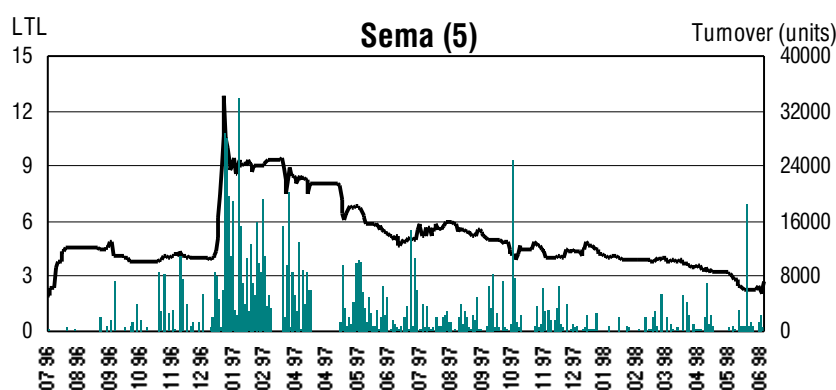
## PLANS, PROSPECTS FOR 1998

The company plans a 10% increase in production and sales. SEMA expects to augment realisation of baking yeast in Lithuania and Kaliningrad. Production of alcoholic drinks will be also expanded.

In April-May of 1998, SEMA will be carrying out reconstruction of rectified alcohol lines, which will result in modern, low-energy rectifying equipment. Modern alcohol rectifier will be installed by German company GEA Wiegand GmbH. After the reconstruction, the capacity of alcohol production will increase by 20% with the thermal energy consumption reduced almost threefold.

The company drew LTL 6m from the issue of convertible bonds to finance modernisation and development. In May 1998, bonds shall be converted into shares and the company's share capital would increase up to LTL 29,195,565. In 1998, the State has plans to sell its stake in the company.

SEMA intends to allocate LTL 12m for investments next year. The company will proceed with the construction of Waste water treatment plant and enhancement of the baking yeast know-how.



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		25093033	26313022	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		14546874	33234375	Current ratio	0.97	1.08
Stock		11272625	17568420	Quick ratio	0.23	0.51
Amounts receivable within one year		2769033	15358714	Net working capital (LTL thou)	-421	2457
TRANSFER ACCOUNTS		120899	95035	Net working capital to total assets	-0.01	0.04
<b>TOTAL ASSETS</b>		<b>39760806</b>	<b>59642432</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		21756934	25556600	Profit margin (%)	0.12	0.07
Capital		15509310	20695565	Return on assets (%)	0.16	0.06
Subscribed capital		15509310	20695565	Return on equity (%)	0.29	0.15
Share premium account		3	34005	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.45	0.57
Reserves		6247621	1061366	Debt / equity ratio	0.83	1.33
Profit (loss) brought forward		0	3765664	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		2915000	3213921	Inventory turnover	4.30	2.20
Amounts payable within year and short-term liabilities		14723713	30523947	Receivables turnover	24.44	5.79
ACCRUED CHARGES AND DEFERRED INCOME		365159	347964	Net working capital turnover	-130.06	21.35
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>39760806</b>	<b>59642432</b>	Long-term assets turnover	2.18	1.99
				Total assets turnover	1.38	0.88
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		54768512	52473119			
COST OF GOODS SOLD AND SERVICES RENDERED		36265168	31670729			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>6406584</b>	<b>3765664</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	12407	17012
First	2.00	4.00	4.11	Share book value (LTL)	7.01	6.17
Max	4.90 (09.26)	3.90 (10.28)	4.89 (01.07)	Price / book value ratio [P/BV]	0.57	0.67
Min	2.00 (07.30)	12.81 (01.20)	2.07 (06.26)	Earnings per share (LTL)	2.07	0.91
Last	4.00 (12.31)	4.11 (12.31)	2.68 (06.30)	Price / earnings ratio [P/E]	1.94	4.52
Change (%)	100.00	2.75	-34.79	Dividend per share (LTL)	0.35	0.25
				Dividend yield	0.09	0.06
Number of transactions (CM)	209	1607	357	Dividend payout ratio	0.17	0.27
Turnover CM (units)	85273	834579	102917			
Turnover CM (LTL)	347491	6258927	338894			
Turnover BT (units)	0	265393	32791			
Turnover BT (LTL)	0	1613114	116526			
CM turnover as % in total	100.00	75.87	75.84			
Total turnover (units)	85273	1099972	135708			
Total turnover (LTL)	347491	7872042	455420			
Turnover ratio (%)	2.75	26.58	2.32			
As % in the total share turnover	0.18	0.82	0.10			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 20,695,565

### Ordinary shares:

- 4139113 registered shares at LTL 5 par (security code 11069) accounting for 100% of the share capital (admitted to trading at the NSEL on 17.07.95)

## STRUCTURE OF OWNERSHIP

Ministry of Agriculture 27.16%



## STUMBRAS

## ALCOHOLIC DRINKS

**Address:** K.Būgos g. 7, 3000 Kaunas  
**Phone:** (370-7) 226165, 201878  
**Fax:** (370-7) 222939  
**Registration date:** 04/10/95  
**Registration code:** 3208278

**Established:** 1906  
**Number of employees:** 927  
**Authorised capital (LTL m):** 50.8  
**Capitalisation (LTL m) (01/07/98):** 20.3

**Trading List:** Current

**Management Board:** Juozas Yla, Alfonsas Rutkauskas, Česlovas Balsys, Algimantas Laucius

**Managing Director:** Jonas Žukauskas

**Investment Relations:** Valdas Dzedaravičius, tel. (370-7) 224911

**CORPORATE HISTORY**

The company was established in 1906. In 1991, STUMBRAS was transformed into a public company. In 1995, it was reregistered as a specific purpose company.

The company's authorised capital equals LTL 51m, with 92% in the hands of the state.

**BUSINESS ACTIVITY**

Chiefly, STUMBRAS specialises in manufacture of vodka-liqueur products. The company also produces rectified ethyl alcohol, mineral water Sudūva, raw spirit, starch, carbonic acid and nonpasteurised beer. The bulk of production is sold in Lithuania, the remainder is exported to Latvia, Kaliningrad region (Russia), the US. Distribution is handled either through wholesalers or company's outlets.

**DEVELOPMENTS IN 1997**

In 1997, sales revenue decreased from LTL 157m in 1996 to LTL 139m in 1997. The decline was caused by a sharp change in the business environment, mainly effected by a 30% jump in the alcohol excise. The pre-tax profit of the accountable term was LTL 20.2m, net profit totalled LTL 15.9 million.

**PLANS, PROSPECTS FOR 1998**

STUMBRAS anticipates to improve marketing, raise sales in the domestic market and to intensify exports to other Baltic states.

**STRUCTURE OF OWNERSHIP**

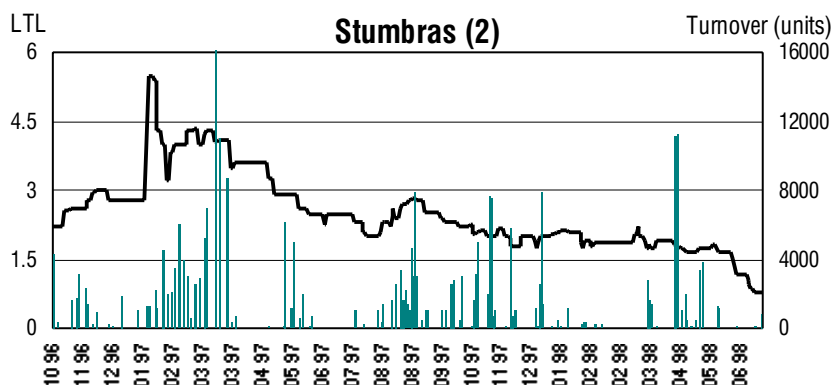
Ministry of Agriculture	92%
Employees	8%

**STRUCTURE OF SHARE CAPITAL**

**Share capital:** LTL 50,845,884

**Ordinary shares:**

-25422942 registered shares at LTL 2 par (security code 11943) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 30.09.96)

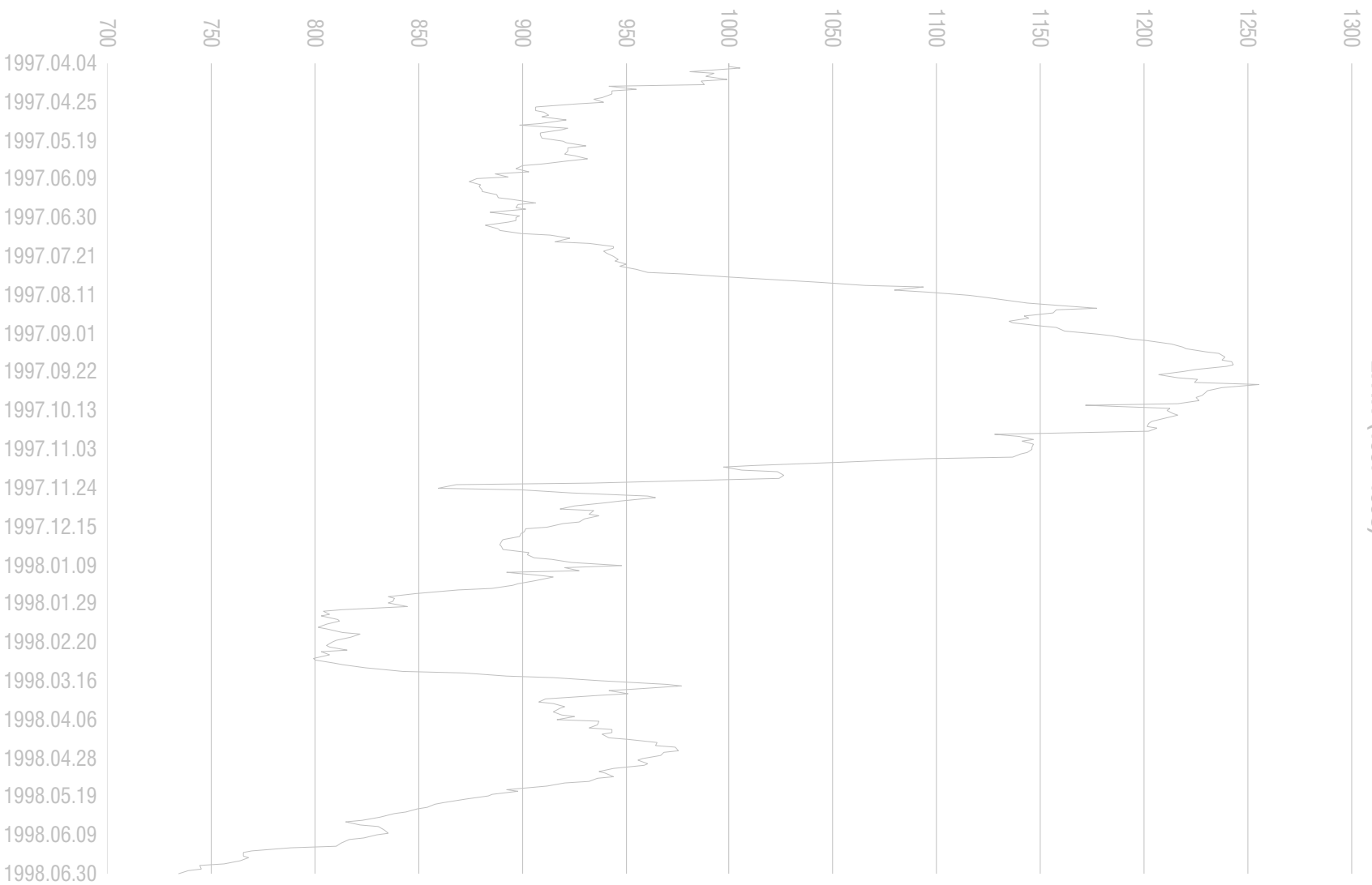


<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		59134126	61774843	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		97680143	105110321	Current ratio	4.18	4.08
Stock		27756021	36328033	Quick ratio	2.99	2.68
Amounts receivable within one year		59882786	51866618	Net working capital (LTL thou)	74425	79538
<b>TRANSFER ACCOUNTS</b>		164346	218827	Net working capital to total assets	0.47	0.48
<b>TOTAL ASSETS</b>		<b>156978615</b>	<b>167103991</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		133559374	141313300	Profit margin (%)	0.21	0.11
Capital		50845884	50845884	Return on assets (%)	0.21	0.09
Subscribed capital		50845884	50845884	Return on equity (%)	0.24	0.11
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.15	0.15
Reserves		82713490	83986575	Debt / equity ratio	0.18	0.18
Profit (loss) brought forward		0	6480841	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	0	Inventory turnover	4.00	3.29
Amounts payable within year and short-term liabilities		23419241	25790691	Receivables turnover	3.05	2.49
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	0	Net working capital turnover	2.11	1.75
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>156978615</b>	<b>167103991</b>	Long-term assets turnover	2.65	2.25
				Total assets turnover	1.00	0.83
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		156867034	139011889			
COST OF GOODS SOLD AND SERVICES RENDERED		109139584	105331857			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>32391530</b>	<b>15840086</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	71184	52116
First	2.20	2.80	2.05	Share book value (LTL)	5.25	5.56
Max	3.00 (12.09)	1.73 (12.12)	2.23 (03 16)	Price / book value ratio [P/BV]	0.53	0.37
Min	2.20 (10.29)	5.48 (01.20)	0.80 (06 30)	Earnings per share (LTL)	1.27	0.62
Last	2.80 (12.10)	2.05 (12.29)	0.80 (06 29)	Price / earnings ratio [P/E]	2.20	3.29
Change (%)	27.27	-26.79	-60.98	Dividend per share (LTL)	0.140	0.140
				Dividend yield	0.05	0.07
Number of transactions (CM)	83	381	98	Dividend payout ratio	0.11	0.22
Turnover CM (units)	18053	210607	48218			
Turnover CM (LTL)	46252	647081	85941			
Turnover BT (units)	0	28703	451			
Turnover BT (LTL)	0	81940	406			
CM turnover as % in total	100.00	88.01	99.07			
Total turnover (units)	18053	239310	48669			
Total turnover (LTL)	46252	729021	86347			
Turnover ratio (%)	0.07	0.94	0.19			
As % in the total share turnover	0.02	0.08	0.02			

# LITHUANIAN COMPANIES

LITIN (1997-1998)



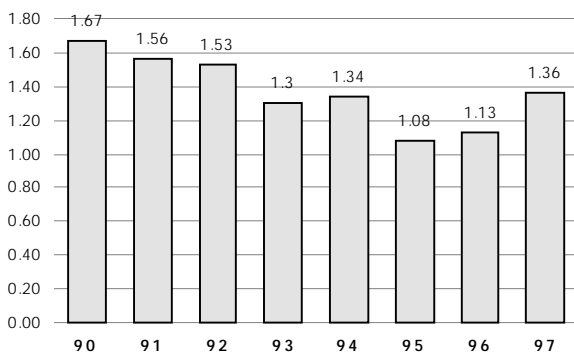
## BEER

The Lithuanian beer market is highly competitive, with two major strategic international players - Baltic Beverages Holding Co. (BBH) and Plzensky Prazdroj - working with Kalnapilis and Ragutis, respectively. In the summer of 1997, BBH strengthened its strategic position in Lithuania by establishing a joint venture based on Utenos Gėrimai between BBH and Hansa Investments. Kalnapilis, Utenos Gėrimai and Švyturys are the leading breweries in Lithuania, controlling 70.6% of the market, or 26.7%, 23.3% and 20.6%, respectively. In 1997, Ragutis was the fourth largest brewery in Lithuania in terms of beer produced.

### PRODUCTION AND CONSUMPTION

Excise on alcoholic drinks increases annually, while the excise tax on beer has stayed stable since November 1995. Hence, consumption of beer increased, replacing vodka and liqueur as a traditional choice of drinkers. Also, the improvement of living standards influences changes in consumption preferences, therefore consumers have switched from strong alcoholic beverages to milder drinks such as beer.

### Lithuanian beer production, hectolitres m



During 1997, Lithuanian breweries produced 21% more beer than in 1996. This made up 87% of the 1989 level, when consumption of beer was at its highest level - 48 liters per capita. Imported beer takes about 10% of the market. Results for 1Q98 showed a further increase in beer production of 24 per cent. Annual growth is expected to be at the same rate. By the end of 1999, the big three breweries should end up the years of fast growth and produce beer of nearly the same quality. The reconstruction of Utenos Gėrimai should take about 1-1.5 year and the same time period is needed for Švyturys to build the capacity up to 0.4m hectolitres.

Kalnapilis and Švyturys work at the highest profitability compared to Utenos Gėrimai and Ragutis, because these companies have fully matured. However, their net margins will decrease due to repayment of debts and increasing levels of depreciation. Utenos Gėrimai has not made major investments into reconstruction and improvement of brands of beer yet, hence it is losing market share and efficiency. Ragutis is implementing new technologies. Therefore, its low net margin is natural.

Year 1997 was also very successful for smaller breweries which increased the production output on average by 51% in comparison with the 18% growth of the top five companies. The reason for that is the increasing popularity of beer in kegs and the growing role of small regional breweries.

The other specific feature of the Lithuanian market is popularity of dark beer which currently accounts for 40% of the market. In December 1996, Kalnapilis launched the marketing

campaign of its dark beer named Kalėdinis (Christmas Beer) which made this brand very popular. In the end of year 1997, each of the big three producers turned up with Christmas beer.

Presently, the market is moving towards lager brands. The head start in this direction was strong marketing of Kalnapilis Dvaro light beer brand. Lithuanian breweries also presented their premium quality lager brands: Ekstra by Kalnapilis, Premium by Utenos Gėrimai and Baltijos Ekstra by Švyturys. Taking into account the fact that the popularity of dark beer is not dependent just on taste but on strength too, Kalnapilis also introduced new brand of strong lager "7.30".

### IMPORTS & EXPORTS

The Lithuanian market is protected by 30% import tariffs making imported beer relatively expensive. The effective tariff is even higher as importers should acquire special license.

The beer of Aldaris, the biggest Latvian producer, appeared in the Lithuania market in 1997. It is not subject to import tariffs as there is free trade area among the three Baltic states. Aldaris belongs to the BBH group and would hardly intervene the market when BBH got control over Utenos Gėrimai.

The exports of beer in 1997 amounted to bare 4 per cent. The biggest exporters were Utenos Gėrimai and Švyturys. The export possibilities of Lithuanian producers are rather low.

### RAW MATERIALS

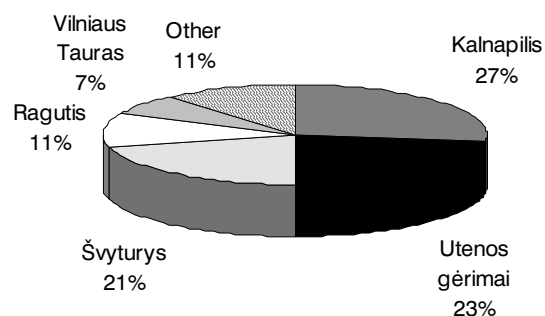
Barley, the main raw material, is sourced domestically. Malt is imported from Germany, Denmark, Holland and Czech Republic. Imports from Ukraine and Belarus were stopped due to poor quality of barley.

Only four Lithuanian breweries, Kalnapilis, Utenos Gėrimai, Ragutis and Vilnius Tauras, have their own malthouses. The latter two do not produce enough of malt and have to buy it from either Kalnapilis or Utenos Gėrimai or to purchase it abroad. At the time being the Import/export commission on duties and non tariff regulation should decide on the duty-free quotas for malt for the year 1998. There is a dispute among the breweries on the size of quotas, as the biggest producers have their own malthouses and want smaller breweries to buy malt from them.

### TAXATION

The current level of the excise tax is LTL 0.40 per litre of beer. Including VAT of 18% the tax component of the retail price is around 34 per cent. The level of excise tax should not increase in the near future when excise taxes on spirits could be lifted up with the purpose of rebalancing the price relationship between vodka and beer.

### The Lithuanian beer market in 1997





## GUBERNIJA

## BREWERY

<b>Address:</b>	Dvaro g. 179, 5402 Šiauliai	<b>Established:</b>	1786
<b>Phone:</b>	(370-1) 440250	<b>Number of employees:</b>	315
<b>Fax:</b>	(370-1) 421944	<b>Authorised capital (LTL m):</b>	12.6
<b>Registration date:</b>	05/05/93	<b>Capitalisation (LTL m) (01/07/98):</b>	7.42
<b>Registration code:</b>	4471576		

**Trading List:** Current

**Management Board** (participation in the company): Tachiras Šabajevas, Chairman (0%), Romualdas Dunauskas (2.9%), Irena Gabrėlaitienė (0%), Vitalija Ramanauskienė (0%), Šarūnas Janavičius (0%)

**Managing Director:** Romualdas Dunauskas

**Investment Relations:** Romualdas Dunauskas, tel. (370-1) 440 250

## CORPORATE HISTORY

The company is one of the oldest breweries in Lithuania, which was established in 1786 in Šiauliai. In 1995, GUBERNIJA was registered as a joint-stock company with the state's share of 48.8 per cent. Currently, foreign investors own 48.94% of the company, the state has a 14.6% stake. In 1989-1997, the company was ranked the 5-7th among the largest Lithuanian breweries with decreasing market share from 12.1% in 1989 to 2.3% in 1996. However, in 1997, the company succeeded to increase its market share to 3.5 per cent.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The main products are beer, soft drinks, mineral water and alcohol drinks. During 1995-1997, share of beer sales decreased from 73% to 41% of total sales, share of soft drinks grew from 12% to 17%, while mineral water fell from 14% to 4 per cent.

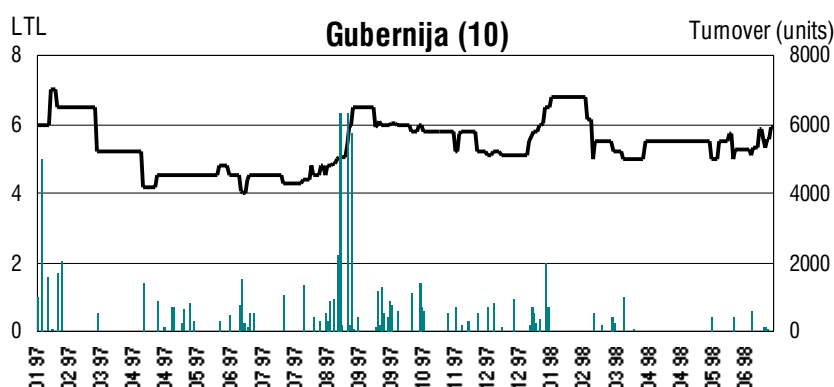
New products of 1997, alcoholic drinks, made up 38% of total sales. Last year GUBERNIJA was the sixth among the ten biggest Lithuanian breweries - the company produced 3.5% of total beer in Lithuania. In 1997, GUBERNIJA started LTL 4m worth investments, first of all focused on the marketing strategy. Within 1998-1999, it will invest about LTL 4.4m into new equipment.

## STRUCTURE OF OWNERSHIP

Javelin Finance (Ireland)	16.7%
Tower Capital Reserve Corporation	48.45%
Ministry of Agriculture	14.95%

## STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 12,600,000
<b>Ordinary shares:</b>	-1260000 registered shares at LTL 10 par (security code 11435) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 24.04.97)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		5210163	10211092	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		5175419	7143662	Current ratio	5.93	3.44
Stock		3418714	4381530	Quick ratio	2.03	1.35
Amounts receivable within one year		1365941	1772935	Net working capital (LTL thou)	4319	5123
<b>TRANSFER ACCOUNTS</b>		19292	81257	Net working capital to total assets	0.42	0.29
<b>TOTAL ASSETS</b>		<b>10404874</b>	<b>17436011</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		9528702	14133623	Profit margin (%)	0.02	0.06
Capital		8600000	12600000	Return on assets (%)	0.01	0.04
Subscribed capital		8600000	12600000	Return on equity (%)	0.01	0.05
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.08	0.19
Reserves		923751	1533623	Debt / equity ratio	0.09	0.23
Profit (loss) brought forward		4951	0	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	1200000	Inventory turnover	1.51	2.25
Amounts payable within year and short-term liabilities		876172	2102388	Receivables turnover	5.83	8.56
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	0	Net working capital turnover	1.46	2.62
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10404874</b>	<b>17436011</b>	Long-term assets turnover	1.21	1.32
				Total assets turnover	0.61	0.77
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		6305156	13431612			
COST OF GOODS SOLD AND SERVICES RENDERED		4442952	8771013			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>99913</b>	<b>747097</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)	6426	
First	6.00	5.10	Share book value (LTL)	11.08	11.22
Max	4.00 (06.18)	6.80 (02.17)	Price / book value ratio [P/BV]	-	0.45
Min	7.00 (02.03)	5.00 (06.02)	Earnings per share (LTL)	0.12	0.59
Last	5.10 (12.33)	5.89 (06.29)	Price / earnings ratio [P/E]	-	8.60
Change (%)	-15.00	15.49	Dividend per share (LTL)	0.00	0.00
			Dividend yield	-	-
Number of transactions (CM)	238	78	Dividend payout ratio	-	-
Turnover CM (units)	63501	9378			
Turnover CM (LTL)	342356	53875			
Turnover BT (units)	20553	4468			
Turnover BT (LTL)	120416	27255			
CM turnover as % in total	75.55	67.73			
Total turnover (units)	84054	13846			
Total turnover (LTL)	462772	81130			
Turnover ratio (%)	6.67	1.10			
As % in the total share turnover	0.05	0.02			

## KALNAPILIS

## BREWERY

<b>Address:</b>	Taikos al. 1, 5319 Panevėžys	<b>Established:</b>	1902
<b>Phone:</b>	(370-25) 505291, 465586	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-25) 464667	<b>Number of employees:</b>	357
<b>Registration date:</b>	28/12/92	<b>Authorised capital (LTL m):</b>	25.42
<b>Registration code:</b>	4767199	<b>Capitalisation (LTL m) (01/07/98):</b>	196.53
<b>Auditor:</b>	KPMG Lietuva	<b>Trading List:</b>	Official

**Management Board** (participation in the company): Christian Ramm-Schmidt, Chairman (0%), Mats Krantz (0.018%), Andres Erm (0.03%), Lina Markevičiūtė (0.18%), Remigijus Šideikis (0.013%), Vesa Isohanni (0%)

**Managing Director:** Lionginas Romualdas Mackevičius

**Investment Relations:** Lionginas Romualdas Mackevičius, tel. (370-5) 465 586

## CORPORATE HISTORY

KALNAPILIS brewery is one of the oldest companies in Panevėžys situated 130 km north-west from Vilnius. Its history began in 1902, when Albert Foight started producing beer at the BERGSCHLOSSCHEN ("A small castle on a hill") BREWERS. In 1926, operations were expanded to include production of soft drinks. Although production volumes were fairly modest at first, in early 1940s, annual volume increased to 1.4m litres.

After a drastic fall during the Second World War, production revived and, in the beginning of the 1960s, stood at 4m litres of beer and nearly 1m litres of soft drinks. A new bottling plant, installed in the mid-1960s, doubled bottling capacity to 6,000 bottles per hour. KALNAPILIS brewery has always been self-sufficient in malt for brewing. A new malt-house, with a capacity of 10000t per year, was constructed in 1970. The Biržai Brewery, located about 60 km from Panevėžys, was established in 1973.

In June 1994, Baltic Beverages Holding acquired the controlling interest (86%) in KALNAPILIS, which had been privatised in 1992. The company aims at increasing production volume to 40m litres per year.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

Brewing of new strength Karčemos beer started in 1997. The advertising campaign of Dvaro beer and sales of mineral water Vichy Classique was launched in April. In May, consumers were presented with the strongest news "7.30" beer. During the year, KALNAPILIS installed extra 80 sets of equipment units for beer on tap in bars and restaurants. In June, KALNAPILIS was recognised the leader of the Lithuanian beer market. KALNAPILIS brewery celebrated its 95th anniversary in Panevėžys, Kaunas and Vilnius. In September, KALNAPILIS became the main LKL

(Lithuanian Basketball League) sponsor for 1997-1998 season. A number of KALNAPILIS beer presentations in bars and shops, "Christmas present" and "happy hours" with KALNAPILIS were held in November.

The fundamental modernisation of KALNAPILIS was completed in 1997. Seven tanks of 128,000 liters volume each for beer fermentation and maturing were mounted, which allowed to increase production capacities by one third. Cooling system compressor was expanded that allowed to utilise increased production capacities fully and effectively. In October 1997, contracts with foreign companies were signed regarding the reconstruction of the beer boiling section.

LITMALT company was established (50% of shares are under control of the Finnish concern OY Lahden Polttimo AB and 50% are held by KALNAPILIS) for the production of malt. The Finnish company intends to invest LTL 10m into the new company.

The company focuses not solely on exclusive quality, but on also customers needs, distribution network, promotion of beer and development of beer drinking culture. In 1997, KALNAPILIS accounted for 27% of the domestic beer market, 36.3m litres of beer were produced.

After an increase of LTL 16.65m, the company's authorised capital reached LTL 25.4m in March 1997.

## PLANS AND PROSPECTS FOR 1998

The main goal of KALNAPILIS is increase of the company's competitiveness and its continuous expansion. It aims at becoming the best brewery in Lithuania known for the premium quality beer.

## STRUCTURE OF OWNERSHIP

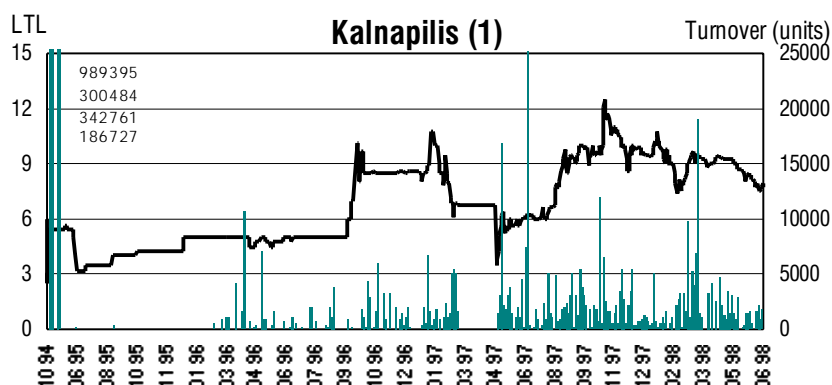
Baltic Beverages Holding 86.37%

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 25,424,031

## Ordinary shares:

-25 424 031 registered shares at LTL 1 par (security code 10545) account ingfor 100% of the auth. capital (admitted to trading at the NSEL on 04.10.94)



BALANCE SHEET (LTL)	IAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		60090571	85312254	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		24035868	34261418	Current ratio	2.08	1.5
Stock		15786261	5979843	Quick ratio	0.72	1.24
Amounts receivable within one year		7388489	24049505	Net working capital (LTL thou)	12554	11508
TRANSFER ACCOUNTS		125557	103631	Net working capital to total assets	0.15	0.1
<b>TOTAL ASSETS</b>		<b>84251996</b>	<b>119677303</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		53194518	82915985	Profit margin (%)	0.18	0.33
Capital		8474677	25424031	Return on assets (%)	0.12	0.25
Subscribed capital		8474677	25424031	Return on equity (%)	0.2	0.36
Share premium account		24491460	7542106	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		7260884	7260884	Total debt ratio	0.37	0.31
Reserves		978040	978040	Debt / equity ratio	0.58	0.44
Profit (loss) brought forward		11989457	41710924	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		19371844	13623241	Inventory turnover	2.15	3.5
Amounts payable within year and short-term liabilities		9230167	22635128	Receivables turnover	9.45	5.71
ACCRUED CHARGES AND DEFERRED INCOME		2376888	221444	Net working capital turnover	4.6	7.8
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>84251996</b>	<b>119677303</b>	Long-term assets turnover	0.96	1.05
				Total assets turnover	0.69	0.75
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		57804020	89781960			
COST OF GOODS SOLD AND SERVICES RENDERED		27723409	38110635			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>10430101</b>	<b>29721467</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	71950	240002
First	5.00	8.49	9.44	Share book value (LTL)	6.2	3.23
Max	10.08 (09.19)	12.55 (10.20)	10.75 (01 13)	Price / book value ratio [P/BV]	1.37	2.92
Min	4.50 (04.11)	3.50 (05.06)	7.40 (02 11)	Price/ Sales	1.24	2.67
Last	8.49 (12.31)	9.44 (12.30)	7.73 (06 30)	Earnings per share (LTL)	1.23	1.17
Change (%)	69.80	11.19	-18.11	Price / earnings ratio [P/E]	6.9	8.08
				Dividend per share (LTL)	0.25	0.16
Number of transactions (CM)	308	1246	786	Dividend yield	0.03	0.02
Turnover CM (units)	82960	308334	170461	Dividend payout ratio	0.2	0.14
Turnover CM (LTL)	539558	2501606	1523169			
Turnover BT (units)	5300	208157	89268			
Turnover BT (LTL)	46345	1479422	765125			
CM turnover as % in total	94.00	59.70	65.63			
Total turnover (units)	88260	516491	259729			
Total turnover (LTL)	585903	3981027	2288293			
Turnover ratio (%)	1.04	2.03	1.02			
As % in the total share turnover	0.31	0.42	0.498			



## RAGUTIS

## BREWERY

<b>Address:</b>	Kaunakiemio g. 2, 3000 Kaunas	<b>Established:</b>	1863
<b>Phone:</b>	(370-7) 200770, 201895	<b>Privatised:</b>	1994
<b>Fax:</b>	(370-7) 200909	<b>Number of employees:</b>	290
<b>Registration date:</b>	08/03/94	<b>Authorised capital (LTL m):</b>	21.8
<b>Registration code:</b>	3399058	<b>Capitalisation (LTL m) (01/07/98):</b>	14.0

**Auditor:** Arthur Andersen **Trading List:** Current

**Supervisory Board** (participation in the company): Antonin Žampa, Chairman (0%), Edvardas Rudzevičius (0.7%), Regina Ramulytė (0%), Otokar Binder (0%), Mario Junek (0%)

**Management Board:** Kęstutis Paplauskas, Chairman (1.07%), Jaroslav Malkovsky (0%), Marcelo Vivado (0%)

**Managing Director:** Kęstutis Paplauskas

**Investment Relations:** Kęstutis Paplauskas, tel. (370-7) 228 495

## CORPORATE HISTORY

The legal predecessor of Kaunas brewery RAGUTIS was established in 1863 and had undergone a number of changes in its name and status since. Until World War II, WOLF ENGELMAN BREWERY was famous in Lithuania. In 1940, the brewery was nationalised and transformed into a state enterprise called RED GLOW. In 1959, several beer-making plants were united under the name of RAGUTIS. The company was privatised in 1994 and was registered as a public limited company with the share capital of LTL 2.2 million. The capital was divided into 227,473 ordinary registered shares at LTL 10 par.

In 1997, Plezensky Prazdroj a.s. acquired 51% of RAGUTIS share capital. Plezensky Prazdroj a.s. began renovation of RAGUTIS' main equipment and reorganisation of the company's management and marketing strategy immediately after the acquisition. At present, the company is the fourth largest brewery in Lithuania in terms of beer produced, occupying 12% of the market.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company is engaged in manufacture of beer and soft drinks as well as production of malt. Malt is used for the production of own beer. Sales of soft drinks have been declining year by year.

RAGUTIS carries out wholesale and retail trade of its products. The company sells its production in Lithuania. Raw materials are supplied to RAGUTIS from its partners in Ukraine, Belarus and Germany.

In 1997, the company brewed a new brand of beer, Gambrinus, in accordance with Plezensky Prazdroj a.s. technology. Successful introduction of the new brand to the

market helped to produce a 33% annual increase in output. Gambrinus accounted for 20% of total production in 1997, and the company estimates that this brand will later increase its share to 40-50 per cent.

The turnover of RAGUTIS went up by 70.35 % during the year 1997. Sales of the company were growing at the highest rate among the four biggest breweries in Lithuania in 1997. During last year, the company sold its production for LTL 36.39 million. The increase in sales revenue was effected by the overall growth of the beer sector. Compared with 1996, net profit rose by 22% and totalled LTL 4.8m in 1997. Since 2Q1997 the company is relieved from corporate profit tax.

The number of staff did not change much during the year. The company employed 290 people. Last year the organisational structure underwent certain improvements - the number of employees in production section was reduced, while sales and marketing departments were expanded.

## PLANS, PROSPECTS FOR 1998

In 1998, RAGUTIS plans to introduce a new brand of beer and to increase the market share of currently brewed ones. RAGUTIS estimates a 36% increase in annual output to 2,000 thou dal. The company expects that the sales revenue will reach LTL 40m in 1998. Net profit is anticipated in the amount of LTL 5 million.

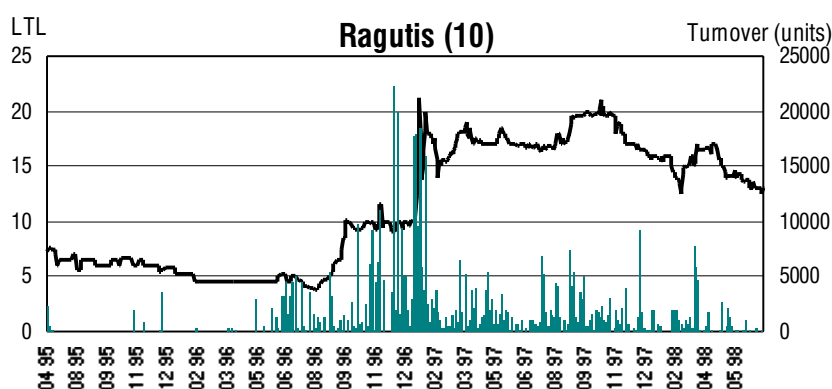
In April 1998, RAGUTIS received a three-year loan of ECU 2.1m with annual interest rate of 7.53% from the Lithuanian Development Bank. The loan will be used for the modernisation of production.

## STRUCTURE OF OWNERSHIP

State	5.5%
Plzensky Prazdroj a.s.	51.0%
Bank of Bermuda (Guernsey)	6.0%
Pictet et Cie	5.5%

## STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 20,607,830
<b>Ordinary shares:</b>	-1068545 registered shares at LTL 10 par (security code 11029) accounting for 49% of the auth. capital (admitted to trading at the NSEL on 04.04.95)
	-1112159 registered shares at LTL 10 par (security code 12196) accounting for 61% of the auth. capital (not admitted to trading at the NSEL)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		10338050	20547935	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		11024512	13684076	Current ratio	2.40	3.68
Stock		4411684	6343935	Quick ratio	1.44	1.98
Amounts receivable within one year		3332547	5675638	Net working capital (LTL thou)	6436	9981
TRANSFER ACCOUNTS		0	24447	Net working capital to total assets	0.30	0.29
<b>TOTAL ASSETS</b>		<b>21362562</b>	<b>34256458</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		16773939	30339043	Profit margin (%)	0.17	0.13
Capital		10685450	21807040	Return on assets (%)	0.17	0.14
Subscribed capital		10685450	21807040	Return on equity (%)	0.21	0.16
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.21	0.11
Reserves		3127252	8532003	Debt / equity ratio	0.27	0.13
Profit (loss) brought forward		2961237	0	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	0	Inventory turnover	4.50	4.85
Amounts payable within year and short-term liabilities		4588623	3728010	Receivables turnover	3.49	8.08
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	3.32	3.65
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>21362562</b>	<b>34256458</b>	Long-term assets turnover	2.07	1.77
				Total assets turnover	1.00	1.06
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		21359457	36384708			
COST OF GOODS SOLD AND SERVICES RENDERED		16610857	26094567			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>3527151</b>	<b>4802263</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	10247	17364
First	5.80	9.59	16.25	Share book value (LTL)	15.70	13.91
Max	11.64 (11.14)	9.59 (01.02)	17.00 (04 17)	Price / book value ratio [P/BV]	0.61	1.17
Min	3.85 (08.08)	21.20 (01.17)	12.45 (06 26)	Earnings per share (LTL)	3.30	2.20
Last	9.59 (12.31)	16.25 (12.31)	13.10 (06 30)	Price / earnings ratio [P/E]	2.91	7.38
Change (%)	65.34	69.45	-19.38	Dividend per share (LTL)	0.00	0.00
Number of transactions (CM)	529	1413	397	Dividend yield	-	-
Turnover CM (units)	217261	383496	64316	Dividend payout ratio	-	-
Turnover CM (LTL)	1828793	6407826	976726			
Turnover BT (units)	143821	183669	51467			
Turnover BT (LTL)	1245221	3113129	769494			
CM turnover as % in total	60.17	67.62	55.55			
Total turnover (units)	361082	567165	115783			
Total turnover (LTL)	3074014	9520955	1746220			
Turnover ratio (%)	33.79	53.08	10.84			
As % in the total share turnover	1.63	0.99	0.38			

## ŠVYTURYS

## BREWERY

<b>Address:</b>	Kulių vartų g. 7, 5799 Klaipėda	<b>Established:</b>	1784
<b>Phone:</b>	(370-6) 213904, 213954	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-6) 213596	<b>Number of employees:</b>	253
<b>Registration date:</b>	16/03/93	<b>Authorised capital (LTL m):</b>	11.3
<b>Registration code:</b>	4065901	<b>Capitalisation (LTL m) (01/07/98):</b>	69.3

**Auditor:** Arthur Andersen      **Trading List:** Current

**Supervisory Board** (participation in the company): Stanislovas Danielius, Chairman (2.06%), Stefa Zakarauskienė (1.46%), Jonas Bradauskas (0.78%), Aldona Betingienė (0.34%), Vytautas Kazlauskas (0.47%)

**Management Board:** Algimantas Stanaitis, Chairman (5.58%), Arvydas Kundrotas (1.07%), Severinas Klioštoraitis (3.96%), Ramutė Mankienė (1.28%), Rima Gabšienė (0.25%)

**Managing Director:** Algimantas Stanaitis

**Investment Relations:** Algimantas Stanaitis, tel. (370-6) 213 904

## CORPORATE HISTORY

The history of the company dates as far back as year 1784, when German businessman J.V. Reinecke founded Klaipėda Brewery based on the joint capital. Since then the company had changed its name several times and was multiply reconstructed, however ŠVYTURYS is proud of having the oldest roots among the Lithuanian breweries.

In the beginning of 90s, ŠVYTURYS, like other Lithuanian breweries, namely Kalnapilis or Ragutis, stepped into the market with some technological weakness. ŠVYTURYS managed to raise investments from internally generated funds without outsourcing of external capital. ŠVYTURYS received investment proposals from Carlsberg and South African Brewers, however the management decided that the company did not need a strategic investor, since it generated sufficient cash flows to finance modernisation of the enterprise.

Since the beginning of the privatisation, ŠVYTURYS has made capital investment worth US\$ 3.6m, fully upgrading its technological process to produce beer of the highest quality. In 1995, the company introduced the pasteurisation process increasing the shelf life of bottled beer. In 1996, modern beer filtration equipment was installed. During these years, the company mounted necessary equipment to start the distribution of beer in kegs for the bars and restaurants. The company modernised its labelling machines and equipped its transport division with new vehicles. In 1997, ŠVYTURYS was ready to deliver beer nationally.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company is chiefly engaged in manufacture and realisation of beer, soft drinks, kvass, as well as manufacture of barley malt. The company sells its production in all major cities and regional centres of Lithuania. Distribution is organised mainly through wholesalers.

In 1996, ŠVYTURYS was producing 11 brands of beer, while at the end of 1997, the number of brands was reduced to 7 (6 brands under Baltijos name and Porter). The company increased production of draught beer in 1997 more than 4 times. Draught beer sold in kegs accounts for 14% of the total sales. In the draught beer section ŠVYTURYS is marketing larger Baltijos Ekstra and dark beer Baltijos. In 1997, the production capacity was 90 per cent.

Revenue increased by LTL 20.4m compared with 1996. Total beer sales augmented by LTL 1061 thou and constituted LTL 66.9m, while soft drinks made up LTL 0.92 million. ŠVYTURYS generated net profit of LTL 15 million.

## PLANS, PROSPECTS FOR 1998

As ŠVYTURYS employs its present equipment to the full extent, the management announced the investment programme for the coming two years intended to increase production capacity of the company up to 0.4m hectolitres by the end of 1999. The company has plans to increase share capital to LTL 20 million. There will be a proposal for investors to acquire some part of the new issue for cash. The company expects that the issue of 200 thou shares will bring at least US\$ 2.2m to the company, as the issue price will be not less than LTL 45 per share. The company intends to invest US\$ 5-5.5m in 1998 out of the company's reserves and the new share issue.

## STRUCTURE OF OWNERSHIP

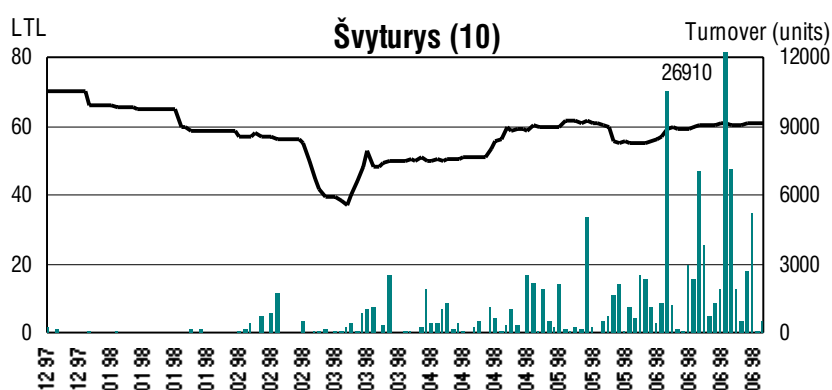
Algimantas Stanaitis      5.58%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 11,347,600

**Ordinary shares:**

-1134760 registered shares at LTL 10 par (security code 11790) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 15.12.97)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		10807680	16467923	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		9612633	15592244	Current ratio	1.88	2.54
Stock		7119960	6963818	Quick ratio	0.50	1.42
Amounts receivable within one year		1540106	2638504	Net working capital (LTL thou)	4536	9561
<b>TRANSFER ACCOUNTS</b>		99819	181106	Net working capital to total assets	0.22	0.30
<b>TOTAL ASSETS</b>		<b>20520132</b>	<b>32241273</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		15344046	26028810	Profit margin (%)	0.30	0.31
Capital		7074820	11347600	Return on assets (%)	0.42	0.47
Subscribed capital		7074820	11347600	Return on equity (%)	0.56	0.58
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.25	0.19
Reserves		3996446	7918545	Debt / equity ratio	0.34	0.24
Profit (loss) brought forward		0	6762665	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	0	Inventory turnover	1.78	3.92
Amounts payable within year and short-term liabilities		5176086	6206718	Receivables turnover	24.98	23.17
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	5745	Net working capital turnover	6.44	5.06
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>20520132</b>	<b>32241273</b>	Long-term assets turnover	2.70	2.94
				Total assets turnover	1.42	1.50
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		29201164	48401137			
COST OF GOODS SOLD AND SERVICES RENDERED		17456106	27584469			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>8625751</b>	<b>15075117</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>
<b>PRICE (LTL)</b>		
First	70.00	66.00
Max	66.00 (12.31)	66.00 (01 07)
Min	70.00 (12.29)	37.02 (03 10)
Last	66.00 (12.30)	61.10 (06 30)
Change (%)	-5.71	-7.42
Number of transactions (CM)	15	938
Turnover CM (units)	463	133053
Turnover CM (LTL)	32210	7744757
Turnover BT (units)	2091	115517
Turnover BT (LTL)	135915	6699218
CM turnover as % in total	18.13	53.53
Total turnover (units)	2554	248570
Total turnover (LTL)	168125	14443975
Turnover ratio (%)	0.23	21.91
As % in the total share turnover	0.02	3.14

<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
Capitalisation (LTL thou)		74894
Share book value (LTL)	21.69	22.94
Price / book value ratio [P/BV]	-	2.88
Earnings per share (LTL)	12.19	13.28
Price / earnings ratio [P/E]	-	4.97
Dividend per share (LTL)	5.000	3.000
Dividend yield	-	0.05
Dividend payout ratio	0.41	0.23



## KREKENAVOS AGROFIRMA

## SWINEBREEDING

<b>Address:</b>	Krekenava, 5346 Panevėžio raj.	<b>Established:</b>	1978
<b>Phone:</b>	(370-54) 93123	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-54) 66431	<b>Number of employees:</b>	841
<b>Registration date:</b>	06/08/93	<b>Authorised capital (LTL m):</b>	43.3
<b>Registration code:</b>	6858687	<b>Capitalisation (LTL m) (01/07/98):</b>	4.7

<b>Auditor:</b>	<b>Audito Standartas UAB</b>	<b>Trading List:</b>	<b>Current</b>
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**Management Board** (participation in the company): Alfredas Pekeliūnas, Chairman (10.9%), Jonas Kaušakys (0%), Juozas Gaidamavičius (0%), Viktoras Gaižauskas (0%), Rimgaudas Vaitkus (0%)

**Managing Director:** Alfredas Pekeliūnas

**Investment Relations:** Alfredas Pekeliūnas, tel. (370-54) 9 31 23

## CORPORATE HISTORY

The company was established in 1978 under the name of PANEVĖŽYS REGIONAL ANIMAL-BREEDING FARM. The reproduction section was launched in 1978, while the swine-breeding department started its activities in 1979. In 1981, the company achieved production volume of 5400t of pork per year. In the Soviet times, the company was breeding about 50% of the region's swine.

In order to increase efficiency, the company signed an agreement with the Swedish firm GIZA regarding construction of a meat-processing section in 1990. The section equipped with Italian and German machinery compliant with EU requirements was launched into operation in 1993. One of the advantages is a non-waste technology allowing to process bones, blood and other inedible parts into animal feed.

In 1995, KREKENAVOS AGROFIRMA merged with a neighbouring farm. 3200 hectares were planted with crops and sugar beets. A modern forage-processing section built in 1996 manufactures combined forage and protein concentrate for different kinds of farm animals. In the same year the company acquired the bankrupt Kėdainiai factory producing canned vegetables. Manufacture of canned meat will be started in the nearest future.

After the merger with Pušalotas farm in 1997, the total area under crops increased by 3000 hectares. Currently, KREKENAVOS AGROFIRMA operates a full food-making cycle: crop-mixed feed - swine and cattle - food products.

Three years running, KREKENAVOS AGROFIRMA is listed among 100 largest Lithuanian companies in terms of sales and is the leader in the agricultural sector.

## BUSINESS ACTIVITY

The company engages in three kinds of activities: growing of crops, farming of animals and manufacture of food products. The latter is the company's priority activity.

Swine-breeding is the oldest company's activity. Reproduction section delivers 60,000 piglets every year. Feeding of swine is fully automated. Approximately 250 pigs are automatically slaughtered per shift. Carcass is processed in accordance with EU standards. Over 70 kinds of sausages are produced on the most modern equipment imported from Western Europe.

The company also raises cattle (1000 animals). Milk of 300 cows is sold to dairies or goes for the production of ice-cream. Carcass is used in the manufacture of meat products.

5885 hectares (out of 6684) of the Lokauša and Pušalotas subsidiaries' land are under crops. Aiming at effective usage of land, Lokauša branch employs a 4-field rotation of crops (spring and winter crops, sugar beets and peas-rape), while Pušalotas alternation cycle consists of 6 fields.

76 machine-operators work with modern equipment implementing up-to-date technologies. In 1996, the company erected one of the most modern forage factories in Lithuania. KREKENAVOS AGROFIRMA produces combined forage, protein concentrate with minerals and vitamins and premix - a mixture of vitamins and microelements. The projected capacity of the factory is 80,000t per year. Two 3 000-tonne metal towers were built for storing crops.

## DEVELOPMENTS IN 1997

In July 1997, the company acquired and installed new Italian equipment for cutting and packaging of meat. The new line ensures that meat products remain clean while packing, transporting or selling them.

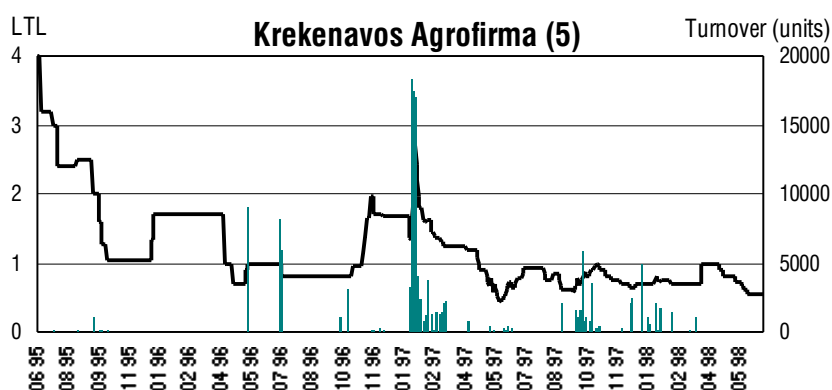
In June 1997, Kėdainiai factory producing canned food was set into operation. Its capacity reaches 5700 tins per shift. The factory manufactures over 60 different products. Pickled cucumbers and tomato sauces account for 65% of the production, other products include picked mushrooms and snap-beans, apple-quince jam, canned cauliflowers.

Last year the crop growing capacity amounted to 5.24t per hectare. Makeweight of swine per day constituted 0.595 kilos. Average annual amount of milk per cow reached 4200 litres.

The company's annual turnover in 1997 reached LTL 51 million. The company made an investment of LTL 5.2m into modernisation and development. Annual results surpassed budgeted figures and generated LTL 4.4m net profit.

## PLANS, PROSPECTS FOR 1998

KREKENAVOS AGROFIRMA intends to increase animal weight per day and crop growing capacity and reduce production costs by 5 per cent. An important plan is to implement ISO-9002 quality management system. The company will introduce 10 new products, expand domestic distribution network and focus on exports to the EU and Russia. KREKENAVOS AGROFIRMA has foreseen to invest over LTL 5m into new equipment and renovations during 1998. Next year the company will stick to its motto: "Quality today is a long-term success and guarantee for tomorrow".



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		34277737	57477900	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		32487867	34023486	Current ratio	3.13	3.34
Stock		24640266	23952520	Quick ratio	0.76	1.00
Amounts receivable within one year		7461531	7945735	Net working capital (LTL thou)	22094	23913
TRANSFER ACCOUNTS		0	65867	Net working capital to total assets	0.33	0.26
<b>TOTAL ASSETS</b>		<b>66765604</b>	<b>91567253</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		52744668	58213050	Profit margin (%)	0.00	0.06
Capital		41343150	43398335	Return on assets (%)	0.00	0.03
Subscribed capital		41343150	43398335	Return on equity (%)	0.00	0.05
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		7509035	7509035	Total debt ratio	0.21	0.36
Reserves		3892483	7305680	Debt / equity ratio	0.27	0.57
Profit (loss) brought forward		0	0	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		3626762	23056495	Inventory turnover	1.76	1.94
Amounts payable within year and short-term liabilities		10392474	10236076	Receivables turnover	3.84	6.68
ACCRUED CHARGES AND DEFERRED INCOME		1700	61632	Net working capital turnover	1.71	2.15
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>66765604</b>	<b>91567253</b>	Long-term assets turnover	1.10	0.90
				Total assets turnover	0.57	0.56
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		37843578	51426859			
COST OF GOODS SOLD AND SERVICES RENDERED		33934444	46983917			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>151175</b>	<b>3306040</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	13974	5705
First	1.72	1.69	0.69	Share book value (LTL)	6.38	6.69
Max	1.98 (11.14)	0.43 (05.30)	1.00 (04 24)	Price / book value ratio [P/BV]	0.26	0.10
Min	0.70 (05.09)	2.69 (01.23)	0.54 (06 30)	Earnings per share (LTL)	0.02	0.37
Last	1.69 (12.02)	0.69 (12.29)	0.54 (06 30)	Price / earnings ratio [P/E]	92.35	1.84
Change (%)	-1.74	-59.17	-21.74	Dividend per share (LTL)	0.00	0.024
				Dividend yield	-	0.03
Number of transactions (CM)	31	297	40	Dividend payout ratio	-	0.06
Turnover CM (units)	27783	137280	9453			
Turnover CM (LTL)	26328	222201	6842			
Turnover BT (units)	0	7461	899			
Turnover BT (LTL)	0	4327	405			
CM turnover as % in total	100.00	94.85	91.32			
Total turnover (units)	27783	144741	10352			
Total turnover (LTL)	26328	226528	7247			
Turnover ratio (%)	0.34	1.75	0.12			
As % in the total share turnover	0.01	0.02	0.00			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 43,398,335

### Ordinary shares:

- 8679667 registered shares at LTL 5 par (security code 10775) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 06.12.94)

## STRUCTURE OF OWNERSHIP

Josvainiai AB	24.4%
Mr. Alfredas Pekeliūnas	10.9%
Mr. Viktoras Uspaskich	39.6%

## VILNIAUS PERGALĖ

## CONFECTIONERY

<b>Address:</b>	Stirny g. 25, 2000 Vilnius	<b>Established:</b>	1952
<b>Phone:</b>	(370-2) 751311	<b>Privatised:</b>	1993-1996
<b>Fax:</b>	(370-2) 751135	<b>Number of employees:</b>	655
<b>Registration date:</b>	05/10/95	<b>Authorised capital (LTL m):</b>	11.7
<b>Registration code:</b>	2226232	<b>Capitalisation (LTL m) (01/07/98):</b>	24.8

**Trading List:** Current

**Supervisory Board** (participation in the company): Monika Kerzienė, Chairwoman (19.2%), Petras Skaržinskas (1%), Sigutė Daubarienė (0.001%), Gediminas Bugenis (0.5%), Rein Kaseleht (26.1%), Tonis Allik

**Management Board:** Algirdas Miltenis, Chairman (26.3%), Algirdas Juodkazis (1.4%), Jaak Uus (26.1%), Boris Oks

**Managing Director:** Algirdas Miltenis

**Investment Relations:** Petras Skaržinskas, tel. (370-2) 790 482

## CORPORATE HISTORY

The company's history dates as far back as 1952, when a confectionery plant Pergalė was opened. For almost 50 years the company's products - chocolate, sweets, biscuits - are famed for their excellent quality and original recipes. The sweets Vilnius, Sostinė, Pergalė produced exceptionally by VILNIAUS PERGALĖ have their regular buyers. The company's specialists created a full range of confectionery according to original recipes and in respond to the Lithuanian consumers' taste.

The company is not oriented towards mass production. Every year VILNIAUS PERGALĖ introduces approximately 10-20 new products. In order to satisfy even the most selective gourmets, the company pays great attention to the quality of production and packaging design.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

In 1997, the company produced 8.5 thou tonnes of various confectionery: 5.2 thou tonnes of confectionery made from sugar (2.8 thou tonnes of sweets coated with chocolate, 1.4 thou tonnes of sweets without chocolate coating, 0.1 thou tonnes of cocoa powder, 0.6 thou tonnes of pure chocolate, 0.2 thou tonnes of toffees, 0.2 thou tonnes of halvah), 2.9 thou tonnes of flour confectionery and 0.4 thou tonnes of semiproducts. One fifth of the production was exported. Compared with 1996, output increased by 5 per cent.

Last year new products - candies Pupa, Dainava, Avietė, Bananas, Želė šokolade (apricot, lemon, cherry, black currant jelly coated with chocolate), big sweets Miisu, Tivoli, Tele Bim Bam, Koko, Svaja - were introduced to the market. Buyers were delighted with the new milk chocolate with coffee and anise, cocoa-nut and almond biscuits. Chocolate sweets with liqueur Sostinė were recognised the Best Product of 1997 by the Confederation of Lithuanian Industrialists.

The company ended year 1997 with the pre-tax profit of LTL 7.91m, while net profit totalled LTL 5.75 million.

## PLANS, PROSPECTS FOR 1998

In 1998, VILNIAUS PERGALĖ intends to produce 11 thou tonnes of confectionery. The range of products will be widened with the introduction of new ingredients: sea cabbage, albumen, cardamom, fructose and other.

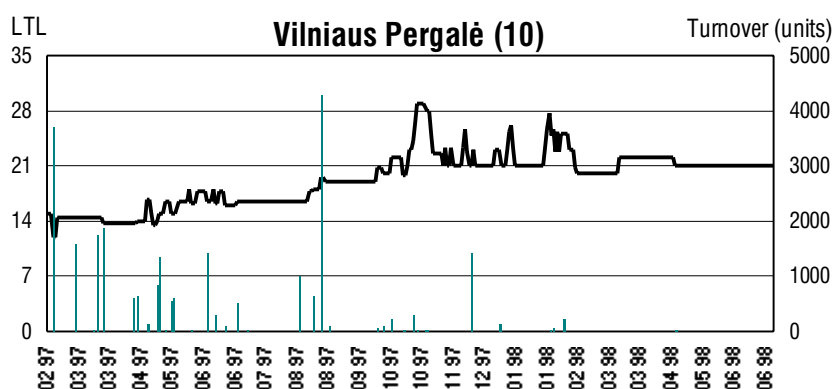
Flour products section is located in the downtown of Vilnius city, a few kilometres off the head plant. Economically, it is inefficient and involves additional transport, management, administrative and security expenses. In order to take over the building adjacent to the plant's premises, VILNIAUS PERGALĖ bought 86% of the Komsoftas Ltd, the owner of the building. The company will use new premises to move its section from the downtown. The building in the centre of the city will be either sold or used as a company's outlet. Renovation and adaptation of the new premises will require investments worth LTL 11 million.

## STRUCTURE OF OWNERSHIP

Algirdas Miltenis	26.3%
Kalev AB	26.1%
State	19.2%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 11,788,960  
**Ordinary shares:**  
 -1178896 registered shares at LTL 10 par (security code 11650) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 22.01.96)



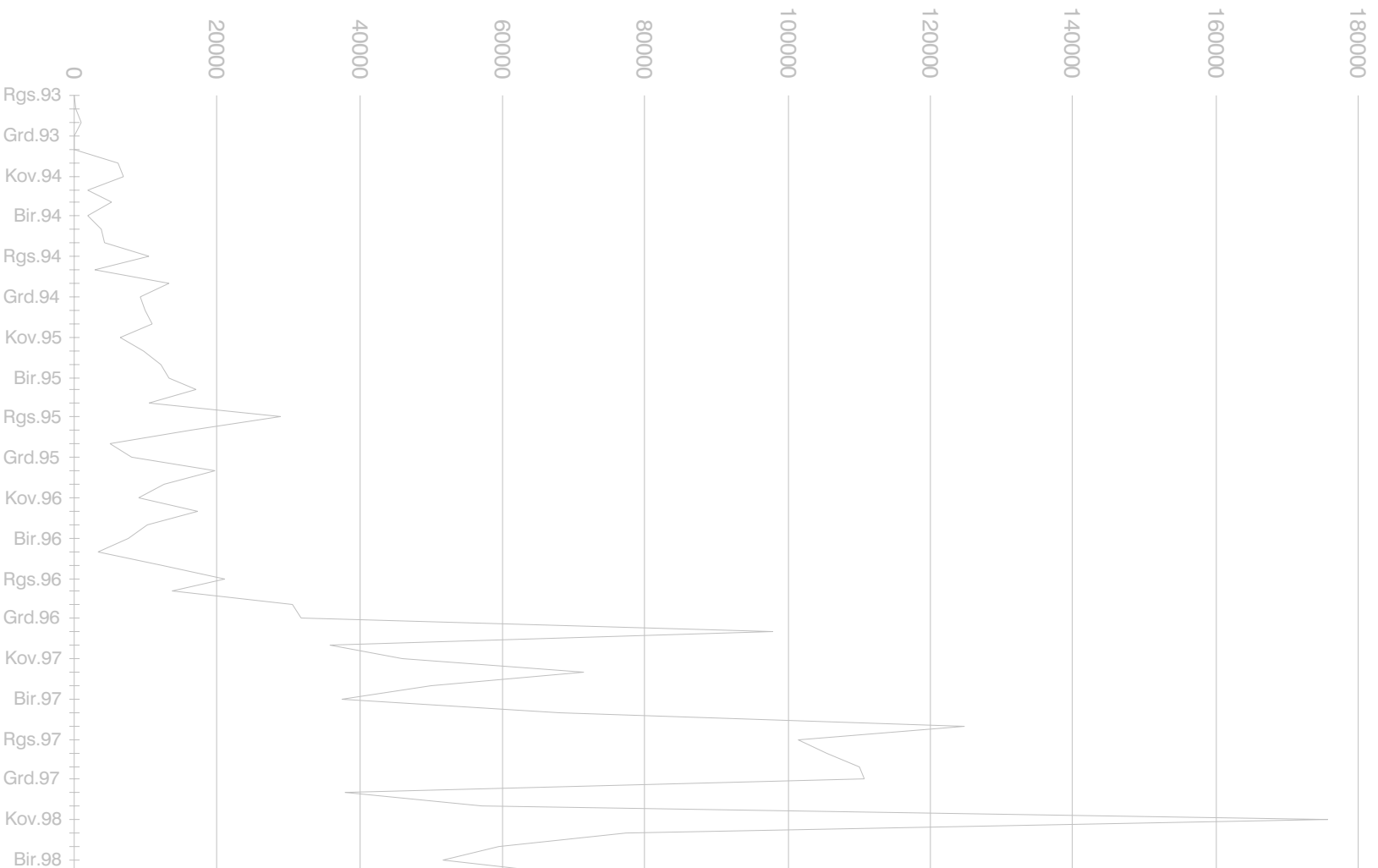
<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		6946236	9358349	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		15443095	22063562	Current ratio	5.61	3.12
Stock		6728468	9692104	Quick ratio	3.17	1.75
Amounts receivable within one year		6146323	8943161	Net working capital (LTL thou)	12700	15009
TRANSFER ACCOUNTS		10627	9737	Net working capital to total assets	0.57	0.48
<b>TOTAL ASSETS</b>		<b>22399958</b>	<b>31431648</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		19494903	24350415	Profit margin (%)	0.06	0.09
Capital		11788960	11788960	Return on assets (%)	0.15	0.18
Subscribed capital		11788960	11788960	Return on equity (%)	0.17	0.24
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.13	0.23
Reserves		7554887	10201462	Debt / equity ratio	0.15	0.29
Profit (loss) brought forward		151056	2359993	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	0	Inventory turnover	7.27	6.28
Amounts payable within year and short-term liabilities		2753830	6986221	Receivables turnover	10.02	8.90
ACCRUED CHARGES AND DEFERRED INCOME		0	77792	Net working capital turnover	4.74	4.47
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>22399958</b>	<b>31431648</b>	Long-term assets turnover	8.67	7.17
				Total assets turnover	2.69	2.14
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		60252377	67115875			
COST OF GOODS SOLD AND SERVICES RENDERED		49042463	51591222			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>3355525</b>	<b>5736914</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)	-	27586
First	15.00	23.40	Share book value (LTL)	16.54	20.66
Max	12.00 (02.19)	27.75 (01.26)	Price / book value ratio [P/BV]	-	1.13
Min	29.00 (10.29)	20.00 (03.16)	Earnings per share (LTL)	2.85	4.87
Last	23.40 (12.31)	21.00 (04.24)	Price / earnings ratio [P/E]	-	4.81
Change (%)	56.00	-10.26	Dividend per share (LTL)	0.00	0.700
			Dividend yield	-	0.03
Number of transactions (CM)	154	30	Dividend payout ratio	-	0.14
Turnover CM (units)	24560	419			
Turnover CM (LTL)	394070	10091			
Turnover BT (units)	14955	280			
Turnover BT (LTL)	285891	6160			
CM turnover as % in total	62.15	59.94			
Total turnover (units)	39515	699			
Total turnover (LTL)	679961	16251			
Turnover ratio (%)	3.35	0.06			
As % in the total share turnover	0.07	0.00			



# LITHUANIAN COMPANIES

EQUITY TURNOVER (LTL thou), 1993-1998



## OIL AND PETROLEUM PRODUCTS

In terms of output and sales the oil industry dominates the energy sector. Before the restoration of Lithuania's independence, the consumption of oil products was more than twice as high than it is now. This was mainly due to more active industry and low-cost oil products. Under market economy conditions, the industry faced restructuring, agricultural production went down and oil prices approached world levels. Local consumption of petrochemicals started to rise over the last few years, with heavy fuel oil, gasoline and diesel being the key drivers of growth. With falling oil prices, the consumption of heavy fuel oil, which amounts to a 58% share of all refined oil products consumed domestically, kept growing, as heat and power plants, which are the main consumers of this type of fuel, started to burn cheaper heavy fuel oil and less natural gas. Since 1993 the oil and petrochemicals sector has been de-monopolised and currently includes approx. 600 companies performing this business. In total, there are over 700 petrol stations serving approx. 1m transport vehicles. Prices of oil and petrochemicals are not regulated by the government.

The main company in the sector is AB Mažeikių Nafta (MN), which is the only crude oil refinery and oil products manufacturer in the Baltics and one of the biggest and most advanced refineries in Eastern Europe. Since 1997 MN has been the largest industrial company in terms of sales and the main contributor to the country's GDP. Currently, the government holds a 90.48% stake in the company. This will soon change, as MN is already on the list of companies to be privatised in 1998. An exact strategy has yet to be developed, but several options exist: to privatise MN as a separate entity or to establish a consortium combining MN, the country's pipeline operator Naftotiekis, Būtingė Oil Terminal and Lietuvos Kuras, which owns the retail distribution network.

Most of the crude oil is supplied by Russian companies and middlemen at agreed prices from the Tyumen oil fields in Russia. The crude oil comes through a double pipeline (Druzhba, 720mm \*) crossing Belarus and coming to Lithuania's Birzai pumping station, where it splits into two pipelines: one going to Mažeikių Nafta refinery and the other to Ventspils terminal in Latvia. In Lithuania, the 220 km line with maximum throughput of 16m tonnes per annum is owned and operated by the state-owned AB Naftotiekis, which is closely related to Mažeikių Nafta.

On the retail distribution side the largest portion of the market is held by state-owned AB Lietuvos Kuras, which controls about 120 petrol stations. However, the competition in this sub-sector is the most intense with over 340 competitors, thus it becomes tough to compete. Furthermore, international oil giants such as Statoil, Shell, Neste, Hydro-Texaco and LUKoil are aggressively penetrating the market, pressing the locals and taking away their market share.



## LIETUVOS KURAS

## WHOLESALE AND RETAIL TRADE IN FUEL

<b>Address:</b>	Aguonų g. 24, 2600 Vilnius	<b>Established:</b>	1946
<b>Phone:</b>	(370-2) 624185	<b>Privatised:</b>	1995, due in 1998-1999
<b>Fax:</b>	(370-2) 624847	<b>Number of employees:</b>	1732
<b>Registration date:</b>	19/07/95	<b>Authorised capital (LTL m):</b>	17.8
<b>Registration code:</b>	2005933	<b>Capitalisation (LTL m) (01/07/98):</b>	63.59
<b>Auditor:</b>	Price Waterhouse	<b>Trading list:</b>	Current

**Management Board** (participation in the company): Raimundas Barcevičius, Chairman (0%), Raimundas Mickūnas (0%), Rimantas Žiemelis (0%), Rimantas Kulbokas (0%)

**Managing Director:** Raimundas Barcevičius

**Investment Relations:** Raimundas Barcevičius, tel. (370-2) 260 473

## CORPORATE HISTORY

The history of LIETUVOS KURAS dates from 1946, when the Lithuanian Board of Oil Products Provision was established. In 1980, the State Oil Products Committee replaced the Board. Throughout the decades the name of the company was changed a number of times.

The state company LIETUVOS KURAS was registered in 1990. The company's authorised capital amounted to RBL 31 million. In 1993, LIETUVOS KURAS had the authorised capital in excess of LTL 56.2 million. The state holdings accounted for 61%, and the share capital made up 39 per cent. On 5 November 1994, the authorised capital was raised out of the revaluation reserve and reached LTL 127 million.

In 1995, the state enterprise was reorganised into a public limited company. With the changes made in the company's main capital during 1994 and 1995, LIETUVOS KURAS' authorised capital amounted to LTL 178.6 million. On 1 June 1998, the state controlled 73.35% of the stock and 26.65% of the shares were in private hands, including 0.63% held by individuals.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

LIETUVOS KURAS engages in wholesale and retail trade of non-ethyl gasoline, diesel fuel and coal. In 1997, the company sold 169.1 thou tonnes of oil products and 34.8 thou tonnes of coal. Revenue generated from the sale of oil products and other services accounted for 97% of the total proceeds in 1997. The rest of the revenue was derived from the coal business which was unprofitable last year.

Oil products are distributed through LIETUVOS KURAS warehouses and a number of gas-filling stations scattered across the country. The company's main supplier of oil products is Lithuanian oil refinery Mažeikių Nafta. Coal is outsourced in Russia, Poland and Ukraine. In 1997, the bulk of coal was purchased in Russia (65 per cent).

In spite of the tightening competition, LIETUVOS KURAS retained its 25% share of the Lithuanian fuel retail market. The company sold 152.2 thou tonnes of gasoline during the year, and it amounted to 89.2% of the total oil product sales. During 1996-1997, the company renovated and modernised 30 filling stations out of 117 operating ones. As a result, distribution through the retail network increased by 2.7% compared with 1996. LIETUVOS KURAS marketing team worked on the company's image during the year, and LIETUVOS KURAS gas station was recognised The Best Product of the Year.

In 1997, sales and services totalled LTL 313.35m, however the company suffered LTL 21.9m loss.

## PLANS, PROSPECTS FOR 1998

In 1998, the company plans to renovate and reconstruct about 70 filling stations. The remaining 15 stations will be closed down due to their unprofitable activity. This two-year renovation programme will require LTL 192m worth of investment. Implementation of ecological programmes will absorb additional LTL 2.9 million. The company anticipates that sales will increase by 10% upon completion of the investment projects.

The company's management made a decision to merge Panevėžys and Utena branches with Vilnius branch and Klaipėda branch with Kaunas affiliate. It was also decided to reorganise Vilnius and Kaunas branches in order to raise efficiency and reduce operating costs by LTL 4m a year. The company will proceed with leasing and sale of redundant or inefficient assets.

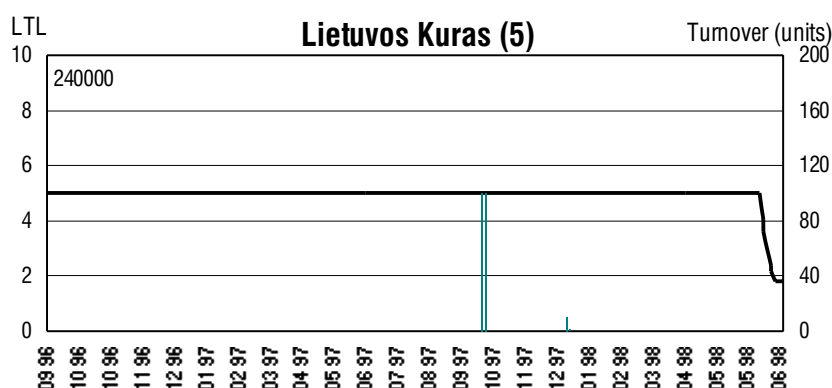
Privatisation of LIETUVOS KURAS is pending. The privatisation adviser has been selected (consortium of brokerage house Vilfima, CA IB Investment Bank, Price Waterhouse, law firm Regija and environment audit company Grota) and legal and financial due diligence of the company is in progress. The Government decided to privatise LIETUVOS KURAS via an international tender or direct negotiations with potential buyers.

## STRUCTURE OF OWNERSHIP

Ministry of Economy	73.35%
Holding Šviesus Rytojus	6.26%

## STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 178,622,700
<b>Ordinary shares:</b>	-35724540 registered shares at LTL 5 par (security code 11436) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 12.02.96)



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		166868129	164840892	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		125269209	116778914	Current ratio	1.74	1.03
Stock		51195541	42387025	Quick ratio	1.04	0.66
Amounts receivable within one year		63598395	52303342	Net working capital (LTL thou)	54497	3673
TRANSFER ACCOUNTS		3058218	2068501	Net working capital to total assets	0.18	0.01
<b>TOTAL ASSETS</b>		<b>295195556</b>	<b>283688307</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		171358962	142768720	Profit margin (%)	-0.03	-0.07
Capital		178622700	178622700	Return on assets (%)	-0.04	-0.08
Subscribed capital		178622700	178622700	Return on equity (%)	-0.06	-0.15
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		51009699	46181392	Total debt ratio	0.42	0.50
Reserves		190436	190436	Debt / equity ratio	0.72	0.99
Profit (loss) brought forward		-58463873	-82225808	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		50005848	25745161	Inventory turnover	3.74	5.59
Amounts payable within year and short-term liabilities		73829793	114824462	Receivables turnover	4.77	5.41
ACCRUED CHARGES AND DEFERRED INCOME		953	349964	Net working capital turnover	5.87	85.31
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>295195556</b>	<b>283688307</b>	Long-term assets turnover	1.92	1.90
				Total assets turnover	1.08	1.10
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		319731134	313353484			
COST OF GOODS SOLD AND SERVICES RENDERED		264942483	261370379			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>-10413701</b>	<b>-21887030</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	178623	178623
First	5.00 (09.03)	5.00	5.00	Share book value (LTL)	4.80	4.00
Max	5.00	5.00	5.00 (06.09)	Price / book value ratio [P/BV]	1.04	1.25
Min	5.00	5.00	1.78 (06.30)	Earnings per share (LTL)	-0.29	-0.61
Last	5.00	5.00	1.78 (06.23)	Price / earnings ratio [P/E]	-	-
Change (%)	-	-	-64.40	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	2	8	0	Dividend payout ratio	-	-
Turnover CM (units)	240000	211	0			
Turnover CM (LTL)	1200000	1055	0			
Turnover BT (units)	0	0	1068398			
Turnover BT (LTL)	0	0	1004294			
CM turnover as % in total	1.04	100.00	0.00			
Total turnover (units)	240000	211	1068398			
Total turnover (LTL)	1200000	1055	1004294			
Turnover ratio (%)	0.67	0.00	2.99			
As % in the total share turnover	0.64	0.00	0.22			



## MAŽEIKIŲ NAFTA

**Address:** Juodeikiai, 5526 Mažeikių raj.  
**Phone:** (370-93) 70639  
**Fax:** (370-93) 92525  
**Registration date:** 24/01/91  
**Registration code:** 6645172

**Auditor:** J. Kabašinskas ir Partneriai TŪB

**Management Board:** Antanas Bartulis, Chairman, Stasys Vaitkevičius, Gedeminas Kiesus

**Managing Director:** Gedeminas Kiesus

**Investment Relations:** Leonas Garbenis, tel. (370-93) 9 25 52

## OIL AND CRUDE OIL REFINING

**Established:** 1980  
**Privatised:** 1995, due 1998-1999  
**Number of employees:** 3685  
**Authorised capital (LTL m):** 584.6  
**Capitalisation (LTL m) (01/07/98):** 711.5

**Trading list:** Current

### CORPORATE HISTORY

The decision to build the crude oil processing plant in Lithuania was made by the authorities of the former Soviet Government at the beginning of the sixth decade. The main objective of the plant was to supply oil products to the Baltic Region and for export. The location for the refinery was chosen in the western part of Lithuania, 18 km to the north-west from Mažeikiai town and approximately 90 km from the Baltic Sea. The construction of the crude oil processing plant started in 1972.

On 31 March 1980, the act was issued for commissioning and start-up of the first processing line and the first refined product obtained was fuel oil. On 25 September 1980, the first hydroskimming unit LK-6 was put into operation. In 1982, a bitumen production unit was built to achieve higher grade fuel and to meet the shift in demand from winter to summer. The refinery started the production of road and roofing bitumen. In 1984, a second hydroskimming unit was added and in 1989, FCC based conversion unit KT-1/1 was installed. This unit added to the conversion capacity and increased yields of high value light products. FCC complex included vacuum distillation and visbreaking units with vacuum gasoil HDT, FCC, LPG and MTBE units together with hydrogen plant and new sulfur recovery plant. Total refinery processing capacity has reached 15m MT per year.

In 1995, the crude oil processing plant NAFTA was transformed into a joint stock company with 90% state ownership and the remaining 10% held by the company's employees and other legal and natural persons. In 1996, the company started to develop its own service station network in the local market. The first gas-filling station owned by MAŽEIKIŲ NAFTA was opened in February 1996.

### BUSINESS ACTIVITY

The company's main activity is to process crude oil and other feedstock. In addition, MAŽEIKIŲ NAFTA renders processing services, produces light oil products, engages in wholesale and retail trade of oil products and their transportation. The present product range includes unleaded gasoline A-98E, A-95E, A-92E and A-80E, gasoline with multifunctional additives VENTUS A-98E, VENTUS A-95E, VENTUS A-92E, summer DLEC grade diesel and winter diesel fuel with sulfur content 0.05, heavy fuel oil, jet fuel JET A-1, LPG, road, roofing and construction bitumen, sulfur, MTBE.

The main buyers of oil products in Lithuania are LIETUVOS KURAS, LIETUVOS ENERGIJA, LIETUVOS GELEŽINKELIAI (railway company), LIETUVA STATOIL Ltd, VAIZGA Ltd, etc. The products are exported to the West via Klaipėda and Ventpils terminals, to the East (Ukraine, Russia) and neighbouring countries (Latvia, Poland).

Crude oil supply comes almost entirely from the Tiumen oil fields in Russia through the main arterial FSU double pipeline link via Novopolotzk in Belarus to the Birzai (Lithuania) pumping station. The Government of Lithuania is aiming to diversify the sources of crude oil. In June 1993, the Government of Lithuania made a decision to construct crude oil /refined products pipelines and an import-

export terminal on the Baltic coast in Butingė to secure an alternative means of crude oil supply. After the completion of the construction of the Butingė Terminal, it is planned to import 8m MT of crude oil per year.

### DEVELOPMENTS IN 1997

Year 1997 was the most successful in the short history of MAŽEIKIŲ NAFTA. In comparison with unfortunate years of 1995-1996, the net profit obtained in 1997 was LTL 39.1m, the annual turnover increased more than twice and amounted to LTL 2.4 billion. MAŽEIKIŲ NAFTA processed 5 671 thous tonnes of feedstock in 1997 (41.7% of its total capacity), where 3 916.4 thous tonnes were on the company's behalf. Compared with the previous year 5.3 times more of own feedstock was processed. In 1997, the company achieved the pre-tax profit of LTL 41.7m and LTL 39.1m of net profit. More than LTL 1.2bn was paid to the budget, which accounts for 20% of the total state budget amount.

The company successfully managed to raise sources for financing of the working capital. In February 1997, corporate Eurobonds were issued with the face value of US\$ 40m and maturity of 7 months. In September, the debt was refinanced, and a new issue of corporate Eurobonds with total face value of US\$ 89m was arranged with the medium maturity period of 3 years. All funds are used by the company to purchase feedstock and fulfil new short pay-back projects.

In 1997, the production of heating oil was halted due to the launch of the production of high quality diesel fuel, which can be used as heating oil. Recently, the production of environmentally clean summer DLEC grade diesel fuel with sulfur content of 0.05% has been introduced. The production of a brand new product jet fuel JET A-1 which meets all world standard requirements was initiated in 1997. The quality of winter diesel fuel was also improved by additive injection. Trial batch of modified bitumen containing plasticisers was produced.

In 1997, LTL 40m was invested into expansion of the retail distribution network. At the meantime, there are 10 operating gas-filling stations owned by the company. To improve the results of retail trade in terms of finance and production, a closed joint-stock company Ventus-Nafta was established in 1997, where 100% of shares belong to MAŽEIKIŲ NAFTA. Company Naftelf was specially created to provide airports of the Baltic States with high quality jet fuel JET A-1. Joint venture Galnafta-Ventus was founded with the purpose to strengthen MAŽEIKIŲ NAFTA's position in the Ukrainian market.

Trying to conform with strict European requirements in terms of product quality, refinery process was significantly updated, new technologies introduced, some old plants reconstructed. Total amount of funds spent on reconstruction and modernisation was LTL 62.9 million. Investments to the construction of new plants (Gas Reforming Plant, Heating Supply Section) amounted to LTL 54.1 million.

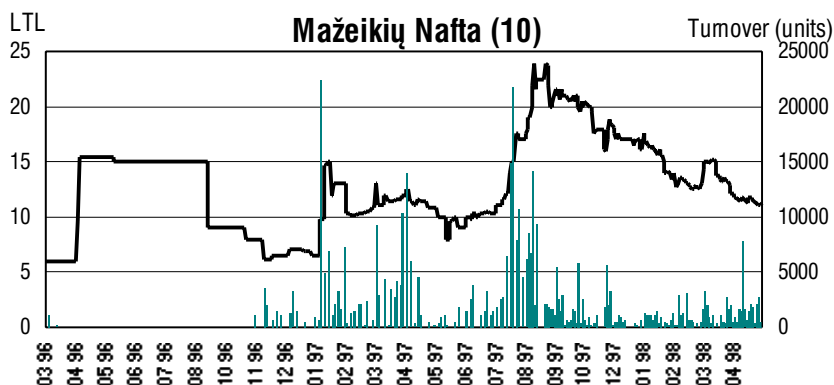
## PLANS, PROSPECTS FOR 1998-2002

MAŽEIKIŲ NAFTA future development is closely related to the exploration of new markets both in the East and in the West. International quality certificates that demonstrate oil products' conformity to Eurostandards play an important role.

The company's modernisation programme highlights the following goals: to increase competitiveness of products, improve gasoline quality by means of high octane components, ensure process compliance with stricter environmental requirements, maintain larger crude oil volumes for processing, accumulate

feedstock reserves and introduce a more flexible policy in feedstock purchase. MAŽEIKIŲ NAFTA foresees construction of four crude oil tanks, DIPE Plant, Gasoline Blending Station, Alkylation Plant and conversion of Oligomerisation Plant into Izomerisation Plant. The total amount required for investments is about US\$ 121.5 million.

The company is included on the privatisation list for 1998-1999. The consortium of Bank Paribas, brokerage house Talinvest Suprema, law firm Glimsted and technical adviser Muse, Stancil and Co. has been selected as the privatisation adviser.



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		579043922	700468351	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		272552148	593517937	Current ratio	1.15	2.29
Stock		139056558	328258414	Quick ratio	0.57	1.06
Amounts receivable within one year		78123760	197532603	Net working capital (LTL thou)	35416	343009
TRANSFER ACCOUNTS		1246828	15585157	Net working capital to total assets	0.04	0.26
<b>TOTAL ASSETS</b>		<b>852842898</b>	<b>1309571445</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		563459734	606491715	Profit margin (%)	-0.02	0.02
Capital		580734080	584634390	Return on assets (%)	-0.02	0.03
Subscribed capital		580734080	584634390	Return on equity (%)	-0.03	0.07
Share premium account		1623	3424	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.34	0.54
Reserves		518890	2475383	Debt / equity ratio	0.51	1.19
Profit (loss) brought forward		-17794859	19378518	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		41600000	433335785	Inventory turnover	5.62	9.17
Amounts payable within year and short-term liabilities		238383164	257093945	Receivables turnover	10.15	17.61
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	28.18	7.08
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>852842898</b>	<b>1309571445</b>	Long-term assets turnover	1.72	3.47
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	1.17	1.85
<b>SALES AND SERVICES</b>		998129078	2427765829			
<b>COST OF GOODS SOLD AND SERVICES RENDERED</b>		803074545	2141881375			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>-17794859</b>	<b>39129870</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	400707	993294
First	6.00	6.90	16.99	Share book value (LTL)	9.70	10.22
Max	15.36 (04.25)	6.5 (01.13)	17.50 (01 08)	Price / book value ratio [P/BV]	0.71	1.66
Min	6.00 (03.28)	24.00 (09.19)	9.93 (06 10)	Earnings per share (LTL)	-0.31	0.67
Last	6.90 (12.24)	16.99 (12.31)	12.17 (06 30)	Price / earnings ratio [P/E]	-	25.38
Change (%)	15.00	146.23	-28.37	Dividend per share (LTL)	0.00	0.154
Number of transactions (CM)	63	1631	1028	Dividend yield	-	0.01
Turnover CM (units)	18012	350794	118438	Dividend payout ratio	-	0.23
Turnover CM (LTL)	119312	5351405	1471760			
Turnover BT (units)	2324	300426	99686			
Turnover BT (LTL)	15816	4821306	1098011			
CM turnover as % in total	88.57	53.87	54.30			
Total turnover (units)	20336	651220	218124			
Total turnover (LTL)	135128	10172711	2569771			
Turnover ratio (%)	0.04	1.11	0.37			
As % in the total share turnover	0.07	1.06	0.56			
				<b>STRUCTURE OF OWNERSHIP</b>		
				State		90.5%

## SUBSIDIARIES

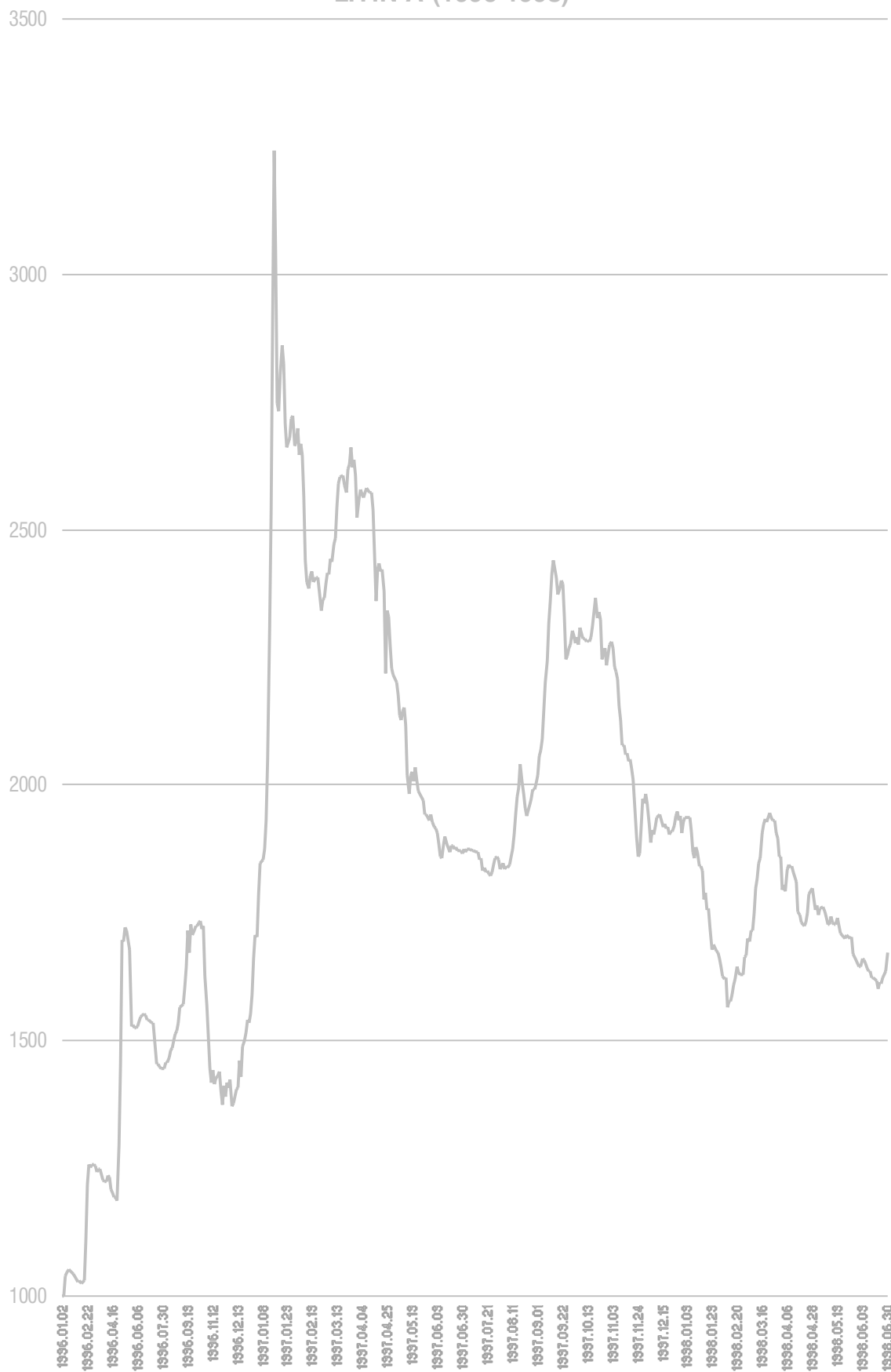
	Date of establishment	Authorised capital	Share interest
Ventus-Nafta UAB	1998	LTL 68.1m	100%
MN Saugos Tarnyba	1998	LTL 1.2m	100%
Juodeikių Nafta UAB	1993	LTL 2.39m	60%

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 584,634,390  
**Ordinary shares:**  
 -584634390 registered shares at LTL 10 par (security code 11555) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 05.02.96)

# LITHUANIAN COMPANIES

LITIN-A (1996-1998)





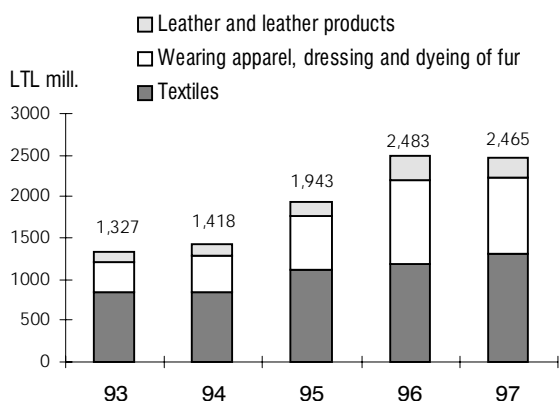
## TEXTILES AND LEATHER

Light manufacturing has a long tradition in Lithuania, dating back to the 19<sup>th</sup> century. It makes up over 11% of the total Lithuanian industry output and 18% of total exports. Light manufacturing is a highly export-oriented sector: the textile sector exports 70.9% of production, sewing and fur 91% and leather 54.2% of production. However, most export sales are labor services provided to Western European manufacturers and retailers/wholesalers, except for exports of fabrics and fiber. Companies with a higher share of their own production significantly differ among the peer group in terms of profitability (e.g. Šatrija, Utenos Trikotažas). Throughout the difficult stage of industry restructuring since Lithuania regained independence, light industry enjoyed growth, which was in contrast to most remaining production companies.

Textile sales in 1997 amounted to LTL 1.33bn (54% of the total light industry), sewing and fur to LTL 935m (38%) and leather to LTL 200 million (8%). Production of textiles in 1Q98 grew by 1.8% compared to 1Q97, while wearing apparel and fur production jumped by 30 per cent.

Over 51,000 people are employed in light manufacturing, 24,800 of which in textiles, 21,500 in sewing and 4,980 in leather processing. The average wage in 1997 was LTL 790 and was 20% below the country average. Labour costs, including social insurance, comprise 33% of total manufacturing costs, while raw materials amount to 42 per cent.

### Light manufacturing industry output



Since the beginning of 1998, Lithuania and the EU have started an import duty and quota free trade in textile products, boosting sector exports by 19.4% in 1Q 1998 (knitwear exports grew by 27.4% and clothing by 24.2%). Light manufacturing exports comprised 17.7% of total Lithuanian exports. Although imports grew as well, the trade balance of light manufacturing merchandise remains positive, as Lithuanian exports are 64% higher than imports. EU countries are the main light industry trade partners, with a 69% share in exports and 57% in imports. CIS countries also comprise a considerable share of exports (12%, import share equals 17%), however it is difficult to compete in that market due to high import duties and VAT applied. Several Lithuanian light manufacturing companies are trying to reach this market by opening retail outlets in Moscow (Lelija), Niznij Novgorod (Šatrija).

In 1996, about 13% of share capital in textile, sewing and fur sectors was owned by foreign investors. By contrast, only 0.63% of share capital was owned by foreigners in the leather sector. However, total foreign capital investments in 1997 amounted to LTL 200m and ranked second after the tobacco industry in terms of total FDI. The state still owned around 15% in leather and clothing sectors, with an almost 30% share in textile companies, although significantly less than the industrial average of 68 per cent. In 1998, a number of attractive light manufacturing companies are on the privatisation list, including Alytaus Tekstilė, Lelija, Drobė, Inkaras and others.

The growth in this sector was primarily grounded by huge investments that highly improved production technology. Foreign investors were attracted by low labour costs and highly qualified labour force in Lithuanian textiles industry. Foreign investments were also encouraged by tax relieves. That resulted in numerous direct foreign investments in the textiles sector. On 18 July 1997, a new private company Eurotextil was opened: 95% of the shares belong to Tuchfabrik W. Becker GmbH, German producer of woollen fabrics, the rest 5% of the shares to AB Audėjas. The initial authorised capital of the company is DEM 3m while additional DEM 19m were invested in the company during 1997. The production capacity of the company is 8m m<sup>2</sup> of woollen fabrics p.a. The company employs 200 people.

The EBRD purchased the new issue of sewing company AB Vilkmā and became the largest shareholder of the company. Presently, the bank has 40% stake in the authorised capital which is equal to LTL 2.08 million. Vilkmā specialises in production of shirts for men and children. The production capacity of the company reaches 2m items per year of which 95% are exported to Sweden, Norway, Germany, Great Britain. The rest 5% are sold in Lithuania, Latvia and Estonia. There are 700 people employed in the company.

Norwegian investment funds got interested in AB Kauno Audiniai, the weaving company. Foreign investors already own about 35% of the authorised capital. The biggest foreign shareholders are Hansa Investments (15%) and Baltic Investment Fund (7.5%). The new share issue of LTL 5.2m will be placed by consulting company Balticum Management and possibly be subscribed by Scandinavian investment funds.

The biggest Lithuanian textile company AB Alytaus Tekstilė has drawn the attention of Tolaram Group, the investor from Singapore which with the help of Hansa Investments purchased 18% stake in the company. Tolaram Group intends to participate in the privatisation of the company and purchase the stake of the state (63.18%). The privatisation procedure is in progress.

AB Linas, producer of flax fabrics and articles of flax, is expanding to new markets via joint ventures. Together with Irish partners, the company has established the joint venture Linen - Cotton Market Ltd registered in Ireland. The company trades the production of AB Linas in Europe. Another joint venture with US company Positive Influence Fashions is the production company registered in the USA.

AB Inkaras, producer of rubber footwear, started production of footwear with Adidas brand name in late 1997. The new partners of the company provided the necessary equipment, working capital, orders and promotion. The plans of Adidas are to increase production up to LTL 12-14m per month and reach the present annual turnover of the company. Thus, the share of FDI is expected to grow.

The light manufacturing industry is expected to go through a significant restructuring in the coming 2-3 years, with some bankruptcies as well as mergers and acquisitions taking place. Production and exports will continue to grow, positively affected by a duty free trade agreement with the EU, although their growth rate will slow down in the future. The leading industry companies will be placing more emphasis on manufacturing of their own products rather than providing labor services only. However, it would be difficult to compete in the Western markets, as high investments are needed to create brandname recognition. Another possibility for generating higher returns would be to produce own products, but labeled by large retail/wholesale houses. A more liberal trade policy with the CIS markets may enhance sector development, although payment settlement risk would remain high, and such liberalisation may negatively affect the Lithuanian free trade agreements with EU countries. The local market is also expected to expand in line with the general growth of the economy and increasing standards of living.





## ALYTAUS TEKSTILĖ

## FABRICS AND OTHER TEXTILES

**Address:** Pramonės g. 1, 4580 Alytus  
**Phone:** (370-35) 77357, 78260  
**Fax:** (370-35) 78666, 78776, 78773  
**Registration date:** 24/09/93  
**Registration code:** 4969877

**Established:** 1968  
**Privatised:** 1993, due 1998  
**Number of employees:** 4031  
**Authorised capital (LTL m):** 100.2  
**Capitalisation (LTL m) (01/07/98):** 20

**Auditor:** Auditorių Biuras UAB

**Trading list:**

**Current**

**Supervisory Board** (participation in the company): Stanislovas Majauskas, Chairman (0.02%), Genovaitė Urniežienė (0%), Janina Petrusevičienė (0%), Vincas Navickas (0.01%), Edmundas Strodamskas (0%)

**Management Board:** Gintautas Andriškevičius, Chairman (0.5%), Algirdas Grabys (0.023%), Albinas Jasiulevičius (0.02%), Romualdas Rimkus (0.02%), Dalia Rimkuvienė (0.01%), Gražina Ludavičienė (0.01%), Genė Slavinskienė (0%), Sonny Aswani (0%)

**Managing Director:** Gintautas Andriškevičius

**Investment Relations:** Gražina Ludavičienė, tel (370-35) 7 85 10

## CORPORATE HISTORY

ALYTAUS TEKSTILĖ predecessor, Alytaus state cotton factory, was established in 1968 and reorganised into a public limited company on 24 September 1993. The first batch of textiles was produced in 1969. In the period between 1988 and 1990, the company was modernised. After the renovation of spinning-weaving equipment, the company introduced a new product - cotton-polyester fabrics for outdoor clothing.

The company's production was oriented to meet the demands of the huge Soviet market which required large amounts of narrow range textiles. During the years of flourishing, ALYTAUS TEKSTILĖ sold 13.9 thou tonnes of yarn and 91m meters of cloth per annum.

In 1996, the general shareholders' meeting decided to reduce the company's authorised capital by LTL 33m in order to eliminate discrepancy between the assets and the authorised capital that appeared due to losses. Consequently, 33m ordinary shares were annulled. New size of the share capital - LTL 100.2m - was registered in February 1997.

The company is currently listed for privatisation. It has already established relations with several foreign companies that intend to participate in the company's privatisation.

## BUSINESS ACTIVITY

ALYTAUS TEKSTILĖ is the largest producer of cotton-type and mixed fibre fabrics in the Baltic states. It manufactures various types of yarn, knitted, cotton-type and mixed fabrics for uniforms, rain-coats, shirts, bedding, pyjamas and special outfit. The company produces bed and kitchen linen, curtains and other articles. In 1997, cotton fabrics accounted for 64% of the total output, sewing articles for 16%, cotton-polyester fabrics made up 9%, while yarn and other production constituted 11 per cent.

More than 60% of the company's production are exported to the EU, Norway, USA, 10% go to the CIS, Latvia and Estonia, whereas 30% of products are realised in the domestic market.

Only 3-8% of yarn are sold in Lithuania and abroad, the rest is used for manufacture of ready made textile articles. Since output of ready made articles decreased in 1996, the company sells more yarn than in previous years.

The bulk of ALYTAUS TEKSTILĖ products is purchased by regular buyers. The company maintains good ties with Swedish, German and Italian partners. These companies account for more than a half of ALYTAUS TEKSTILĖ export to Western countries. 50% of the exports are realised on the basis of long-term agreements.

In 1994, the company invested LTL 750 thou (i.e., 50%) into a Lithuanian-Italian joint venture Alitex Ltd.

## DEVELOPMENTS IN 1997

1997 was a successful year for the company, as it managed to rise from the decline of the previous years. All economic and financial indicators showed a positive change in comparison with earlier results. Production of yarn jumped by 154.5%, raw fabrics by 135.3%, and manufacture of ready made fabrics soared by 148.3 per cent. In 1997, ALYTAUS TEKSTILĖ sales reached LTL 191.6m (LTL 66.7m more than last year), unprofitable production decreased from 15.4% in 1996 to 8.9% in 1997.

The company managed to reduce its debts by LTL 1078.4 thousand. Due to the shortage of working capital for purchase of raw material the company took short-term bank loans. Out of these loans the company covered debts to other creditors.

## PLANS, PROSPECTS FOR 1998

The company intends to increase sales, improve quality of its products and search for new markets. It plans to expand the production of 1.60m width fabrics.

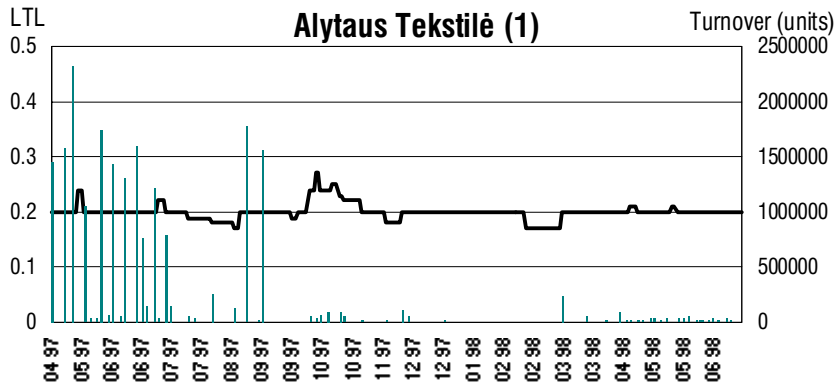
In the process of privatisation, ALYTAUS TEKSTILĖ hopes to find a strategic investor, who will contribute to the enhancement of production.

## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 3348.  
 Ministry of Economy 63.2%  
 A/S Hansa Investment (Estonia) 18.8%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 100,212,726  
**Ordinary shares:**  
 -100212726 registered shares at LTL 1 par (security code 10090) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 23.11.93)



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		128230304	113644022	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		62696200	65717452	Current ratio	1.99	1.49
Stock		39905480	36482083	Quick ratio	0.72	0.66
Amounts receivable within one year		22000393	28265464	Net working capital (LTL thou)	31119	21473
TRANSFER ACCOUNTS		5037	19987	Net working capital to total assets	0.16	0.12
<b>TOTAL ASSETS</b>		<b>190931541</b>	<b>179381461</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		139754701	120353300	Profit margin (%)	-0.18	-0.10
Capital		133370291	100212726	Return on assets (%)	-0.12	-0.11
Subscribed capital		133370291	100212726	Return on equity (%)	-0.16	-0.16
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		45587201	45587201	Total debt ratio	0.27	0.33
Reserves		1365164	1365164	Debt / equity ratio	0.37	0.49
Profit (loss) brought forward		-40567955	-26811791	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		19594496	14763314	Inventory turnover	3.43	5.02
Amounts payable within year and short-term liabilities		30497258	43854487	Receivables turnover	6.32	7.62
ACCRUED CHARGES AND DEFERRED INCOME		1085086	410360	Net working capital turnover	4.01	8.92
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>190931541</b>	<b>179381461</b>	Long-term assets turnover	0.97	1.69
				Total assets turnover	0.65	1.07
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		124900948	191587493			
COST OF GOODS SOLD AND SERVICES RENDERED		134623429	191909935			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>-23028680</b>	<b>-19401401</b>			

TRADING STATISTICS	1997	1-2Q 1998
<b>PRICE (LTL)</b>		
First	0.20	0.20
Max	0.17 (08.20)	0.21 (05 20)
Min	0.27 (10.08)	0.17 (03 09)
Last	0.20 (12.23)	0.20 (06 23)
Change (%)	-	-
Number of transactions (CM)	3170	252
Turnover CM (units)	20235408	948852
Turnover CM (LTL)	4053056	189846
Turnover BT (units)	527542	274482
Turnover BT (LTL)	96407	54896
CM turnover as % in total	97.46	77.56
Total turnover (units)	20762950	1223334
Total turnover (LTL)	4149463	244742
Turnover ratio (%)	20.72	1.22
As % in the total share turnover	0.43	0.05

MARKET VALUE RATIOS	1996	1997
Capitalisation (LTL thou)		20043
Share book value (LTL)	1.05	1.20
Price / book value ratio [P/BV]	-	0.17
Earnings per share (LTL)	-0.17	-0.19
Price / earnings ratio [P/E]	-	-
Dividend per share (LTL)	0.00	0.00
Dividend yield	-	-
Dividend payout ratio	-	-

## KAUNO AUDINIAI

## FABRICS AND OTHER TEXTILES

<b>Address:</b>	Griunvaldo 3/5, 3697 Kaunas	<b>Established:</b>	1930
<b>Phone:</b>	(370-7) 225076	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-7) 228323	<b>Number of employees:</b>	541
<b>Registration date:</b>	12/02/92	<b>Authorised capital (LTL m):</b>	24.2
<b>Registration code:</b>	3320724	<b>Capitalisation (LTL m) (01/07/98):</b>	3.6
<b>Auditor:</b>	<b>Coopers &amp; Lybrand</b>	<b>Trading list:</b>	<b>Current</b>

**Supervisory Board** (participation in the company): Rimantas Juozaitis, Chairman (7.06%), Arvydas Garbaravičius (1.03%), Vida Gričiuvienė (0%), Ovidijus Stačkūnas (0%), Jarmo Olavi Rautiainen (0%)

**Management Board:** Ramūnas Garbaravičius, Chairman (3.04%), Egidijus Pažarauskas (4.35%), Rita Bražėnienė (0.06%)

**Managing Director:** Egidijus Pažarauskas

**Investment Relations:** Egidijus Pažarauskas, tel. (370-7) 228 462

**CORPORATE HISTORY**

KAUNO AUDINIAI, silk factory, was established by Mr. Robert Hirsh in September 1930. Distinguished for the quality products, it used to be one of the leading enterprises in the former Soviet Union.

The company was transformed into a public joint stock company in February 1992. The issue of shares, registered with the Securities Commission on 13 September 1996, amounted to LTL 1.47 million. The state was granted an exclusive right to purchase this issue. Thus, the company's indebtedness to the budget for the period of 1992-1994 was converted into shares. On 27 August 1997, the share capital was increased up to LTL 24.2m by issuing 2.8m ordinary shares at LTL 1 par.

**BUSINESS ACTIVITY, LATEST DEVELOPMENTS**

KAUNO AUDINIAI specialises in three types of fabrics: fabrics for blouses and shirts, decorative fabrics and upholstery as well as lining fabrics. For the production of various fabrics the company uses cotton, viscose, polyester, acetate and cupro yarn. Fabrics for blouses and shirts make up 81% of the revenue, since these products are competitive in terms of quality and price.

The company sells the bulk (87%) of production to Miroglio Tessile S.p.A. (Italy) and Sohl&Sohlke (Germany) which at the same time are the main suppliers. In total, 91% of the products are exported, and only 9% find their buyers in Lithuania. Decorative textiles and upholstery constitute 6% of sales. KAUNO AUDINIAI is the only producer of sophisticated jacquard fabrics in the Baltic region and has a huge technological and design advantage in this area.

The increase in production intended for Western markets caused rise in the utilisation of viscose and lavsane. The company's main supplier of viscose, lavsane and cotton yarn is the German company Sohl&Sohlke which provides 25% of viscose yarn, 30% of lavsane and 15% of cotton yarn. Miroglio Tessile S.p.A delivers 25% of viscose yarn.

During the accountable period, KAUNO AUDINIAI produced 3615 thou meters of fabric. In 1997, as compared with 1996, the production output decreased by 272 thou meters or 9.7% (from LTL 29m to LTL 28 million). KAUNO AUDINIAI reported its last year loss at LTL 2.3 million. Negative performance was effected by decrease in sales in the domestic and Eastern markets, depreciation of DEM and jump in energy and material resources prices.

In spite of difficult economical situation, last year the company expanded its industrial capacities, enhanced technologies, carried out reconstruction and introduced new products.

**PLANS, PROSPECTS FOR 1998**

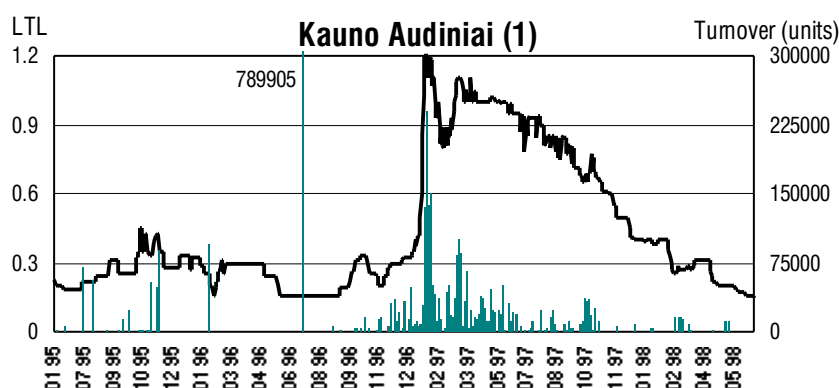
The company has allocated funds for the acquisition of new machinery and equipment. It also has plans to issue new shares and use LTL 5m for modernisation and development. KAUNO AUDINIAI will reorganise auxiliary services into profit-seeking business units. KAUNO AUDINIAI intends to offer its fabrics to new consumers in Ukraine, Russia, Sweden and the US. The company will focus on implementation of cost-saving programme that will allow to raise productivity and competitiveness.

**STRUCTURE OF OWNERSHIP**

Hansabank	13.49%
Baltic Investment Fund	8.25%
Požeminiai Darbai AB	7.94%
Ministry of Economy	6.09%
Rimantas Juozaitis	7.06%

**STRUCTURE OF SHARE CAPITAL**

<b>Share capital:</b>	LTL 24,225,815
<b>Ordinary shares:</b>	
-21423372 registered shares at LTL 1 par (security code 10154)	accounting for 88.43% of the auth. capital (admitted to trading at the NSEL on 04.01.94)
-2802443 registered shares at LTL 1 par (security code 12260)	accounting for 11.57% of auth. capital (not admitted to trading at the NSEL).



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		19352259	18016836	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		15074019	16062226	Current ratio	1.77	2.17
Stock		9903031	10724645	Quick ratio	0.68	0.73
Amounts receivable within one year		5075617	5204298	Net working capital (LTL thou)	6984	8706
TRANSFER ACCOUNTS		999936	116443	Net working capital to total assets	0.20	0.25
<b>TOTAL ASSETS</b>		<b>35426214</b>	<b>34195505</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		24951351	25587115	Profit margin (%)	0.04	-0.08
Capital		21423372	24225815	Return on assets (%)	0.03	-0.07
Subscribed capital		21423372	24225815	Return on equity (%)	0.04	-0.09
Share premium account		0	168146	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		18056	18056	Total debt ratio	0.30	0.25
Reserves		2399087	2399087	Debt / equity ratio	0.42	0.34
Profit (loss) brought forward		1110836	-1223989	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		1384443	1135696	Inventory turnover	2.74	2.59
Amounts payable within year and short-term liabilities		8722766	7364803	Receivables turnover	7.46	5.50
ACCRUED CHARGES AND DEFERRED INCOME		367654	107891	Net working capital turnover	4.15	3.25
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>35426214</b>	<b>34195505</b>	Long-term assets turnover	1.50	1.57
				Total assets turnover	0.82	0.83
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		28954222	28256858			
COST OF GOODS SOLD AND SERVICES RENDERED		24721143	26698677			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>1019069</b>	<b>-2334825</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	7498	8569
First	0.33	0.35	0.40	Share book value (LTL)	1.16	1.06
Max	0.35 (12.31)	0.35 (01.02)	0.40 (02 11)	Price / book value ratio [P/BV]	0.30	0.38
Min	0.16 (08.29)	1.21 (01.21)	0.15 (06 30)	Earnings per share (LTL)	0.05	-0.10
Last	0.35 (12.30)	0.40 (12.17)	0.15 (06 30)	Price / earnings ratio [P/E]	7.35	-
Change (%)	6.06	14.29	-62.50	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	135	1085	58	Dividend payout ratio	-	-
Turnover CM (units)	1222260	3241854	110161			
Turnover CM (LTL)	251230	3301332	29532			
Turnover BT (units)	618751	2288586	338673			
Turnover BT (LTL)	185325	2508662	56794			
CM turnover as % in total	66.39	58.62	24.54			
Total turnover (units)	1841011	5530440	448834			
Total turnover (LTL)	436555	5809994	86326			
Turnover ratio (%)	8.59	25.81	1.85			
As % in the total share turnover	0.23	0.61	0.02			



## LINAS

**Address:** S.Kerbedžio g. 23, 5319 Panevėžys  
**Phone:** (370-5) 461487  
**Fax:** (370-5) 422607  
**Registration date:** 13/12/93  
**Registration code:** 4768908

**Auditor:** J. Kabašinskas ir partneriai TŪB

## LINEN FABRICS AND TEXTILES

**Established:** 1957  
**Privatised:** 1993  
**Number of employees:** 1629  
**Authorised capital (LTL m):** 23.5  
**Capitalisation (LTL m) (01/07/98):** 8.0

**Trading list:** Current

**Management Board** (participation in the company): Ramūnas Lenčiauskas, Chairman (0.33%), Edmundas Alijauskas (0%), Aldona Mažylienė (0.08%), Algirdas Valentukevičius (0.07%), Linas Žarnauskas (0.01%).

**Managing Director:** Ramūnas Lenčiauskas

**Investment Relations:** Ramūnas Lenčiauskas, tel. (370-25) 461 487

## CORPORATE HISTORY

In 1957, a state enterprise engaged in manufacture of linen cloth, the predecessor of LINAS, was established in Panevėžys. During 1975-1990, after linen cloth manufacturer Siūlas and flax spinning and weaving factory Linų Audiniai merged, Panevėžys enterprise became the main company of Panevėžys group LINAS.

In 1993, the enterprise was registered as a public limited company LINAS. Today, it is the largest linen cloth manufacturer in the Baltics, recognised internationally for high quality of linen fabrics.

After the reorganisation in 1993, the authorised capital of the company came to LTL 4.4 million. Employees and other private shareholders acquired 64.9% of the stock. State interest equalled 35.1 per cent.

On 8 October 1993, the Securities Commission gave a permit to distribute a LTL 4.2m issue. Therefore, the authorised capital rose to LTL 8.6m divided into 8.6m ordinary shares.

With the revaluation of assets in 1994, the authorised capital of LTL 22.9m was registered with Panevėžys Municipality. It was divided into equal number of ordinary registered shares at LTL 1 par. After a new issue of LTL 1.2m in 1996, the company's share capital amounted to LTL 24m and was divided into the same amount of ordinary registered shares at LTL 1 par. The size of share capital remained unchanged up to date.

## BUSINESS ACTIVITY

LINAS manufactures high quality linen cloth: white, coloured, motley, striped, jacquard, used for production of curtains, tablecloth, napkins, towels, and clothing. The company has its own sewing section, where table-covers, napkins, towels, bedding and curtains are manufactured.

LINAS produces 40 kinds of fabrics that differ in texture, type of yarn, tenacity and method of weaving. The width of all cloth is 150 cm.

86.2% of production are exported to Western and Eastern countries. The main buyers are the USA, Germany, Sweden, Switzerland, Austria, Finland, Russia and others. 60% of the company's products are realised under long-term agreements, 40% under short-term contracts, while 10% of sales occur on a single arrangement basis. LINAS regularly participates in exhibitions-fairs in the CIS countries, Germany, UK, USA, Hungary, etc.

Supplies are delivered by domestic companies as well as foreign partners. Flax fibre is provided by Lithuanian manufacturers (58%), 32% come from Belarus, the rest from Ukraine, Estonia and Latvia. Cotton-type yarn mainly comes from Latvia, while viscose is supplied by Italian partners.

## DEVELOPMENTS IN 1997

During the previous year, the company sold 4.2m meters of fabrics, 5.2m units of sewing articles and 140t of flax yarn. The company generated revenues of LTL 61.7 million. Owing to the Board's policy, sales increased by 17 per cent.

LINAS earned the pre-tax profit of LTL 4.51 million. Net profit for 1997 came to LTL 3.9 million. Book value per share rose to LTL 1.23.

The company employed 1629 persons. The average monthly salary was LTL 812. Staff turnover was driven by market forces: workers were moved from "dying" units to those with higher capacity, while employees at retirement age were relieved.

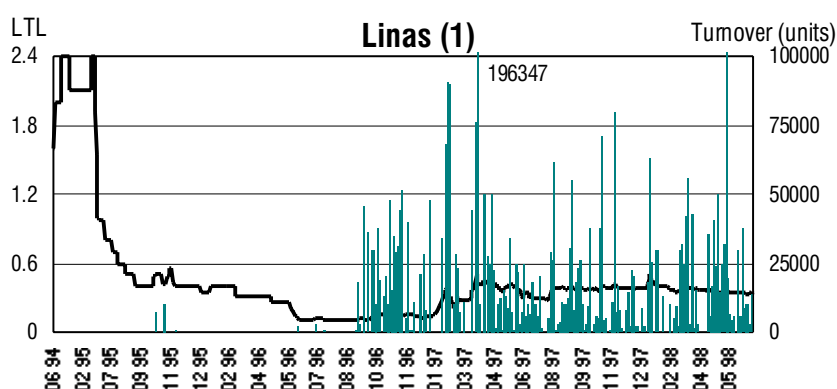
LINAS made investments amounting to LTL 66 thou in several companies: joint venture with Ireland Linen-Cotton Market Limited, Lithuanian-US company Linane, outlet Reda and a few others.

## PLANS, PROSPECTS FOR 1998

In 1998 LINAS intends to:

- increase sales by 18% by expanding current markets and creating new markets;
- create new type of yarn and new texture fabrics and clothing;
- improve household textiles; introduce new product lines;
- raise its export sales to Western countries up to 85%;
- sell more than 20% of all fabrics in the form of sewing articles;
- redesign over 50% of fabrics in terms of their colour, texture and pattern.

The company will pursue its technical-technological and organisational restructuring. New ways of cloth softening and finishing will be introduced. LINAS aims to implement ISO 9001 standard.



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		15194998	18100271	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		23698510	27990810	Current ratio	1.92	1.97
Stock		17808684	18841149	Quick ratio	0.48	0.65
Amounts receivable within one year		5273454	8856994	Net working capital (LTL thou)	11367	13875
TRANSFER ACCOUNTS		27134	260460	Net working capital to total assets	0.29	0.30
<b>TOTAL ASSETS</b>		<b>38920642</b>	<b>46351541</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		25134288	29091508	Profit margin (%)	0.13	0.06
Capital		23576744	23576744	Return on assets (%)	0.18	0.08
Subscribed capital		23576744	23576744	Return on equity (%)	0.28	0.13
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.35	0.37
Reserves		227575	1557544	Debt / equity ratio	0.55	0.60
Profit (loss) brought forward		1329969	3957220	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	2535789	Inventory turnover	2.55	2.52
Amounts payable within year and short-term liabilities		12358912	14332998	Receivables turnover	11.46	8.73
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	4.63	4.45
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>38920642</b>	<b>46351541</b>	Long-term assets turnover	3.46	3.41
				Total assets turnover	1.35	1.33
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		52587645	61680316			
COST OF GOODS SOLD AND SERVICES RENDERED		46470110	46192240			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)6990239</b>		<b>6990239</b>	<b>3957220</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	3301	8959
First	0.35	0.14	0.38	Share book value (LTL)	1.07	1.23
Max	0.40 (02.20)	0.12 (01.13)	0.50 (01 09)	Price / book value ratio [P/BV]	0.13	0.31
Min	0.10 (09.26)	0.51 (03.28)	0.33 (06 26)	Earnings per share (LTL)	0.30	0.17
Last	0.14 (12.31)	0.38 (12.29)	0.34 (06 29)	Price / earnings ratio [P/E]	0.47	2.29
Change (%)	-60.00	171.43	-10.53	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	316	1184	570	Dividend payout ratio	-	-
Turnover CM (units)	678645	2363670	1368447			
Turnover CM (LTL)	88289	896488	514334			
Turnover BT (units)	135506	2706871	130915			
Turnover BT (LTL)	18902	1003970	29929			
CM turnover as % in total	83.36	46.62	91.27			
Total turnover (units)	814151	5070541	1499362			
Total turnover (LTL)	107191	1900458	544263			
Turnover ratio (%)	3.45	21.51	6.36			
As % in the total share turnover	0.06	0.20	0.12			

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 23,576,744  
**Ordinary shares**  
 -23576744 registered shares at LTL 1 par (security code 10066) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 02.11.93)

## STRUCTURE OF OWNERSHIP

Tekstilės Grupė UAB 15.68%  
 State Securities Fund 15.67%  
 Žilvinas Kutkevičius 14.15%  
 Insurance Company Draudvija 9.71%

## LITEKSAS &amp; CALW

## TEXTILES

<b>Address:</b>	Draugystės g. 16, 3031 Kaunas	<b>Established:</b>	1927
<b>Phone:</b>	(370-7) 753477, 753757	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-7) 752910	<b>Number of employees:</b>	890
<b>Registration date:</b>	08/10/93	<b>Authorised capital (LTL m):</b>	47.8
<b>Registration code:</b>	1054422	<b>Capitalisation (LTL m) (01/07/98):</b>	6.2

<b>Auditor:</b>	<b>Arthur Andersen</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Theo Zirkel, Chairman (0%), Helmut Schoufelder (0%), Rolf Gerber (0%), Kenneth Assal (0%), Vygintas Bubnys (0.10%), Steponas Vaičikauskas (0.20%), Rimantas Jocius (0.19%)

**Management Board:** Virgilijus Varža, Chairman (0.01%), Algimantas Grigas (0.03%), Ginatautas Žemaitaitis (0.006%)

**Managing Director:** Virgilijus Varža

**Investment Relations:** Virgilijus Varža, tel. (370-7) 753 757

## CORPORATE HISTORY

Textiles plant LITEKSAS was established in 1927. In 1966, the plant started constructing a new finishing unit that later developed into a large factory. In 1992, the plant was privatised through the initial public offering and registered as a public joint-stock company LITEKSAS. In 1993, the company increased its authorised capital and sold 51% of the share to the strategic investor German company Calwer Decken. Foreign capital being poured into the business, the company was reregistered into a Lithuanian-German joint venture LITEKSAS IR CALW. In 1994, the authorised capital was increased to LTL 18.7 million. In 1995, the company received loans from International Finance Corporation (IFC) and German Investment and Development Company (DEG) and raised its share capital to LTL 47.8 million.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The principal activity is spinning, weaving and manufacture of textile products. The distribution network of LITEKSAS IR CALW products is very wide. Last year the company sold 2112.8 thousand meters of fabrics for the total amount of LTL 66 thousand. The largest portion of produce was purchased by the main shareholder and strategic partner Calwer Decken und Tuchfabriken AG. In Lithuania the company sold 11.67% of the textiles, in Latvia and Estonia 0.88%, in the CIS markets 25.48 per cent. Around 13% of the merchandise were exported to Western Europe.

In 1997, LITEKSAS IR CALW started manufacturing textile articles and scarves made of worsted-type yarn. The new technology for decorating plaids was introduced. New warping machine Herget enables the company to manufacture fabrics of short length and thus to have considerable cost savings.

Last year the company's sales and services constituted LTL 69.17 thousand. However, LITEKSAS IR CALW incurred loss of LTL 8.36 million.

## STRUCTURE OF OWNERSHIP

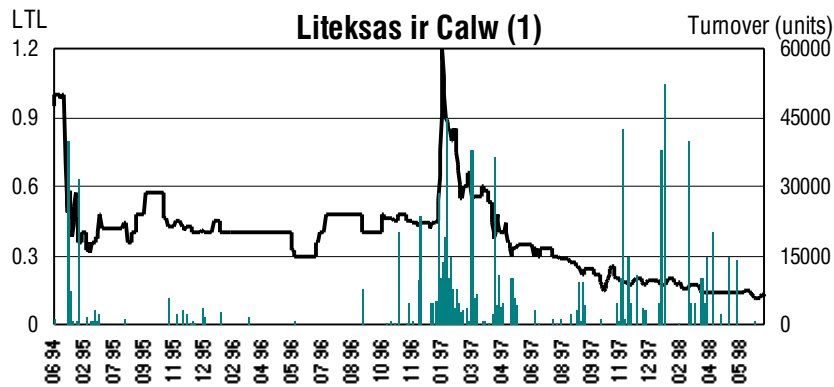
Calwer Decken und Tuchfabriken AG	67.64%
IFC	8.37%
DEG	8.37%
FMI	3.49%
Employees	2.47%
Individuals	6.15%
Foreign individuals	0.19%
State Securities Fund	3.34%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 47,807,489

**Ordinary shares:**

-47807489 registered shares at LTL 1 par (security code 10078) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 14.12.93)



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		54561128	54099269	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		71529274	60056559	Current ratio	4.09	1.21
Stock		36740100	25948655	Quick ratio	2.06	0.69
Amounts receivable within one year		17511789	27369204	Net working capital (LTL thou)	55756	10568
TRANSFER ACCOUNTS		2244202	616256	Net working capital to total assets	0.43	0.09
<b>TOTAL ASSETS</b>		<b>128334604</b>	<b>114772084</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		52750979	44395308	Profit margin (%)	0.03	-0.12
Capital		47807489	47807673	Return on assets (%)	0.02	-0.07
Subscribed capital		47807489	47807673	Return on equity (%)	0.04	-0.19
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.59	0.61
Reserves		2739622	4943490	Debt / equity ratio	1.43	1.59
Profit (loss) brought forward		2203868	-8355671	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		57565819	20271735	Inventory turnover	2.19	2.19
Amounts payable within year and short-term liabilities		16716223	49273466	Receivables turnover	5.96	3.07
ACCRUED CHARGES AND DEFERRED INCOME		1301583	831575	Net working capital turnover	1.36	6.53
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>128334604</b>	<b>114772084</b>	Long-term assets turnover	1.39	1.28
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	0.59	0.60
SALES AND SERVICES		75565627	68990639			
COST OF GOODS SOLD AND SERVICES RENDERED		64400859	68718041			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>2320604</b>	<b>-8355671</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	7857	9083
First	0.40	0.42	0.19	Share book value (LTL)	1.10	0.93
Max	0.48 (11.14)	0.15 (10.09)	0.20 (02 02)	Price / book value ratio [P/BV]	0.38	0.20
Min	0.30 (06.25)	1.20 (01.21)	0.11 (06 23)	Earnings per share (LTL)	0.05	-0.17
Last	0.42 (12.31)	0.19 (12.17)	0.13 (06 30)	Price / earnings ratio [P/E]	8.66	-
Change (%)	5.00	-54.76	-31.58	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	53	410	72	Dividend payout ratio	-	-
Turnover CM (units)	83486	625269	238697			
Turnover CM (LTL)	36807	336761	37554			
Turnover BT (units)	65181	650276	120529			
Turnover BT (LTL)	27184	223603	18426			
CM turnover as % in total	56.16	49.02	66.45			
Total turnover (units)	148667	1275545	359226			
Total turnover (LTL)	63991	560364	55980			
Turnover ratio (%)	0.79	2.67	0.75			
As % in the total share turnover	0.03	0.06	0.01			



## TRINYČIAI

## YARN

<b>Address:</b>	Bangų g. 22, 5800 Klaipėda	<b>Established:</b>	1923
<b>Phone:</b>	(370-6) 212480	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-6) 311735	<b>Number of employees:</b>	436
<b>Registration date:</b>	18/03/93	<b>Authorised capital (LTL m):</b>	13.8
<b>Registration code:</b>	4066028	<b>Capitalisation (LTL m) (01/07/98):</b>	11.1
<b>Auditor:</b>	KPMG Lietuva	<b>Trading list:</b>	Current

**Supervisory Board** (participation in the company): Rimas Varanauskas, Chairman (0%), Regina Sajienė (0%), Ignacas Viskontas (0.039%)

**Management Board:** Vytautas Gerikas, Chairman (0%), Algirdas Giedraitis (0%), Tadas Motiejūnas (0%), Virginija Januškienė (0%), Nijolė Dumbliauskienė (0%), Ričardas Uptas (0.01%)

**Managing Director:** Vytautas Gerikas

**Investment Relations:** Vytautas Gerikas, tel. (370-6) 212 480

## CORPORATE HISTORY

The establishment of the textile plant TRINYČIAI dates as far back as 1923. The company was founded by brothers Feinbergs. World War II destroyed the plant, but it was rebuilt in 1945. In the post-war period, the company was reconstructed three times (in 1954, 1964 and 1986) almost in its entirety.

In 1976, TRINYČIAI, the plant Gulbė and Kaunas cotton spinning factory were merged into the group TRINYČIAI. In 1990, the group was liquidated and all three companies regained their independence. On 18 March 1993, TRINYČIAI was privatised. In 1995, the company's subsidiary Trinyčių Medvilnė was established in Uzbekistan. The subsidiary engages in the distribution of Lithuanian goods and supplies TRINYČIAI with cotton fibre.

After the privatisation, the company's authorised capital stood at LTL 2.6 million. On 4 August 1995, a new share issue of LTL 6.8m was registered with the Securities Commission. The stock capital was raised out of the revaluation reserve from LTL 2.6m to LTL 9.4 million. In 1996, the authorised capital was increased for the second time to LTL 13.8 million.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company manufactures cotton-type yarn for weaving and knitting. According to the production technology, yarn is produced by pneumomechanical or circular spinning. Based on the quality, yarn is also divided into carded and combed. The bulk of production consists of 100% cotton yarn, however mixed types (cotton-linen, cotton-wool) are also manufactured.

The company sells the majority of production in the domestic market. During 1997, 56% of yarn were sold in Lithuania. The largest purchasers are textile and wearing apparel companies: Audėjas, Linų Audiniai, Utenos Trikotažas, Siūlas, Pakaita, Sparta. Exports go to Western Europe, where 44% of TRINYČIAI yarn find their market. Yarn is exported to Spain, Poland, France, Italy, Sweden, Finland and Germany. Cotton fibre is supplied from Uzbekistan and Tadjhikistan.

In 1997, as compared with 1996, TRINYČIAI increased the production of yarn by 16 per cent. Sales of yarn in comparison to 1996 increased by 0.4% and amounted to LTL 24.8 million. Gross profit constituted LTL 2.4m or 32% less than in 1996. In 1997, the company suffered loss of LTL 1.5 million.

Within the year, the number of employees was reduced by 83 to 436. The average monthly salary increased by 22.6% up to LTL 813.

## PLANS, PROSPECTS FOR 1998

The company intends to increase sales of yarn by 40 per cent. Sales in foreign markets should double.

In 1998-1999, the Scandinavian Baltic Development Limited of the European Bank for Reconstruction and Development plans to make an investment into the company. The investment will reach LTL 8m and will be used for renovation and development.

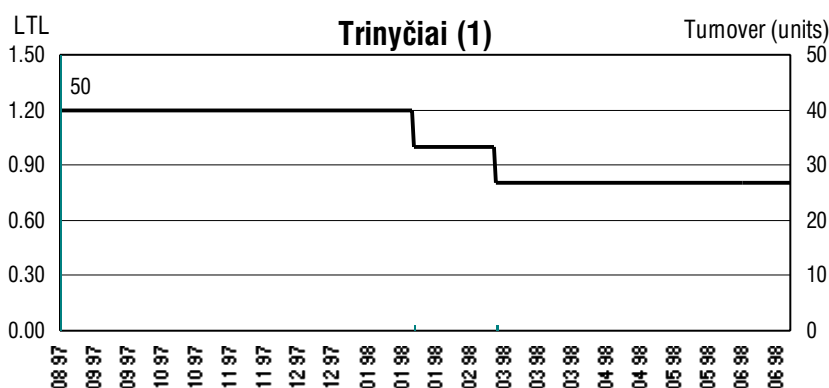
## STRUCTURE OF OWNERSHIP

Holding Koncerno SBA Investicija	33%
Koncernas SBA AB	24%
Holding Gulbe Invest	10%
State Securities Fund	9%
Employees	5%
Individuals	16%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 13,871,872

**Ordinary shares:**  
-13871872 registered shares at LTL 1 par (security code 11120) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 04.08.98)



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		21296048	18957320	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		7082565	7426651	Current ratio	0.66	0.70
tock		2179497	2539221	Quick ratio	0.46	0.46
Amounts receivable within one year		4750584	4505160	Net working capital (LTL thou)	-3837	-3337
TRANSFER ACCOUNTS		292486	177575	Net working capital to total assets	-0.13	-0.13
<b>TOTAL ASSETS</b>		<b>28671099</b>	<b>26561546</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		14152686	12633886	Profit margin (%)	0.00	-0.06
Capital		13871872	13871872	Return on assets (%)	0.00	-0.06
Subscribed capital		13871872	13871872	Return on equity (%)	0.01	-0.12
Share premium account		947	947	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.51	0.52
Reserves		8380	13993	Debt / equity ratio	1.03	1.10
Profit (loss) brought forward		271487	-1252926	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		3306663	2986593	Inventory turnover	7.43	9.49
Amounts payable within year and short-term liabilities		11206235	10873563	Receivables turnover	6.92	5.36
ACCRUED CHARGES AND DEFERRED INCOME		5515	67504	Net working capital turnover	-6.44	-7.44
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>28671099</b>	<b>26561546</b>	Long-term assets turnover	1.16	1.31
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	0.86	0.93
SALES AND SERVICES		24704759	24821678			
COST OF GOODS SOLD AND SERVICES RENDERED		21115119	22383931			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>112266</b>	<b>-1518800</b>			

TRADING STATISTICS	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		16646
First	1.20	1.20	Share book value (LTL)	1.02	0.91
Max	1.20 (12.08)	1.20 (01 21)	Price / book value ratio [P/BV]	-	1.32
Min	1.20 (12.08)	0.80 (06 30)	Earnings per share (LTL)	0.01	-0.11
Last	1.20 (12.08)	0.80 (06 30)	Price / earnings ratio [P/E]	-	-
Change (%)	-	-33.33	Dividend per share (LTL)	0.00	0.00
	2		Dividend yield	-	-
Number of transactions (CM)		4	Dividend payout ratio	-	-
Turnover CM (units)	50	2			
Turnover CM (LTL)	60	2			
Turnover BT (units)	0	0			
Turnover BT (LTL)	0	0			
CM turnover as % in total	100.00	100.00			
Total turnover (units)	50	2			
Total turnover (LTL)	60	2			
Turnover ratio (%)	0.00	0.00			
As % in the total share turnover	0.00	0.00			

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Trinyčių Medvilnė	1995	LTL 40 thou	100%

## UTENOS TRIKOTAŽAS

### WEARING APPAREL

<b>Address:</b>	J. Basanavičiaus g. 122, 4910 Utena	<b>Established:</b>	1967
<b>Phone:</b>	(370-39) 51445	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-39) 69358	<b>Number of employees:</b>	1510
<b>Registration date:</b>	06/12/94	<b>Authorised capital (LTL m):</b>	18.3
<b>Registration code:</b>	8370946	<b>Capitalisation (LTL m) (01/07/98):</b>	37.5

<b>Auditor:</b>	<b>Coopers &amp; Lybrand</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Genė Petrošienė (0%), Regina Sajienė (0%), Stasys Karvelis (0.053%), Algimantas Pečiulis (0.002%), Rimantas Akulevičius (0%)

**Management Board:** Nijolė Dumbliauskienė (6.73%), Rimas Varanauskas (0%), Milda Ramonienė (0.045%), Saulius Norvaišis (0.032%)

**Managing Director:** Nijolė Dumbliauskienė

**Investment Relations:** Nijolė Dumbliauskienė, tel. (370-39) 5 14 45

#### CORPORATE HISTORY

UTENOS TRIKOTAŽAS was established in 1967. The factory was built to produce goods for export to former USSR. Until 1990, UTENOS TRIKOTAŽAS was the largest textile manufacturer in Lithuania. In 1989, the company produced 19.4m units of knitted underwear. At that time the company employed 3000 people. Sales in Lithuania constituted 30% of the total, while the rest was realised in Russia, Ukraine, Middle Asia.

In 1993 UTENOS TRIKOTAŽAS was privatised and transformed into a public limited company. Later, the company's authorised capital was raised by LTL 2.5m, including LTL 2m invested by Concern SBA. On 30 November 1994, UTENOS TRIKOTAŽAS was registered as a public company with Utena Municipality. The registered authorised capital amounted to LTL 18.9 million. Until 1997, the share capital underwent no changes.

On 31 December 1997, the company's authorised capital totalled LTL 18.3 million. The share nominal value was LTL 1. The authorised capital decreased over last year, once UTENOS TRIKOTAŽAS transmitted the company's property worth LTL 556 thou to the state. As a result, the state share in the company's stock decreased.

On 19 March 1998, the general shareholders' meeting resolved to raise capital out of supplementary contributions from LTL 18.3m to LTL 23.3 million.

#### BUSINESS ACTIVITY

The company specialises in the production of knitted underwear and knitted sportswear for men, women and children. UTENOS TRIKOTAŽAS provides knitting and sewing services. The range of products intended for the Lithuanian market consists of 30 articles and 180 models.

In Lithuania UTENOS TRIKOTAŽAS distribution network embraces 4 wholesalers and 20 retail outlets. The outlets are conveniently located in the largest cities and regional centres.

Last year 32% of the production were sold in Lithuania, the

rest was exported, including 0.7% to Eastern countries, 67.3% to Western countries. The main export partners were Sweden, Finland, UK, Germany, the Netherlands, Denmark, and Norway. 14% of raw materials were purchased in Lithuania, 86% were supplied from India (through Swiss, UK and Swedish intermediaries), Estonia and Latvia.

The company holds 20% of Utenos Trikotažo Prekyba Ltd (trade) and intends to acquire the rest of the stock. UTENOS TRIKOTAŽAS participation in Verpena Ltd amounts to 20 per cent.

#### DEVELOPMENTS IN 1997

During the year, the company produced over 10 thou articles of knitwear or 4% more than in 1996. 71% of the products were manufactured to foreign partners' order. In 1997, UTENOS TRIKOTAŽAS introduced two product lines H, men's underwear and Gunda, wear for teenagers and youth. Classic and smart lingerie maintained their popularity.

The company gives priority to ecological products. In 1997, its cotton lasting fabric was granted Oeko-Tex 100 certificate. The company will pursue this policy in 1998, since EU countries will prefer ecological goods.

Every year UTENOS TRIKOTAŽAS channels huge investments into know-how and new machinery. In 1997 LTL 4m were used to acquire modern knitting and sewing equipment.

Sales revenue totalled LTL 80m in 1997. Net profit saw a 38% increase compared with 1996 and reached LTL 5 million.

#### PLANS, PROSPECTS FOR 1998

In 1998, the company intends to increase sales by 4-5 per cent. The company will strive to maintain its Lithuanian market share and expand exports to Western countries. In 1998, UTENOS TRIKOTAŽAS investments should reach LTL 119m, 60% out of which will be allocated for the acquisition of new equipment.

The company plans to certify its production according to ISO 9000.

#### STRUCTURE OF OWNERSHIP

Total number of shareholders comes to 1,790.

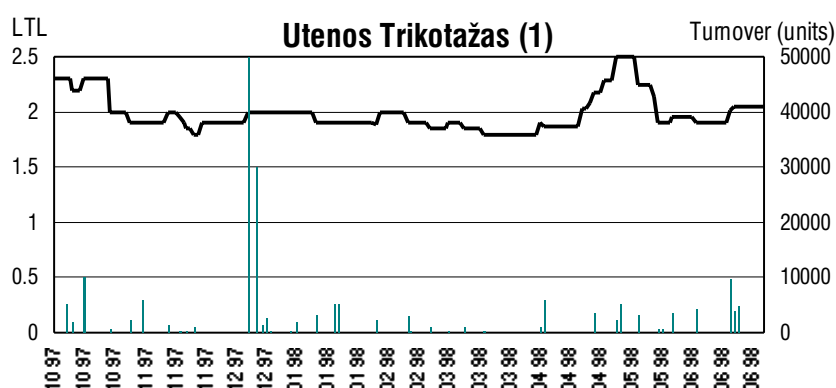
Concern SBA AB	42.80%
State Securities Fund	17.41%
N. Dumbliauskienė	6.73%

#### STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 18,320,637

**Ordinary shares:**

-18320637 registered shares at LTL 1 par (security code 10932) accounting for 100% of auth. capital (admitted to trading at the NSEL on 29.09.97)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		20726938	21594606	<b>LIQUIDITY RATIOS</b>	1996	1997
<b>SHORT TERM ASSETS</b>		16630382	21406437	Current ratio	3.60	2.70
Stock		10321260	11662911	Quick ratio	1.37	1.23
Amounts receivable within one year		6013705	9336806	Net working capital (LTL thou)	12057	13520
TRANSFER ACCOUNTS		64806	59147	Net working capital to total assets	0.32	0.31
<b>TOTAL ASSETS</b>		<b>37422126</b>	<b>43060190</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		27247806	31823876	Profit margin (%)	0.05	0.06
Capital		18877021	18320637	Return on assets (%)	0.10	0.12
Subscribed capital		18877021	18320637	Return on equity (%)	0.14	0.16
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.27	0.26
Reserves		5724610	5724610	Debt / equity ratio	0.37	0.35
Profit (loss) brought forward		2646175	7778629	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		5117815	3290337	Inventory turnover	6.85	5.51
Amounts payable within year and short-term liabilities		4638361	7945977	Receivables turnover	13.08	10.46
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	6.43	5.94
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>37422126</b>	<b>43060190</b>	Long-term assets turnover	3.74	3.72
				Total assets turnover	2.07	1.87
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		77506734	80306774			
COST OF GOODS SOLD AND SERVICES RENDERED		60158501	60520154			
<b>OFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>3714354</b>	<b>5132454</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		36458
First	2.30	1.99	Share book value (LTL)	1.44	1.74
Max	1.80 (11.25)	2.50 (05 13)	Price / book value ratio [P/BV]	-	1.15
Min	2.30 (10.22)	1.80 (04 06)	Earnings per share (LTL)	0.20	0.28
Last	1.99 (12.31)	2.05 (06 19)	Price / earnings ratio [P/E]	-	7.10
Change (%)	-13.48	3.02	Dividend per share (LTL)	0.00	0.10
			Dividend yield	-	0.05
Number of transactions (CM)	74	90	Dividend payout ratio	-	0.01
Turnover CM (units)	113201	76497			
Turnover CM (LTL)	230239	154793			
Turnover BT (units)	42286	30583			
Turnover BT (LTL)	69428	55616			
CM turnover as % in total	72.80	71.44			
Total turnover (units)	155487	107080			
Total turnover (LTL)	299667	210409			
Turnover ratio (%)	0.85	0.58			
As % in the total share turnover	0.03	0.05			

## SUBSIDIARIES

	<b>Date of establishment (acquisition)</b>	<b>Authorised capital</b>	<b>Share interest</b>
Gotija UAB	04/10/94	LTL 144.74 thou	90%



## VILIJA

## WEARING APPAREL

<b>Address:</b>	Polocko g. 13, 2007 Vilnius	<b>Established:</b>	1948
<b>Phone:</b>	(370-2) 611869, 611967	<b>Privatised:</b>	1991
<b>Fax:</b>	(370-2) 612143	<b>Number of employees:</b>	500
<b>Registration date:</b>	01/03/93	<b>Authorised capital (LTL m):</b>	11.7
<b>Registration code:</b>	2193202	<b>Capitalisation (LTL m) (01/07/98):</b>	10.3
<b>Auditor:</b>	<b>Revizorius UAB</b>	<b>Trading list:</b>	<b>Current</b>

**Supervisory Board** (participation in the company): Genė Šaltienė, Chairwoman (0.1%), Alma Gumbrevičienė (0%), Genovaitė Roma Urnežienė (0%)

**Management Board:** Nina Kniaževa, Chairwoman (8.8%), Juozas Sabas (0.6%), Vytautas Jokubauskas (1.2%), Valda Likinienė (0.07%)

**Managing Director:** Nina Kniaževa

**Investment Relations:** Valda Lukininė, tel. (370-2) 611 904

## CORPORATE HISTORY

VILIJA is one of the oldest plants manufacturing knitted outerwear in Lithuania. It was established in 1948 as a state enterprise. In 1993, the enterprise was privatised into a public limited company. In 1991, the company's authorised capital amounted to LTL 200 thou, including 92.1% in the hands of state and 7.9% of private capital. On 13 February 1994, the Founding Meeting of shareholders was held. It decided to register the authorised capital of LTL 1.4m with the Vilnius Municipality. With the increase in authorised capital, private share rose to 51.4%, while state holdings decreased to 48.6 per cent. On 26 February 1994, share capital was raised out of LTL 1.6m additional contributions. The new shares were subscribed by the company's shareholders. As of 1 June 1998, the company's authorised capital constituted LTL 11.77m and was shared between the state and private entities at a proportion of 25.2 to 74.8 per cent.

During years 1993-1995, VILIJA's production output significantly decreased due to the changes in export conditions in the CIS countries that accounted for about 80% of the company's sales. In 1995, VILIJA acquired new knitting equipment from the German company STOLL, introduced new technology for manufacture of knitted fabrics and started actively searching for business partners in Western countries. The agreements were signed with German, Finnish and Danish companies. As a result of continuing co-operation with Western partners and a new agreement with a Spanish firm, the output started going up in 1996. As compared with 1996, the production volume augmented 1.7 times, 483 thou units of knitted articles were manufactured.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

VILIJA produces jumpers, dresses, sweaters, jackets, suits, ensembles for men, women, teenagers and children. The company pays great attention to the quality, design and colouring of knitted articles, therefore VILIJA's apparel satisfies even most selective buyers in Lithuania and Western Europe.

The company manufactures and sells production to Spanish, German, Finnish and Italian customers under long-term contracts. Usually, the customer supplies materials, the company manufactures the product, then the customer takes the product from the company's store and sells it in its domestic market. A small portion of the apparel is produced out of own materials.

The company uses modern technology and equipment for manufacture of knitted fabrics: electronic knitting equipment CMS (Germany), knitting machines JUMBERGA (Spain), sewing machines PFAFF (Germany), JAMAT (Japan), ironing equipment MONTI and TEXTITA (Italy).

The production is orientated towards Lithuanian and Western customers. In 1997, the company's sales, including customers' materials, amounted to LTL 16.2 million. VILIJA sold 464.4 thou units of articles, 6.7% out of which in Lithuania and 93.3% in Western countries. Due to unfavourable customs and settlements, VILIJA had no contacts with the CIS countries in 1997.

In Lithuania the company organises its sales through the outlets in Vilnius, Kaunas and Mažeikiai and through the retail trade network. Bearing in mind that the market in Lithuania is small, direct distribution through the company's outlets proves to be very efficient. It immediately signals changes in the customers' needs and enables the company to adjust the production and assortment in accordance.

In 1997, the company worked according to the business plan and successfully attained the main goals. 200 articles of new design were developed. The company implemented new technology of knitting according to contour lines, introduced new ways of washing knitted articles, started experimenting with new types of yarn. The management structure and the payroll system were changed at the recommendation of the largest customer from Spain. Owing to these enhancements, the company accomplished the production programme and decreased production costs per unit.

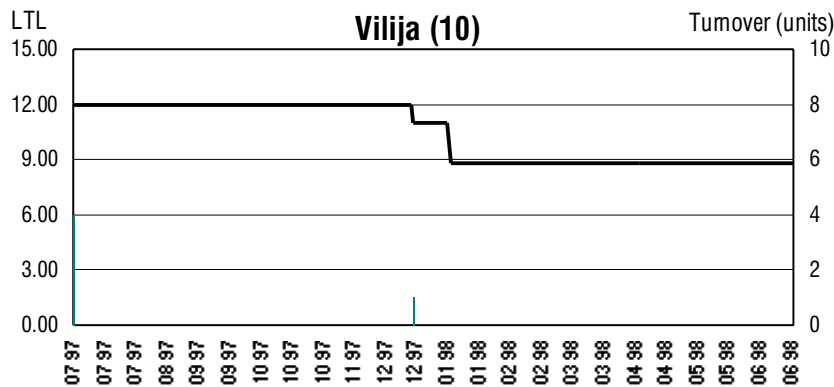
Due to the growth of output, 90 additional work places were created. In 1997, the company employed 473 people, including 13 managing staff, 65 specialists and 395 workers. On average, monthly salary rose by 20% and constituted LTL 792.6 last year.

In 1997, the company generated LTL 697.4 thou pre-tax profit, and net profit amounted to LTL 496.8 thousand.

## PLANS, PROSPECTS FOR 1998

The company has plans to increase the production output and to generate more profit. VILIJA will try to keep abreast with the technological changes and timely adapt them to the market needs. In 1998, VILIJA intends to increase its production output to 600 thou units and then to raise it by 10% annually. The company plans to inject additional funds into modernisation of production and improvement of the company's financial situation.

The marketing strategy consists in expansion of the distribution network. The company aims to reduce processing of the customers' materials and to increase sales of products with the name of VILIJA.



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		19529823	20056148	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		6846773	7949574	Current ratio	1.44	1.16
Stock		2573037	3939984	Quick ratio	0.90	0.59
Amounts receivable within one year		3964176	3704988	Net working capital (LTL thou)	2108	1098
TRANSFER ACCOUNTS		0	0	Net working capital to total assets	0.08	0.04
<b>TOTAL ASSETS</b>		<b>26376596</b>	<b>28005722</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		12473473	12775908	Profit margin (%)	0.07	0.06
Capital		11765680	11765680	Return on assets (%)	0.02	0.02
Subscribed capital		11765680	11765680	Return on equity (%)	0.03	0.04
Share premium account		503	503	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		18878	18878	Total debt ratio	0.53	0.54
Reserves		562901	591846	Debt / equity ratio	1.11	1.19
Profit (loss) brought forward		125511	399001	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		8772508	7979904	Inventory turnover	1.90	2.09
Amounts payable within year and short-term liabilities		4739197	6851574	Receivables turnover	1.57	2.20
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	3.02	7.69
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>26376596</b>	<b>28005722</b>	Long-term assets turnover	0.33	0.42
				Total assets turnover	0.24	0.30
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		6372254	8446975			
COST OF GOODS SOLD AND SERVICES RENDERED		4688443	6790421			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>416467</b>	<b>496839</b>			

TRADING STATISTICS	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		12942
First	12.00	11.00	Share book value (LTL)	10.60	10.86
Max	11.00 (12.18)	11.00	Price / book value ratio [P/BV]	-	1.01
Min	12.00 (12.15)	11.00	Earnings per share (LTL)	0.35	0.42
Last	11.00 (12.31)	11.00	Price / earnings ratio [P/E]	-	26.05
Change (%)	-8.33	-	Dividend per share (LTL)	0.00	0.00
	4	-	Dividend yield	-	-
Number of transactions (CM)			Dividend payout ratio	-	-
Turnover CM (units)	5	-			
Turnover CM (LTL)	59	-			
Turnover BT (units)	0	-			
Turnover BT (LTL)	0	-			
CM turnover as % in total	100.00	-			
Total turnover (units)	5	-			
Total turnover (LTL)	59	-			
Turnover ratio (%)	0.00	-			
As % in the total share turnover	0.00	-			

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 11,765,680  
**Ordinary shares:**  
 -1176568 registered shares at LTL 10 par (security code 10202) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 30.06.97)

## STRUCTURE OF OWNERSHIP

Aldona-Elena Čiursina	11.1%
Jurijus Čiursinas	8.3%
Nadežda Michejeva	9.1%
Michailas Michejevas	11.3%
Nina Kniaževa	8.8%
State	25.2%

## VILKAS

**Address:** Raudondvario pl. 101, 3026 Kaunas  
**Phone:** (370-7) 261576, 260448  
**Fax:** (370-7) 268888  
**Registration date:** 26/02/93  
**Registration code:** 3361935

**Established:** 1932  
**Privatised:** 1992  
**Number of employees:** 1024  
**Authorised capital (LTL m):** 26.1  
**Capitalisation (LTL m) (01/07/98):** 10.2

**Trading list:** Current

**Supervisory Board** (participation in the company): Rimantas Motuzas (0.38%), Valerija Rimkevičienė (0.06%), P. Zaikauskas (0%)

**Management Board:** Vaclovas Kliunka, Chairman (3.65%), Rimvydas Dodvydaitis (2.21%), Nijolė Augūnienė (1.19%), Halina Benedikta Keršienė (0.38%), Monika Gervickienė (0%)

**Managing Director:** Vaclovas Kliunka

**Investment Relations:** Nijolė Augūnienė, tel. (370-7) 260 448

## CORPORATE HISTORY

The company was established in 1932. It is the largest company in the Baltic region, which specialises in dressing of fur and leather and sewing of wearing apparel of fur and leather. The company was privatised in 1992 through the initial public offering.

The company is located in Kaunas, the second largest city of Lithuania. It is a very convenient location from the logistics point of view, since it ensures smooth communication with Klaipėda seaport and Vilnius and Kaunas airports.

## BUSINESS ACTIVITY

The company specialises in dressing of fur and leather and manufacturing articles of fur and leather products. In addition, the company provides dressing and sewing services as a subcontractor. Orders come from Lithuanian, Russian, Danish and Swedish firms. Sales contribute 84.6% of revenue and 15.4% are generated from provided services.

The range of articles breaks down into fashionable clothes for men, women, teenagers and children as well as special apparel: uniforms for state services and soft upholsters for households. Mainly, VILKAS uses sheepskin, leather and expensive furs for production. Local designers assist the company in creating new styles, patterns, shapes. Technologists search for new materials and technologies that make the product lighter, brighter and cold resistant.

VILKAS has established good relations with trade partners from many countries including Russia, Italy, Sweden, Austria and Great Britain.

## DEVELOPMENTS IN 1997

Sales markets of VILKAS produce have been changing year after year. In 1997, the company's sales in Lithuania reached LTL 7.7m and accounted for 31.52%, in foreign countries VILKAS realised production for LTL 16.8m and made up 68.48% of the total. The CIS countries accounting for 60.5% of sales remain to be the largest foreign market for the company's products. In addition, VILKAS exports to Western Europe: Check Republic, Poland, UK, Germany, Sweden and Norway.

In 1997, the company generated revenue of LTL 25.76 million. Pre-tax profit constituted LTL 488 thou, and net profit reached 11.4 thousand.

## PLANS, PROSPECTS IN 1998

In 1997, consulting firm Bankinės Konsultacijos developed Strategic Marketing Plan for VILKAS. The main task was to identify potential foreign markets for the company's products, to carry out their research, and to prepare a long-term marketing plan and one-year programme.

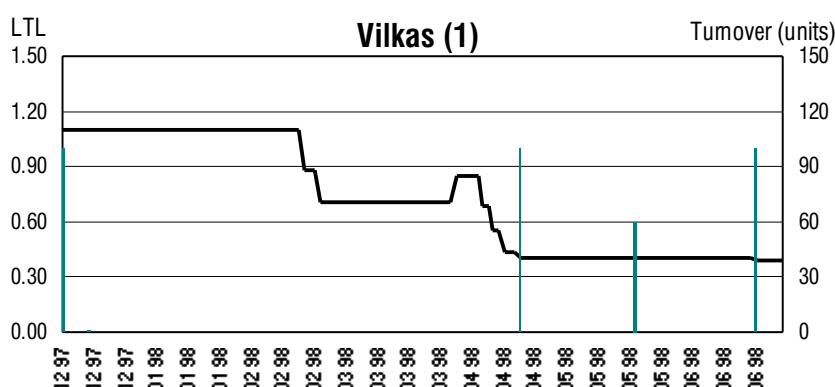
According to the programme, in 1998, the company intends to start setting up distribution network for its products in foreign countries. For this purpose, single marketing information system will be created. The company will be more active at international exhibitions and fairs in order to establish contacts with potential customers. Direct marketing via electronic mail and telephone should also play an important role in making the company and its products known.

## STRUCTURE OF OWNERSHIP

Veritybių Fondas UAB	15.51%
Ministry of Economy	14.17%
Holding Invetex	8.60%
Holding Investicijų Bankas	4.47%
Employees	29.41%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 26,196,339  
**Ordinary shares:**  
 - 26196339 registered shares at LTL 1 par (security code 10729) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 08.12.97)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		21183140	23119265	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		16820053	19572718	Current ratio	1.71	1.36
Stock		9552211	14193597	Quick ratio	0.74	0.38
Amounts receivable within one year		5820087	4265570	Net working capital (LTL thou)	7005	5173
<b>TRANSFER ACCOUNTS</b>		5575	58271	Net working capital to total assets	0.18	0.12
<b>TOTAL ASSETS</b>		<b>38008768</b>	<b>42691983</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		26278620	26324128	Profit margin (%)	0.00	0.00
Capital		26196339	26196339	Return on assets (%)	0.00	0.00
Subscribed capital		26196339	26196339	Return on equity (%)	0.00	0.00
Share premium account		560	560	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.31	0.38
Reserves		81721	127229	Debt / equity ratio	0.45	0.62
Profit (loss) brought forward		0	0	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		63260	63260	Inventory turnover	2.49	1.81
Amounts payable within year and short-term liabilities		9820170	14457877	Receivables turnover	6.24	5.11
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	0	Net working capital turnover	4.33	4.98
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>38008768</b>	<b>42691983</b>	Long-term assets turnover	1.43	1.11
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	0.80	0.60
SALES AND SERVICES		30317300	25761277			
COST OF GOODS SOLD AND SERVICES RENDERED		25253857	21458741			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>81426</b>	<b>45508</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		28816
First	1.10	1.10	Share book value (LTL)	1.00	1.00
Max	1.10 (12.31)	0.88 (02 23)	Price / book value ratio [P/BV]	-	1.09
Min	1.10 (12.31)	0.39 (06 30)	Earnings per share (LTL)	0.00	0.00
Last	1.10 (12.31)	0.39 (06 30)	Price / earnings ratio [P/E]	-	-
Change (%)	-	-64.55	Dividend per share (LTL)	0.00	0.00
Number of transactions (CM)	4	6	Dividend yield	-	-
Turnover CM (units)	101	260	Dividend payout ratio	-	-
Turnover CM (LTL)	111	103			
Turnover BT (units)	0	0			
Turnover BT (LTL)	0	0			
CM turnover as % in total	100.00	100.00			
Total turnover (units)	101	260			
Total turnover (LTL)	111	103			
Turnover ratio (%)	0.00	0.00			
As % in the total share turnover	0.00	0.00			



## ŠIAULIŲ STUMBRAS

## LEATHER AND LEATHER PRODUCTS

<b>Address:</b>	Tilžės g. 225, 5400 Šiauliai	<b>Established:</b>	1898
<b>Phone:</b>	(370-1) 431861	<b>Privatised:</b>	1994
<b>Fax:</b>	(370-1) 426562	<b>Number of employees:</b>	441
<b>Registration date:</b>	30/06/94	<b>Authorised capital (LTL m):</b>	33.1
<b>Registration code:</b>	4493224	<b>Capitalisation (LTL m) (01/07/98):</b>	17.22

<b>Auditor:</b>	<b>Coopers &amp; Lybrand</b>	<b>Trading list:</b>	<b>Current</b>
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**Management Board** (participation in the company): Gediminas Šaulys, Chairman (30.5%), Jonas Adomavičius (9.7%), Antanas Šaulys (4.5%), Sigitas Vilčiauskas (0.6%), Selestinas Skripkauskas (0.6%), Gintaras Juknevičius (0.0009%), Povilas Bašlaminovas (0.001%), Gintaras Marazas (0.001%), Leonas Marazas (0.03%)

**Managing Director:** Jonas Adomavičius

**Investment Relations:** Alma Remekaitė, tel. (370-1) 431 861

**CORPORATE HISTORY**

Tannery STUMBRAS was established in 1898 by brothers Nurokai. The tannery manufactured hard leather for soles. From year 1926, STUMBRAS has been producing soft leather. During 1945-1993, the company manufactured yuft (Russian leather) for the military footwear industry, felt boots, natural and model linings for footwear. In 1993, the selection of goods radically changed - the semiproduct of box-calf leather, all kinds of leather used for manufacture of footwear, wearing apparel, belts, luggage, handbags and the like were introduced into production.

ŠIAULIŲ STUMBRAS emerged in the result of the privatisation of the state tannery Stumbras. The new company was registered in June 1994. The company's authorised capital before the privatisation amounted to LTL 5.8 million. With the revaluation of long-term assets, the authorised capital reached LTL 30.3 million. In October 1996, the new issue of LTL 2.8m was registered with the Securities Commission. Larger part of the issue was sold to the shareholders, near LTL 300 thou were subscribed by the State Securities Fund. In 1997, the authorised capital of ŠIAULIŲ STUMBRAS equalled LTL 33.1 million.

**BUSINESS ACTIVITY, LATEST DEVELOPMENTS**

The principal activity of ŠIAULIŲ STUMBRAS is manufacture of leather and leather products. The company is also engaged in wholesale and retail trade. The company sells its products in the domestic and foreign markets.

In 1997, distribution of ŠIAULIŲ STUMBRAS produce split between Lithuania and foreign markets in proportion of 39% to 61 per cent. The bulk of exports - 51% - was realised in the CIS countries, 27% were forwarded to the European countries, 12% to other countries. The main suppliers of raw material are sole proprietorship of G. Šaulys, Hertfard Trading Ltd, other Lithuanian companies and entrepreneurs.

During 1994-1997, ŠIAULIŲ STUMBRAS made investments for the total value of LTL 18.2m, including LTL 7.6m into technological development, LTL 4.6m into cleaning equipment and LTL 3.2m into production infrastructure.

Last year the company's total revenues reached LTL 43 million. ŠIAULIŲ STUMBRAS generated gross profit in excess of LTL 9.8 million. Net profit of the accountable year was 511.3 thousand.

**STRUCTURE OF OWNERSHIP**

Total number of shareholders amounts to 423.

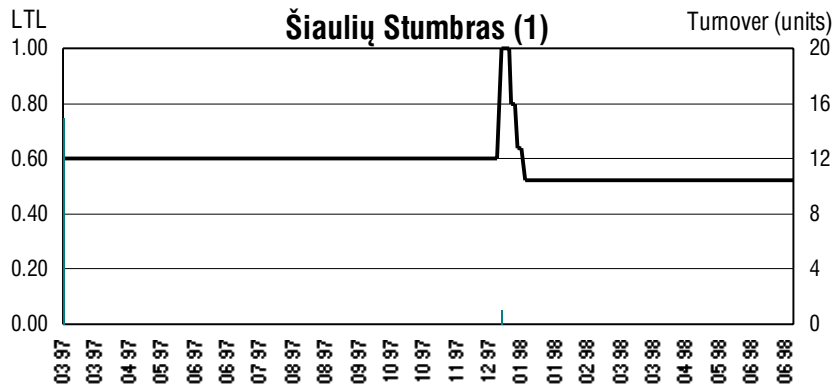
Gediminas Šaulys	30.5%
State Securities Fund	15.4%
Jonas Adomavičius	9.7%
Holding Inbūsto Investicija	8.7%
G.Šaulys firm	7.6%
Holding Europos Investicija	9.9%

**STRUCTURE OF SHARE CAPITAL**

**Share capital:** LTL 33,109,211

**Ordinary shares:**

-33109211 registered shares at LTL 1 par (security code 11869) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 01.04.96)



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		47433312	51836222	<b>LIQUIDITY RATIOS</b>		
<b>TERM ASSETS</b>		14912939	16819619	Current ratio	1.77	1.46
Stock		10221951	10863502	Quick ratio	0.68	0.59
Amounts receivable within one year		2919158	3620638	Net working capital (LTL thou)	7252	5750
TRANSFER ACCOUNTS		1734376	1347798	Net working capital to total assets	0.11	0.08
<b>TOTAL ASSETS</b>		<b>64080627</b>	<b>70003639</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		42168976	42680336	Profit margin (%)	0.01	0.01
Capital		30609211	33109211	Return on assets (%)	0.00	0.01
Subscribed capital		30609211	33109211	Return on equity (%)	0.00	0.01
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		12262926	12262926	Total debt ratio	0.34	0.39
Reserves		2500000	0	Debt / equity ratio	0.52	0.64
Profit (loss) brought forward		-3203161	-2691801	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		12516380	14905900	Inventory turnover	2.49	3.32
Amounts payable within year and short-term liabilities		9395271	12417403	Receivables turnover	10.87	13.73
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	3.66	7.81
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>64080627</b>	<b>70003639</b>	Long-term assets turnover	0.56	0.87
				Total assets turnover	0.41	0.64
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		26564748	44910456			
COST OF GOODS SOLD AND SERVICES RENDERED		20983017	35013243			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>182565</b>	<b>511360</b>			

TRADING STATISTICS	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		19590
First	0.60	0.64	Share book value (LTL)	1.38	1.29
Max	0.60 (12.15)	0.64 (01 05)	Price / book value ratio [P/BV]	-	0.50
Min	1.00 (12.22)	0.52 (05 29)	Earnings per share (LTL)	0.01	0.02
Last	0.64 (12.30)	0.52 (06 30)	Price / earnings ratio [P/E]	-	41.56
Change (%)	6.67	-18.75	Dividend per share (LTL)	0.00	0.00
			Dividend yield	-	-
Number of transactions (CM)	4	0	Dividend payout ratio	-	-
Turnover CM (units)	16	0			
Turnover CM (LTL)	10	0			
Turnover BT (units)	0	820846			
Turnover BT (LTL)	0	180586			
CM turnover as % in total	100.00	0.00			
Total turnover (units)	16	820846			
Total turnover (LTL)	10	180586			
Turnover ratio (%)	0.00	2.48			
As % in the total share turnover	0.00	0.04			

# LITHUANIAN COMPANIES

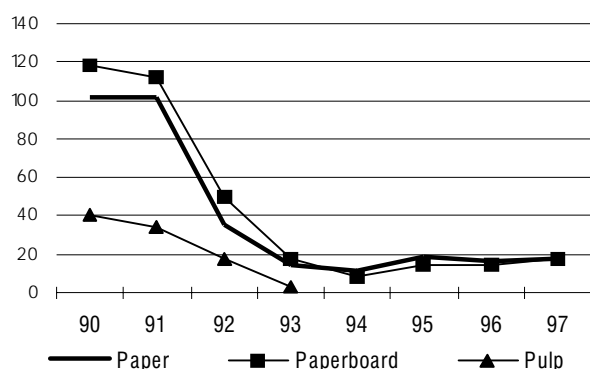
TURNOVER OF PC SHARES (LTL thou), 1993-1998



## PULP, PAPER AND PAPER PRODUCTS

Pulp, paper and paper product output has faced a significant decline in recent years. There are several reasons for such a trend, one of them being the loss of the former USSR markets. However, the main explanation is found in the outdated nature of employed technology and therefore - lower product quality. There are 17 companies operating in the sector (excluding sole proprietorships), 9 of which employ over 100 employees. Total sector output equalled LTL 300.4m in 1997. Since 1994 pulp production has been stopped in Lithuania.

### Output of pulp and paper products, thou tonnes



In general, 50% of the sector's output are sold locally, with the remaining 50% going to exports. Main export markets are the CIS countries (over 60%), while most imports are outsourced in the EU countries (over 50%), mainly Finland and Sweden.

The local paper market is dominated by Finnish (~56%) and Swedish (~36%) paper products. Locally made office paper is produced only in Kaunas' paper factory, which made just 6,000t of paper in 1997 and is on the road to bankruptcy. The main issues in the paper production are the old machinery currently in use and a need to import pulp, which substantially raises production costs. There are plans to build a modern pulp factory in Lithuania with a 200,000-250,000t annual capacity. However, the prospects for this ever coming to fruition are very doubtful due to the high estimated construction costs, lack of identified potential financing and the highly competitive world industry, dominated by a limited number of major players.

Paper consumption in Lithuania is significantly lower than in Western Europe. Paper products used per capita in Lithuania amount to 38 kg vs. 150 kg in EU countries, office paper to 1 kg vs. 6 kg and corrugated board packaging to 6 kg vs. 37 kilograms. Major Lithuanian producers in the sector are engaged in manufacturing cardboard and paper products for packaging and technical purposes, corrugated board and its products, and also fiberboard.

Although other packaging materials are being introduced and developed rapidly, paper and board products are expected to remain widely used. The Lithuanian market for paper products is expected to grow at a 15-35% pace annually for different products. However, prospects for local manufacturers are quite poor due to highly capital intensive operation and the need to completely renovate production bases. The world industry faces a process of mergers and acquisitions of the main pulp and paper companies. Same trends are expected to come to Lithuania, with the most likely scenario being that foreign investors will buy some of the Lithuanian companies. Medienos Plaušas is already 75.5% owned by Finnish company Metsa-Serla, and shares of Grigiškės have been targeted, as well.

### Production in 1997, LTL thou

	Paper and paper products	Corrugated board and its products	Hard and soft fiber boards
Medienos Plaušas	-	29,400	7,800
Lietuvos Tara	-	13,040	-
Grafobal Vilnius	28,584	-	-
Klaipėdos Kartonas	15,461	-	-
Grigiškės	22,315	5,779	39,623
Naujieji Verkliai	8,741	1,910	0





## GRAFOBAL VILNIUS

## PAPER AND PACKAGING PRODUCTS

<b>Address:</b>	Paribio g.12, 2600 Vilnius	<b>Established:</b>	1964
<b>Phone:</b>	(370-2) 753274, 753476	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-2) 726759	<b>Number of employees:</b>	184
<b>Registration date:</b>	05/08/92	<b>Authorised capital (LTL m):</b>	6.5
<b>Registration code:</b>	2151401	<b>Capitalisation (LTL m) (01/07/98):</b>	3.5

<b>Auditor:</b>	<b>Auditoriai ir Konsultantai UAB</b>	<b>Trading list:</b>	<b>Current</b>
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**Managment Board** (participation in the company): Pavol Horvath, Chairman (78%), Antonin Kadlček (0%), Rudolf Tomik (0%), Stanislovas Jurkuvėnas (<1%), Albertas Povilaitis (<1%).

**Managing Director:** Stanislovas Jurkuvėnas

**Investment Relations:** Rima Povilionienė, tel. (370-2) 790 982

### CORPORATE HISTORY

The company's legal predecessor, EXPERIMENTAL BUREAU OF PACKAGE DESIGN, was established in 1964. Later, with the gradual expansion of the technical platform, the bureau developed into a polygraphs (printing) company. It was privatised through a public offering in 1992 and was registered under the name of VILPAKAS. In 1994, Slovakian firm Grafobal acquired a controlling interest in the company, and it was reregistered into GRAFOBAL VILNIUS. Within 3 years substantial investments were made into development: the company leased equipment for cutting out the paperboard, carried out major repairs of the printing machinery, installed equipment for gluing and mounted model assembling outfitings. As a result of all the improvements, production output increased almost sixfold.

### BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company prints packaging products, manufactures containers of paper and paperboard, provides design and printing services (printing on paper, paperboard, oilpaper, folios and films, also paper paraffining and cutting into spools and sheets).

In 1997, the company produced packaging of paper and paperboard for LTL 28.58 million. The production volume increased by 55% compared to 1996.

Last year GRAFOBAL VILNIUS sold 60% of its production in Lithuania and 40% were exported to Russia, Ukraine, Belarus and Latvia. The company imports all raw materials from Western Europe.

Technological progress, efficient execution of orders, favourable payment terms and stable long-term relationship with business partners enabled the company to acquire competitive advantage among Lithuanian and Western producers. The company was noticed by major Lithuanian food makers, pharmaceutical and light manufacturing companies that became permanent customers. GRAFOBAL VILNIUS developed into an attractive company due to its creative approach and became distinguished for its design and quality both in Lithuania, the CIS and Eastern Europe. The fact that traditional customers have recovered from the economic decline also had a positive effect on the company's development. Prices of the company's products and services grew in proportion to CPI. Net profit for 1997 reached LTL 1.86 million.

### PLANS, PROSPECTS FOR 1998

In 1998, the company anticipates a considerable growth in production and sales volume. Since the maximum utilisation of present capacities has been reached, the company intends to purchase two new modern printing machines, flexographic and offset. GRAFOBAL VILNIUS plans to invest LTL 15m into modernisation and development during 1998.

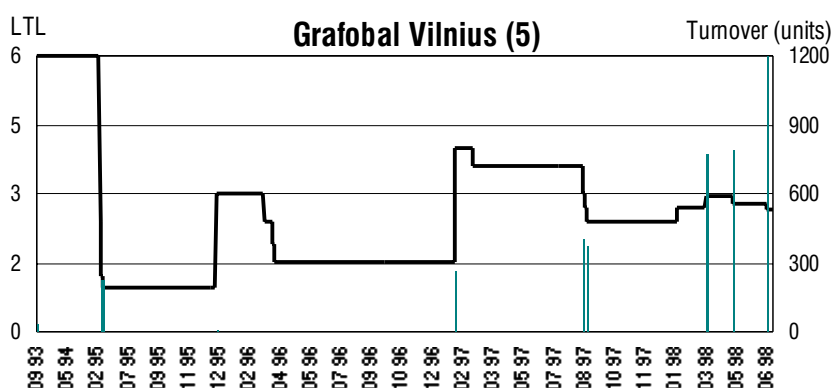
The company seeks to maintain Lithuanian firms as its main customers and to realise 50% of its products in the domestic market. Exports to Belarus are expected to reach about 20%, and the remaining 30% will go to Russia, Ukraine, Latvia and other countries.

### STRUCTURE OF OWNERSHIP

Grafobal Skalica (Slovak Republic) A.s.	78.05%
Employees and other individuals	7.0%
State Securities Fund	3.8%

### STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 6,544,475
<b>Ordinary shares:</b>	-1308895 registered shares at LTL 5 par (security code 10031) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 14.09.93)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		5770783	5521725	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		9484094	13353601	Current ratio	2.07	2.10
Stock		5128916	5564863	Quick ratio	0.96	1.23
Amounts receivable within one year		3906742	7329945	Net working capital (LTL thou)	4961	7006
TRANSFER ACCOUNTS		92757	22582	Net working capital to total assets	0.32	0.37
<b>TOTAL ASSETS</b>		<b>15347634</b>	<b>18897908</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		9362660	11158782	Profit margin (%)	0.00	0.07
Capital		6544475	6544475	Return on assets (%)	0.00	0.10
Subscribed capital		6544475	6544475	Return on equity (%)	0.00	0.17
Share premium account		47152	47152	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		279759	279759	Total debt ratio	0.39	0.41
Reserves		2477445	2526476	Debt / equity ratio	0.64	0.69
Profit (loss) brought forward		13829	1760920	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		1369213	1368971	Inventory turnover	3.38	3.46
Amounts payable within year and short-term liabilities		4615761	6370155	Receivables turnover	3.92	5.09
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	3.70	4.08
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>15347634</b>	<b>18897908</b>	Long-term assets turnover	3.18	5.18
				Total assets turnover	1.19	1.51
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		18336846	28584348			
COST OF GOODS SOLD AND SERVICES RENDERED		12874996	18494266			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>14557</b>	<b>1860790</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	2016	3141
First	3.00	1.54	2.40	Share book value (LTL)	7.15	8.53
Max	3.00 (01 04)	1.54 (01 21)	2.97 (04 27)	Price / book value ratio [P/BV]	0.22	0.28
Min	1.54 (03 28)	4.00 (02 18)	2.40 (01 21)	Earnings per share (LTL)	0.01	1.42
Last	1.54 (12 31)	2.40 (08 28)	2.65 (06 30)	Price / earnings ratio [P/E]	138.74	1.69
Change (%)	-48.67	55.84	10.42	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	-	6	10	Dividend payout ratio	-	-
Turnover CM (units)	-	1037	2869.00			
Turnover CM (LTL)	-	3143	7970.51			
Turnover BT (units)	-	0	0.00			
Turnover BT (LTL)	-	0	0.00			
CM turnover as % in total	-	100.00	100.00			
Total turnover (units)	-	1037	2869.00			
Total turnover (LTL)	-	3143	7970.51			
Turnover ratio (%)	-	0.08	0.22			
As % in the total share turnover	-	0.00	0.00			

## GRIGIŠKĖS

## WOOD FIBRE BOARD, PAPER PRODUCTS

<b>Address:</b>	Grigiškės, Trakų raj.	<b>Established:</b>	1922
<b>Phone:</b>	(370-2) 633904, 641037	<b>Privatised:</b>	1991
<b>Fax:</b>	(370-2) 651486, 521486	<b>Number of employees:</b>	1300
<b>Registration date:</b>	02/04/92	<b>Authorised capital (LTL m):</b>	37.3
<b>Registration code:</b>	1001245	<b>Capitalisation (LTL m) (01/07/98):</b>	7.1

**Trading list:** Current

**Supervisory Board** (participation in the company): Romualdas Rudzys, Chairman (0.01%), Daliūtė Kornilovič (0.69%), Gintautas Laukaitis (0.01%), Vidmantas Dikinis (0.01%), Dalytė Uldikienė (0.02%), Asta Jolanta Polikevičienė (4.77%), Vytautas Antanas Pronckus (0.05%), Arūnas Rozenbergas (0.98%)

**Management Board:** Liudvikas Voidievičius Miškinis, Chairman (5.58%), Kęstutis Jonas Murauskas (2.94%), Arvydas Narbutas (3.10%), Donatas Juknevičius (3.17%), Romaldas Jadenkus (3.14%), Jadvyga Samuilova (2.52%), Raisa Udalova (3.05%)

**Managing Director:** Romaldas Jadenkus

**Investment Relations:** Romaldas Jadenkus, tel. (370-2) 633 904

## CORPORATE HISTORY

The company's predecessor, GRIGIŠKĖS pulp processing plant, was established in 1922. Originally run by 200 employees, it produced 15t of paperboard and 10t of paper per day. Since then the plant has been steadily expanding: erecting new premises, updating technologies, installing new equipment, and broadening the range of paper products.

During 1959-1964, the company installed three machines for manufacturing crepe paper, and during 1965-1968, fourteen machines for cigarette filter paper manufacturing were mounted. With the installment of Polish company Zemek wood fibre lines in 1964 - 1971, GRIGIŠKĖS launched production of hard fibre board. In 1973, the German company Hilderbrant installed two lines for dyeing and lacquering of hard board. In 1975, containers of corrugated paperboard were introduced into production. Recently machines were renovated or replaced by modern ones, accompanied by subsidiary equipment.

After Lithuania regained independence, the company lost a significant part of its markets in the former USSR countries and strove to conquer new markets with newly-developed products. Thus, in 1992, with the acquisition of a German production line, the company started manufacturing absorbent sanitary sheets. In 1993, the company launched production of paper towels and serviettes. In 1996, a new Italian toilet paper line was put into operation.

The company's authorised capital currently amounts to LTL 37.3 million.

## BUSINESS ACTIVITY

At present the company produces:

- paper: crepe paper, corrugated paperboard, wrapping paper;
- household and sanitary paper products: toilet paper, paper towels, handkerchiefs, cleansing tissues, serviettes, sanitary sheets, etc.;
- fibre board;
- containers of corrugated paperboard;
- medical lignin.

Over 50% of sales originate from exports. According to the type of product, the company's sales have the following distribution:

- Fibre board - Lithuania, Latvia, Estonia, Russia, Belarus, Ukraine, Germany, Denmark, Finland, Sweden, Great Britain, Poland, Belgium, Croatia, Spain, Jamaica, Norway, Switzerland.

- Sanitary sheets - Lithuania, Latvia, Estonia, Russia.
- Toilet paper - Lithuania, Latvia, Estonia, Russia, Belarus, Ukraine.

- Corrugated paperboard - Lithuania, Latvia, Estonia.
- Paper towels - Lithuania, Estonia, Russia, Belarus.

The company anticipates to begin toilet paper export to Poland, to increase exports to Ukraine and Russia and to search for consumers in Finland. With foreign partners GRIGIŠKĖS works under long-term and short-term agreements, while domestic market sales are based on agreements and single transactions. In addition, the company has its own distribution network: stores in Grigiškės and Vilnius as well as outlets in Kaunas and Klaipėda.

The main supplies of raw materials come from Lithuania (40%), Russia (20%), Poland (10%), Estonia (10%), Finland (8%), etc.

## DEVELOPMENTS IN 1997

In 1997, the company generated LTL 72.4m sales revenue, LTL 41.4m out of which due to exports - a slight decline compared with 1996. The company earned LTL 2.2m pre-tax profit, while net profit resulted in LTL 1.39 million.

During 1997, machinery for the production of toilet paper GRITE and paper towels was fully installed. New wrappings for Christmas and winter season sales and for EKONOMIJA chain of stores were designed. The toilet paper GRITE was recognised as the Best Product of the Year by the Confederation of Lithuanian Industrialists.

The company carried out partial reconstruction of equipment used for manufacture of dyed fibre board, also enhanced machinery for production of paper and board.

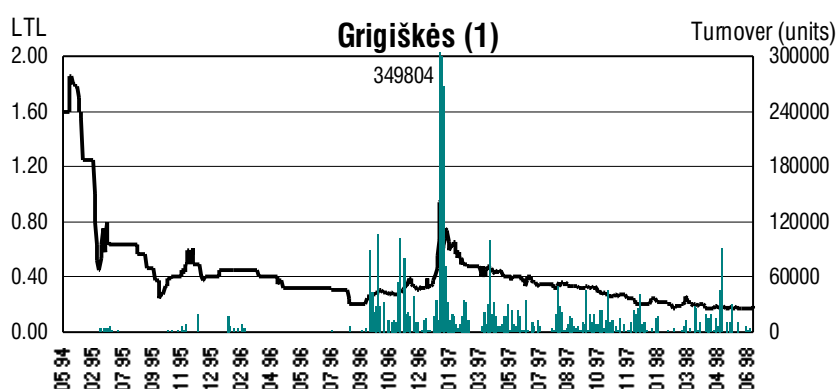
In 1997, the company made a buy-back of its shares (9.99%) and distributed them among shareholders in proportion to their holdings.

During 1997, staff lost 133 employees (decline from 1415 to 1282). The average salary rose by 19.6% (from LTL 791 to LTL 946) in 1997.

## PLANS, PROSPECTS FOR 1998

In 1998, the company expects revenue from sales amounting to LTL 75.2 million.

GRIGIŠKĖS intends to install new equipment for the preparation of waste paper pulp. Modernisation of other machinery and know-how is also in the plans. The company aims to obtain the ISO 9000 certificate.



<b>BALANCE SHEET (LTL)</b>		<b>LAS (1996, 1997)</b>		<b>FINANCIAL RATIOS</b>	
	1996	1997	1996	1997	
<b>LONG TERM ASSETS</b>	37229167	32189219	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>	17818815	23482637	Current ratio	2.07	2.79
Stock	10820140	10672596	Quick ratio	0.82	1.53
Amounts receivable within one year	6520390	10821754	Net working capital (LTL thou)	9261	15174
TRANSFER ACCOUNTS	117786	145854	Net working capital to total assets	0.17	0.27
<b>TOTAL ASSETS</b>	<b>55165768</b>	<b>55817710</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>	42411681	41553935	Profit margin (%)	0.03	0.02
Capital	37300000	37300000	Return on assets (%)	0.04	0.02
Subscribed capital	37300000	37300000	Return on equity (%)	0.05	0.03
Share premium account	0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve	0	0	Total debt ratio	0.23	0.26
Reserves	2992173	2863095	Debt / equity ratio	0.30	0.34
Profit (loss) brought forward	2119508	1390840	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities	4078941	5782619	Inventory turnover	4.86	5.41
Amounts payable within year and short-term liabilities	8569186	8424858	Receivables turnover	11.68	8.65
ACCRUED CHARGES AND DEFERRED INCOME	105960	29533	Net working capital turnover	8.37	4.94
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>55165768</b>	<b>55817710</b>	Long-term assets turnover	2.08	2.33
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>					
SALES AND SERVICES	77494698	74980045	Total assets turnover	1.40	1.34
COST OF GOODS SOLD AND SERVICES RENDERED	61116877	58091730			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>	<b>2119508</b>	<b>1390840</b>			

<b>TRADING STATISTICS</b>		<b>1996</b>			<b>1997</b>			<b>1-2Q 1998</b>			<b>MARKET VALUE RATIOS</b>		<b>1996</b>		<b>1997</b>	
<b>PRICE (LTL)</b>																
First		0.40		0.34		0.21		0.21		Capitalisation (LTL thou)	12682	7833				
Max		0.45 (03.12)		0.20 (12.18)		0.26 (03 09)		0.26 (03 09)		Share book value (LTL)	1.14	1.11				
Min		0.20 (09.10)		0.95 (01.17)		0.17 (04 24)		0.17 (04 24)		Price / book value ratio [P/BV]	0.30	0.19				
Last		0.34 (12.24)		0.21 (12.24)		0.19 (06 30)		0.19 (06 30)		Earnings per share (LTL)	0.06	0.04				
Change (%)		-15.00		-38.24		-9.52		-9.52		Price / earnings ratio [P/E]	5.99	5.63				
Number of transactions (CM)		308		1081		197		197		Dividend per share (LTL)	0.00	0.00				
Turnover CM (units)		896648		3137000		497244		497244		Dividend yield	-	-				
Turnover CM (LTL)		271899		1732493		96527		96527		Dividend payout ratio	-	-				
Turnover BT (units)		68200		17023340		69205		69205								
Turnover BT (LTL)		21900		5812250		13734		13734								
CM turnover as % in total		92.93		15.56		87.78		87.78								
Total turnover (units)		964848		20160340		566449		566449								
Total turnover (LTL)		293799		7544743		110261		110261								
Turnover ratio (%)		2.59		54.05		1.52		1.52								
As % in the total share turnover		0.16		0.79		0.02		0.02								

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 37,300,000

### Ordinary shares:

-37300000 registered shares at LTL 1 par (security code 10203) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 01.02.94)

## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 5.4 thousand.

Employees	36%
Management	30.04%
Foreign investors	2.9%
Others shareholders	31.06%



## MEDIENOS PLAUSAS

## CORRUGATE PAPERBOARD & FIBRE BOARD

**Address:** Savanorių pr. 183, 2600 Vilnius  
**Phone:** (370-2) 635268  
**Fax:** (370-2) 230686  
**Registration date:** 11/08/92  
**Registration code:** 2151875

**Established:** 1956  
**Privatised:** 1992  
**Number of employees:** 523  
**Authorised capital (LTL m):** 28.13  
**Capitalisation (LTL m) (01/07/98):** 46.5

**Auditorius / Auditor:** Arthur Andersen

**Trading list:** Official

**Supervisory Board:** Erik Olavi Mikael Nyberg, Karl Tapani Pihiatle, Reina Tapani Rouhiainen

**Managing Director:** Heikki Pietilainen

**Investment Relations:** Marytė Ribokienė, tel. (370-2) 237 348

### CORPORATE HISTORY

The company's legal predecessor, state enterprise MEDIENOS PLAUSAS, was established in 1956. With a new Swedish AB Defibrator production line introduced in 1960, MEDIENOS PLAUSAS started manufacturing soft fibre board. In 1963, decorative plastic expanded the range of company's products. In 1967, Marius Martin's, French firm, equipment designed for manufacturing corrugated board was installed. In the beginning of eighties, the company introduced two lines for the production of egg trays. In order to begin printing of decorative paper, MEDIENOS PLAUSAS installed modern print-line Cerutti in 1991. In 1997, the company focused on further technical development: the old Marius Martin corrugator was replaced by the new one from BHS Corrugated, section of processing corrugated board in small lots was expanded, and production of egg trays was modernised.

The state enterprise was privatised in 1992 and transformed into a joint-stock company. The company's authorised capital was divided into 15.58m ordinary registered shares at LTL 1 par. In 1994, face value of shares was increased to LTL 10 out of the company's reserves. In 1995, MEDIENOS PLAUSAS raised its capital through a public placement of 454,992 ordinary shares. In April 1997, the Securities Commission registered a new issue of 800 000 ordinary registered shares at LTL 10 par. The share capital was raised from LTL 20m to LTL 28 million.

In the beginning of 1998, Finnish concern Metsa-Serla acquired controlling interest in MEDIENOS PLAUSAS.

### BUSINESS ACTIVITY, DEVELOPMENTS IN 1997

In May 1997, MEDIENOS PLAUSAS signed an agreement with the Lithuanian Development Bank and Vilniaus Bankas regarding a US\$ 3.8m loan. The new financing aimed at modernisation of the corrugated board production. In November 1997, MEDIENOS PLAUSAS bought a new corrugator from the German company BHS Corrugated for LTL 16m and invested LTL 569 thou into a Ducker palletizing station. Within one shift, the BHS automated corrugator is capable of supplying with corrugated board all converting equipment operating round the clock. In 1997, the company also acquired a corrugated board dressing compressor and wrapping-up into "stretch" tape equipment from the company Signode for LTL 592 thousand. The section of converting into small lots was expanded by installing new KIRBY's die-cutting machines. All the enhancements enabled the company to strengthen its positions both in the domestic and foreign markets. In 1997, production of corrugated board and packaging increased by 17% (by 2,240th sq.m) comparing to 1996.

Manufacture of soft fibre board also demonstrated a remarkable growth. Soft wood fibre boards stand for the ecologically clean insulation material still being in great demand in the Lithuanian, CIS and Western Europe markets. The company

modernised gearing equipment, drying systems and cutting machinery. In 1997, the company produced the biggest quantity of soft fibre board - 2120th sq.m - in its history.

The company realised its plans to introduce technological enhancements in the production of paper egg trays. At the end of 1996, the company installed modern tray moulding equipment and upgraded it in 1997 to prepare for the production of new closing boxes with a "lock". All investments in this section totalled LTL 4.6 million. The major funds were channelled into moulds for 10-slot retail egg trays with fixation, compressor for secondary pressing of egg trays, machinery for packing trays into paper sacks, and pulp cleaning equipment for manufacturing egg trays.

Production of finishing materials was maintained at the same capacity level. Although the capacity of the print-line Cerutti is higher, the output of wood imitating decorative paper rose by mere 286 thou sq.meters. Manufacture of decorative paper plastic was terminated at the end of the year.

Wood processing section manufactures wood pallets used to pack, store and transport company's goods. The products also include doors, window-frames, furniture pieces, etc. In 1997 a new machine for production of pallets was acquired.

In 1997, the company's sales and services totalled LTL 43.3m. MEDIENOS PLAUSAS generated pre-tax profit of LTL 3.7m in 1997 (cf. 3.03m in 1996), profit after tax equalled LTL 3.07m (cf. 2.61m in 1996).

The major part of corrugated board containers are sold in Lithuania, however, certain amounts are constantly exported to Latvia, Russia and Estonia. Raw materials - cardboard for flat layers, fluting material, starch, box-seam joining staples, print-colours, cutting-down knives and print-moulds - are bought within Lithuania and from outside. Annual contracts have been signed with the raw material suppliers from Russia, Lithuania, Finland, Denmark, Germany and Sweden.

MEDIENOS PLAUSAS supplies the Baltic poultry industry with paper egg trays. This product is also exported to Russia. Due to expansion of supermarket chains the demand for 10-slot retail trays has substantially increased. Waste paper is used as raw material for the production of egg trays. Agreements with the Lithuanian suppliers ensure constant availability of raw materials.

The greater part of soft fibre board is exported, 81.1% of the produce go to Western Europe. Furniture finishing materials are realised in Lithuania, Latvia and Belarus.

In February 1997, the company started implementing quality standard ISO 9001.

In December 1997, the Confederation of Lithuanian Industrialists awarded the diploma and prize for the merits in modernising production, improving labour conditions and expanding the product range and markets to MEDIENOS PLAUSAS. Soft fibre board was granted with the certificate of The Best Lithuanian Product of 1997.

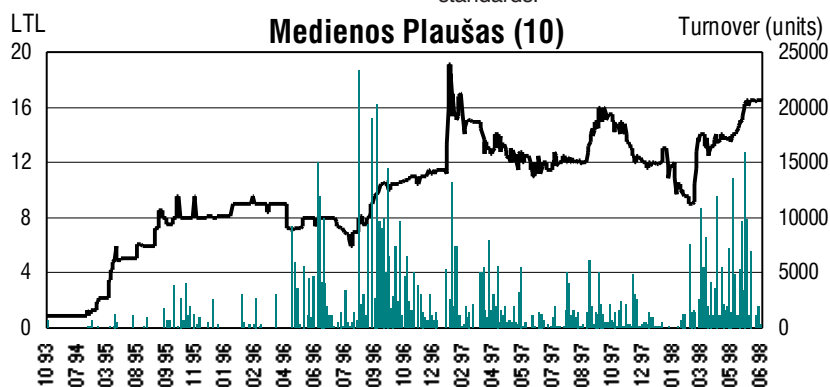
## INVESTMENT POLICY

The company owns a stake of 21% in the joint-stock company Naujieji Verkiiai. MEDIENOS PLAUŠAS founded a joint venture Baltik Pak with Russian partners in Kaliningrad which will supply Kaliningrad region with corrugated board and packaging. Corrugated board provided by MEDIENOS PLAUŠAS will be used for producing containers at the customer's request.

## PLANS, PROSPECTS FOR 1998

During 1996 and 1997, the company modernised its technical and technological platform. The next step is strengthening of the company's current positions and ambitious penetration to new markets.

The project of waste water treatment and usable water economy is in progress. The company will continue with implementation of the quality system corresponding to ISO standards.



BALANCE SHEET (LTL)	IAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		22056000	41800000	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		10349000	13480000	Current ratio	2.23	2.07
Stock		6162000	5558000	Quick ratio	0.90	1.22
Amounts receivable within one year		3171000	5309000	Net working capital (LTL thou)	5702	6960
TRANSFER ACCOUNTS		0	0	Net working capital to total assets	0.18	0.13
<b>TOTAL ASSETS</b>		<b>32405000</b>	<b>55280000</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		25358000	36040000	Profit margin (%)	0.04	0.06
Capital		20128000	28128000	Return on assets (%)	0.05	0.05
Subscribed capital		20128000	28128000	Return on equity (%)	0.07	0.08
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		-1535000	-1535000	Total debt ratio	0.22	0.35
Reserves		759000	912000	Debt / equity ratio	0.28	0.53
Profit (loss) brought forward		6006000	8535000	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		2400000	12720000	Inventory turnover	3.44	5.48
Amounts payable within year and short-term liabilities		4647000	6520000	Receivables turnover	11.19	10.22
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	7.33	6.22
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>32405000</b>	<b>55280000</b>	Long-term assets turnover	1.90	1.04
				Total assets turnover	1.29	0.78
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		41823000	43321000			
COST OF GOODS SOLD AND SERVICES RENDERED		32714000	32127000			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>1659000</b>	<b>2802000</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	23147	24052
First	8.07	11.5	11.95	Share book value (LTL)	12.56	12.79
Max	11.50 (12.10)	19.17 (01.17)	16.55 (06.16)	Price / book value ratio [P/BV]	0.92	0.93
Min	6.00 (08.01)	11.07 (06.10)	9.00 (03.03)	Earnings per share (LTL)	0.82	1.00
Last	11.50 (12.31)	11.95 (12.31)	16.54 (06.30)	Price / earnings ratio [P/E]	13.95	12.00
Change (%)	42.5	3.91	38.41	Dividend per share (LTL)	0.20	0.00
				Dividend yield	0.02	-
Number of transactions (CM)	628	1123	904	Dividend payout ratio	0.24	-
Turnover CM (units)	313848	240813	252649			
Turnover CM (LTL)	2859931	3372760	3625750.78			
Turnover BT (units)	45826	481699	2056725			
Turnover BT (LTL)	442779	6601171	34154890.07			
CM turnover as % in total	87.26	33.33	10.94			
Total turnover (units)	359674	722512	2309374			
Total turnover (LTL)	3302710	9973931	37780640.85			
Turnover ratio (%)	17.87	35.90	82.1			
As % in the total share turnover	1.75	1.04	8.223			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 28,127,610

### Ordinary shares:

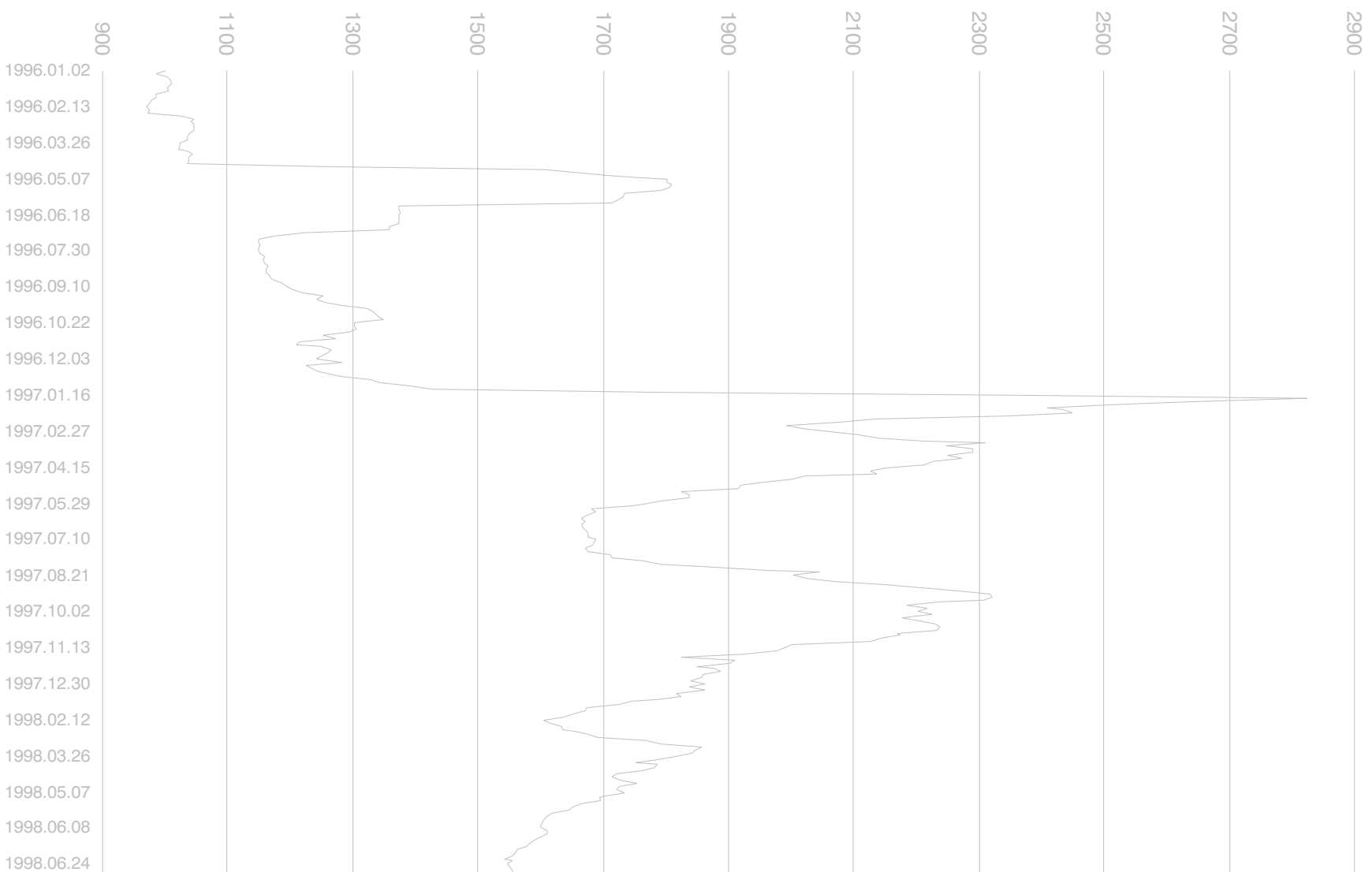
-2812761 registered shares at LTL 10 par (security code 10041) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 12.10.93, listed on the Official List on 07.04.1997)

## STRUCTURE OF OWNERSHIP

Metsa - Serla OY 65.07%  
Hoilupank - Estonian Saving Bank 6.18%

# LITHUANIAN COMPANIES

LITIN-G (1996-1998)





## PHARMACEUTICALS

The pharmaceutical sector companies in Eastern Europe and FSU have drawn big interest of investors for their high quality products and big growth potential. Richter Gedeon (Hungary), Pliva (Croatia), Krka (Slovenia) are among favourite ones. The advantages of the Eastern European producers are low costs for research and development of the new medicines and cheap labour. The other big advantage is familiarity of their brand names for the Russian consumers and doctors what disbands companies' from excessive marketing costs in the Russian market.

The pharmaceutical sector in the Baltics consists of medium to small size companies which manufacture generic pharmaceuticals mainly. The Baltic pharmaceutical market is a single unit as there is a Baltic agreement on the registration of the local products in all the three countries.

Currently there are 13 pharmaceutical companies in Lithuania. Six of them are based in Kaunas and 4 in Vilnius.

The activities of pharmaceutical companies in Lithuania are regulated by The Law on Pharmaceutical Activities (31/01/1991), the decision On acknowledgment of pharmaceutical activities license regulations (25/10/1996), and the directive On medicines prices' settling and application order (30/06/1995). The main aspects of these are:

- drugs must be registered in the State Register of Medicines;
- the license for pharmaceutical activities can not be given for more than 5 years;
- The State Medicines Control Department gives license or a motivated refusal in written form within 30 days from the day the papers were received;
- The Health Care Ministry regulates the retail prices for compensated drugs and medicinal materials.

The Lithuanian pharmaceuticals market is the largest in the Baltics, but its growth rates are still the smallest, as current low purchasing power hinders a switch towards higher-priced quality medicines. Lithuania is a profitable market for corporations from Eastern Europe, which feature low prices and good access to the market. The Polfa companies from Poland are now the major importers, with a market share of approximately 30 per cent. A large share is claimed to be filled by illegally imported pharmaceuticals from Ukraine and Belarus that do not conform to local legislative standards.

The two main producers of pharmaceuticals in Lithuania are Sanitas and Endokrininiai Preparatai. In terms of sales Sanitas is approximately two times bigger than Endokrininiai Preparatai. The main products of both companies are preparations in ampoules which account for most of sales. The companies do not have significant share in the Lithuanian pharmaceuticals market as the target market for their products is CIS.

The golden age for pharmaceutical companies was during the Soviet times, as the plants operated at full capacity to fill centrally planned production targets. There was no need for innovation or for opening new sales opportunities, and after the collapse of the Soviet Union production volumes fell on average by a dramatic 70-90 per cent. The main hurdle is still the deficiency of GMP (Good Manufacturing Practice) standards and difficulties in creating sales in the CIS markets.

Consumption on the domestic markets is around 10-15% of total production. This number will show only moderate growth in the future, as increases in consumption have mainly been seen for imported drugs. Major export markets are Russia, Belarus, Ukraine and Kazakhstan. Main strengths of the Baltic companies include existing registries of pharmaceuticals, stemming from the Soviet period, an established customer base in the Eastern markets, and low production costs compared to other East-European pharmaceuticals companies. Raw materials are imported mainly from the CIS states, with only a small fraction coming from Hungary and the former Yugoslavian republics.

Market expansion into the Western generic medicine markets will be reachable only by obtaining full GMP standards, which at the time is not yet realistic for the majority of companies.

The situation in the Lithuanian pharmaceutical industry is much the same as in the Baltic states. Neither production of Sanitas nor of Endokrininiai Preparatai complies with GMP standards which are pre-requisite for the exports to the EU. In fact, Lithuanian producers are not striving for the European markets, GMP would serve as a safeguard for the Russian market in case Russia imposes more strict import rules. Implementation of these standards requires considerable investments in fixed assets, development of the system for circulation of documentation, layout of equipment, changes in the work process and ventilation. Both companies are making best efforts to reschedule their production under the requirements of GMP standards as they are needed to have guaranteed market in CIS. The successful implementation of the standards will also let to enter the market of less developed countries.

Since year 1997 Lithuanian pharmaceutical companies have lost the status of the priority sector and the corporate tax for the companies was lifted up from 5% to 29% rate. This was the reason why the net profit margin of both companies decreased in 1997. In spite of this the companies had the opportunity to apply the 0% corporate tax rate on the profit used for capital investments.

The present capacity of Lithuanian producers is 330m ampoules per year which is spread between Sanitas (253m) and Endokrininiai (80m). If both producers successfully implement their investment plans, the annual capacity of the companies taken together could reach 400m ampoules.

The CIS markets remain dominant in respect of sales of both companies. The direct and indirect sales of Sanitas in Russia constitute 80% of the total sales of the company. Sanitas is expanding its distribution network in the CIS and is registering its preparations in Kazakstan, Uzbekia, Azerbaijan, Belarus. Endokrininiai Preparatai concentrates on the market of Moscow and plans to establish the warehouses there in order to keep the stable supply of the production.

The big pharmaceutical corporations step into the Baltic market setting packaging subsidiaries or becoming partners of the local producers. Sanitas is the main partner of pharmaceutical corporations in Lithuania. Sanitas packs tablets for Chemo Iberica (Spain) and Bristol-Myers (UK). In the second quarter of 1997, Sanitas started the secondary packaging of Zentax tablets for Glaxo Wellcome.





## ENDOKRININIAI PREPARATAI

## PHARMACEUTICALS

<b>Address:</b>	Veiverių g. 134, Kaunas	<b>Number of employees:</b>	399
<b>Phone:</b>	(370-7) 227432	<b>Authorised capital (LTL m):</b>	25.9
<b>Fax:</b>	(370-7) 291585	<b>Capitalisation (LTL m) (01/07/98):</b>	12.8
<b>Registration date:</b>	30/12/92		
<b>Registration code:</b>	3355216		

<b>Auditor:</b>	<b>Price Waterhouse</b>	<b>Trading list:</b>	<b>Current</b>
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**Management Board** (participation in the company): Kostas Deveikis, Chairman (0.5%), Vytautas Boguslauskas (0.014%), Petras Zizas (0.1%), Edvardas Tarasevičius (0.01%), Gytis Tamėnas (0.43%), Janina Černickienė (0.23%)

**President:** Gytis Tamėnas (0.43%)

**Investment Relations:** Gytis Tamėnas, tel. (3707) 227 432

**BUSINESS ACTIVITY**

The range of products includes tablets, ampoules, eye drops, etc. Injections account for over 71% of the overall output. Eye drops and tablets make up 17 and 11% accordingly.

ENDOKRININIAI PREPARATAI sales split between Lithuania and the CIS. Lithuanian consumers purchase 46% of the products, the rest is exported to Russia (28%), Ukraine (10%), other CIS countries (16%). Endocrine raw materials are supplied from Western Europe (60%), Lithuania (36%), and Russia (4%).

**DEVELOPMENTS IN 1997**

ENDOKRININIAI PREPARATAI is rescheduling production of preparations in ampoules and bottles under Good Manufacturing Practice (GMP) standards. In February 1997, the company purchased modern BOSH line and plans further investments of US\$ 2m into equipment, production environment and ventilation.

In 1997, the company issued LTL 500,000 12-month maturity bonds with 15% fixed interest rate. The issue was placed publicly in September 1997, however bonds were not listed on any stock exchange. The bonds will be redeemed at LTL 115 on 1 August 1998.

In the past year ENDOKRININIAI PREPARATAI increased stock capital out of the company's reserves and issued 361,946

ordinary shares at LTL 10 par. In March 1998, with the issue of 800,000 ordinary shares at LTL 10 face value, the company raised share capital to LTL 25.9 million. The whole issue was sold to Latvian pharmaceutical company Olainfarm for LTL 12 million. The funds raised from the share issue will be used to boost the production of preparations in ampoules and upgrade the production conditions in order to meet the requirements of GMP. In the future ENDOKRININIAI PREPARATAI, Olainfarm and Latvian drug wholesale company Aroma plan to form a concern with the annual turnover of US\$ 50 million.

In 1997, the company's sales totalled LTL 24.69m, or 35% more than in 1996. The company generated LTL 3.06m pre-tax profit, a slight increase from the previous year. Net profit amounted to LTL 2.1 million.

**PLANS, PROSPECTS FOR 1998**

In 1998, the company intends to implement GMP which encompasses preparation of medicines, their production and realisation.

The company aims to maintain and expand its Ukrainian, Belarus, Russian, Kazakhstan markets.

**STRUCTURE OF SHARE CAPITAL**

**Share capital:** LTL 25,900,960

**Ordinary shares:**

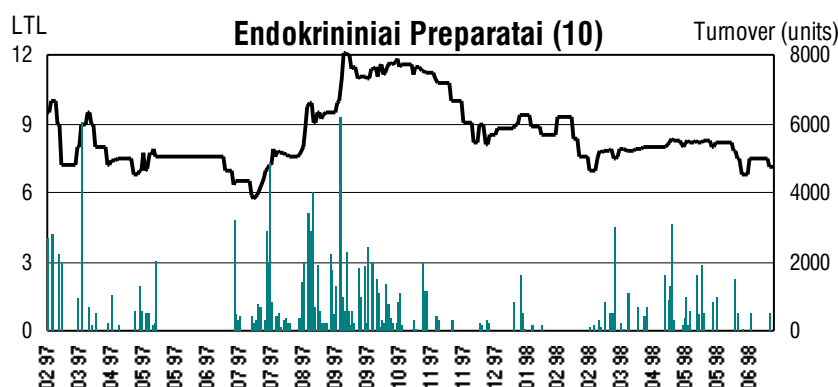
-1790096 registered shares at LTL 10 par (security code 10627) accounting for 69.11% of the auth. capital (admitted to trading at the NSEL on 24.04.97)  
-800000 registered shares at LTL 10 par (security code 12338) accounting for 30.89% of the auth. capital (not admitted to trading at the NSEL)

**STRUCTURE OF OWNERSHIP**

Total number of shareholders amounts to 1148.	
Olainfarm AB	30.89%
Holding Kauno Investicija	41.69%
State Securities Fund	11.40%
Kęstutis-Alfonas Skadas	5.04%

**SUBSIDIARIES (Branch offices)**

	<b>Share interest</b>
Sedum UAB	51%
Aleksita UAB	50%



BALANCE SHEET (LTL)	IAS (1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		11364233	11095000	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		12159295	19958000	Current ratio	3.29	2.00
tock		5975569	6490000	Quick ratio	1.73	1.36
Amounts receivable within one year		5795171	7353000	Net working capital (LTL thou)	8793	10192
TRANSFER ACCOUNTS		475453	382000	Net working capital to total assets	0.37	0.32
<b>TOTAL ASSETS</b>		<b>23998981</b>	<b>31435000</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		18573779	20491000	Profit margin (%)	0.11	0.09
Capital		14281500	17896000	Return on assets (%)	0.09	0.07
Subscribed capital		14281500	17896000	Return on equity (%)	0.12	0.11
Share premium account		5633	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.23	0.35
Reserves		2062880	921000	Debt / equity ratio	0.29	0.53
Profit (loss) brought forward		2223766	1674000	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		1583008	783000	Inventory turnover	2.14	2.53
Amounts payable within year and short-term liabilities		3629908	10116000	Receivables turnover	3.93	3.86
ACCRUED CHARGES AND DEFERRED INCOME		212287	32000	Net working capital turnover	2.20	2.49
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>23998981</b>	<b>31435000</b>	Long-term assets turnover	1.70	2.29
				Total assets turnover	0.80	0.81
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		19303007	25364000			
COST OF GOODS SOLD AND SERVICES RENDERED		11064440	15769000			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>2203766</b>	<b>2196000</b>			

TRADING STATISTICS	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		15753
First	9.50	8.80	Share book value (LTL)	13.01	11.45
Max	5.75 (07.15)	9.40 (01 15)	Price / book value ratio [P/BV]	-	0.77
Min	12.10 (09.12)	6.80 (06 12)	Earnings per share (LTL)	1.54	1.23
Last	8.80 (12.22)	7.11 (06 30)	Price / earnings ratio [P/E]	-	7.17
Change (%)	-7.37	-19.20	Dividend per share (LTL)	0.00	0.00
			Dividend yield	-	-
Number of transactions (CM)	534	150	Dividend payout ratio	-	-
Turnover CM (units)	104953	32544			
Turnover CM (LTL)	970380	262624			
Turnover BT (units)	20238	15145			
Turnover BT (LTL)	187845	114104			
CM turnover as % in total	83.83	68.24			
Total turnover (units)	125191	47689			
Total turnover (LTL)	1158226	376728			
Turnover ratio (%)	6.99	2.66			
As % in the total share turnover	0.12	0.08			

## SANITAS

**Address:** Vytauto pr. 3, 3000 Kaunas  
**Phone:** (370-7) 226725  
**Fax:** (370-7) 223696  
**Registration date:** 10/06/94  
**Registration code:** 3413629

**Auditor:** Price Waterhouse

**Established:** 1922  
**Privatised:** 1994  
**Number of employees:** 556  
**Authorised capital (LTL m):** 17  
**Capitalisation (LTL m) (01/07/98):** 37.2

**Trading list:** Current

**Supervisory Board:** Linas Sasnauskas (Chairman), prof. Paulius Vainauskas, Joakim Helenius, Benjamin John Wilson, Genovaitė Aliulienė

**Management Board:** Dr. Albertas Bertulis (Chairman), Vladas Talandis, Nerijus Eidukevičius, Virginija Limantienė

**Managing Director:** Dr. Albertas Bertulis

**Investment Relations:** Dr. Albertas Bertulis, tel. (370-7) 226 725

## CORPORATE HISTORY

The company's legal predecessor, pharmaceutical laboratory SANITAS, was founded by 3 private individuals in 1922. Originally, it produced cosmetics and galenic medicines. In the post-war period the company was nationalised under the name of State Pharmacy Enterprise SANITAS. In 1990, the company underwent partial privatisation and was transformed into the state-public company. In 1994, SANITAS was ultimately privatised through a public offering and registered as a public limited company with the authorised capital of LTL 10.75 million. With the sale of shares in exchange for compensation vouchers, the state interest was reduced to 12.11 per cent. Remaining 87.89% were sold to management, employees, other natural persons and legal entities.

In February 1997, shareholders decided to raise capital by LTL 4.2m, i.e. to issue 167,984 ordinary shares. At present, SANITAS share capital amounts to LTL 17.3 million.

In 1996, the company introduced 8 new products and installed new production lines that meet international standards.

## BUSINESS ACTIVITY

Among 13 Lithuanian pharmaceutical companies, SANITAS is the oldest and largest one. It accounts for over 50% of the pharmaceutical products produced in the country. SANITAS produces over 85 different medicines, mainly concentrating on analgesics, vitamins, cardio-medicaments, anti-inflammatory substances. The range of products includes ampoules, ointments, spirituous solutions, tablets, antiseptic preparations, etc.

During 1990-1993, there was a decline in sales due to the loss of Eastern markets and raw material suppliers. However, since 1993 SANITAS production output and sales have been continually growing. In 1994, Sanitas won the Best Business Plan Competition in pharmaceuticals sector organised by the Italian Government. The winnings were used to purchase and install a modern tableting press.

## DEVELOPMENTS IN 1997

In 1997, the company output for the total of LTL 48.3m, or 9.6% more than in 1996. Sales reached LTL 45.88m, i.e. increased by 9.8 per cent. The company generated LTL 12.65m profit or 2.5% more than in the previous year. Net profit amounted to LTL 9 million.

In 1997, the company produced 85 different medicines. These pharmaceuticals are classified into 11 groups according to AT classification. In 1997, the ampoule shop made up LTL 32.44m or 67.2% of the total output, galenic preparations accounted for LTL 7.29m or 15.1%, tablets and aseptic production constituted LTL 5.32m or 11%, while tablet and capsule packaging unit, which meets GMP production standards, accounted for LTL 3.22m or 6.7 per cent.

In 1997, the company launched 4 new medicines:

- Ketoprofen in 200 mg capsules;
- Piracetam 20% solutions for injection;
- Ergokalciferol (vitamin D2) 0.125% oil solutions;
- a-Tokoferol acetat (vitamin E) 30% oil solutions.

In 1997, the company began packaging ointments in tubes. Liquid medicines are now packaged in vessels of Western produce.

The major part of production (85.2%) was realised through wholesalers registered in Lithuania. Direct exports to the CIS made up 13.6%, to Latvia and Estonia - 0.9% of the total sales.

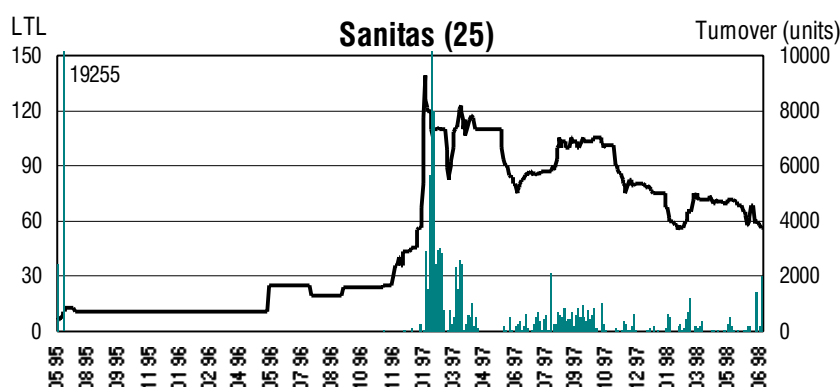
The suppliers geographical reach expanded during the year. The company bought raw materials from 17 countries. Procurement of supplies from Western countries increased, while provisions from the CIS diminished. The CIS countries supplied glass pipes for the production of ampoules and glass containers. The company is gradually reducing the amount of these supplies.

## PLANS, PROSPECTS FOR 1998

In 1998, SANITAS has plans to further enhance production, implement modern know-how and employ new materials. In 1998 the company anticipates new investments - installation of the new ampoule line in compliance with the requirements of Good Manufacturing Practice (GMP). More than LTL 11m will be used to finance modernisation and developments. The company prepares to enrich the product range with 10 new medicines. Research and development will focus on central nervous, circulatory and digestion systems, antibiotics, etc.

The company intends to develop quality management system in line with ISO 9002 standard.

SANITAS plans to manufacture for the total value of LTL 52 million. It anticipates sales to reach LTL 49m and to generate net profit amounting to LTL 9.5 million.



BALANCE SHEET (LTL)	IAS (1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		13584489	11291000	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		21493220	27369000	Current ratio	21.64	13.39
Stock		11540520	11525000	Quick ratio	10.05	7.75
Amounts receivable within one year		8810160	8605000	Net working capital (LTL thou)	20542	25325
TRANSFER ACCOUNTS		44189	0	Net working capital to total assets	0.58	0.65
<b>TOTAL ASSETS</b>		<b>35121899</b>	<b>38747000</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		34121707	36703000	Profit margin (%)	0.26	0.11
Capital		13080025	17280000	Return on assets (%)	0.31	0.13
Subscribed capital		13080025	17280000	Return on equity (%)	0.31	0.13
Share premium account		11	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.03	0.05
Reserves		10823804	13324000	Debt / equity ratio	0.03	0.06
Profit (loss) brought forward		10217867	6099000	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	0	Inventory turnover	2.81	2.33
Amounts payable within year and short-term liabilities		995189	2044000	Receivables turnover	6.15	5.27
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	2.03	1.81
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>35121899</b>	<b>38747000</b>	Long-term assets turnover	3.08	4.06
				Total assets turnover	1.19	1.18
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		41798910	45875000			
COST OF GOODS SOLD AND SERVICES RENDERED		24975020	26842000			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>10741184</b>	<b>4872000</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	18429	52295
First	11.00	46.00	78.90	Share book value (LTL)	67.65	54.09
Max	46.00 (12.31)	46.00 (01.08)	78.00 (01 06)	Price / book value ratio [P/BV]	0.68	1.46
Min	11.00 (05.21)	139.50 (01.21)	55.10 (02 18)	Earnings per share (LTL)	21.55	7.14
Last	46.00 (12.31)	78.90 (12.31)	56.14 (06 30)	Price / earnings ratio [P/E]	2.13	11.06
Change (%)	318.18	71.52	-28.85	Dividend per share (LTL)	1.25	0.00
				Dividend yield	0.03	-
Number of transactions (CM)	30	1482	261	Dividend payout ratio	0.06	-
Turnover CM (units)	365	109554	15511			
Turnover CM (LTL)	13659	11791964	1005913			
Turnover BT (units)	704	582800	97339			
Turnover BT (LTL)	15334	55912498	6615436			
CM turnover as % in total	34.14	15.82	13.74			
Total turnover (units)	1069	692354	112850			
Total turnover (LTL)	28993	67704463	7621348			
Turnover ratio (%)	0.27	104.46	17.03			
As % in the total share turnover	0.02	7.06	1.66			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 17,279,625

### Ordinary shares:

-662805 registered shares at LTL 25 par (security code 10617) accounting for 95.89% of the auth. capital (admitted to trading at the NSEL on 13.09.94)

### Preference shares:

- 28380 registered shares at LTL 25 par with cumulative dividend 20% (security code 10618) accounting for 4.11% of the auth. capital (admitted to trading at the NSEL on 13.09.94)

## STRUCTURE OF OWNERSHIP

Baltic Republics Fund	33%
Hansabank	11.24%
Pictet et Cie	7.68%
Hoiupank - Estonian Savings Bank	4.28%
Eesti Foreksbank	4.37%
Eesti Uhispank	3.5%



## LIFOSA

## PHOSPHATIC FERTILISERS

<b>Address:</b>	Juodkiškio g. 50, 5030 Kėdainiai	<b>Established:</b>	1963
<b>Phone:</b>	(370-57) 56360, 52273	<b>Privatised:</b>	1996
<b>Fax:</b>	(370-57) 53241	<b>Number of employees:</b>	1340
<b>Registration date:</b>	14/12/90	<b>Authorised capital (LTL m):</b>	220.8
<b>Registration code:</b>	6111045	<b>Capitalisation (LTL m) (01/07/98):</b>	110.1
<b>Auditor:</b>	<b>Arthur Andersen</b>	<b>Trading list:</b>	<b>Current</b>

**Management Board** (participation in the company): Danas Tvarijonavičius, Chairman (51.17%), Romualdas Dulevičius (0.08%), Raimondas-Ginatautas Kriūnas (0.07%), Pierre Sicouri (1.30%), Jonas Dastikas (0.31%), Albertas Surma (0.04%), Kęstutis Dzidolis (0%)

**Managing Director:** Jonas Dastikas

**Investment Relations:** Danas Tvarijonavičius, tel. (370-7) 204 466

## CORPORATE HISTORY

The company's predecessor Fostra was established in 1963 as Klaipėda state chemical plant and started its activity in the field of phosphatic fertilisers and other chemical products. During 1991-1994, the company underwent partial privatisation and was transformed into the state-public company Fostra AB.

In 1994, the company was listed for the final privatisation. The privatisation agreement had to be signed with the potential investor that had presented the best business plan. The winner of the competition was a group of legal and natural persons Minta Ltd and partners led by the present Chairman (Danas Tvarijonavičius) of LIFOSA. The agreement was signed on 29 June 1996, and on 30 August 1996, the enterprise was registered as a joint stock company LIFOSA AB.

On 4 August 1997, LIFOSA, Kemira Agro Oy (Finland) and Fund of Finnish Industry Cooperation agreed to establish a joint-venture KEMIRA-LIFOSA Ltd. KEMIRA-LIFOSA engages in manufacture of granulated super phosphatic, phosphoric-potassic, nitric-phosphoric-potassic fertilisers. LIFOSA owns 49% of the new company stock.

In April 1998, the company increased its share capital by LTL 64.99m out of revaluation reserves. After the issue of new shares, LIFOSA authorised capital amounted to LTL 220.8 million.

## BUSINESS ACTIVITY, DEVELOPMENTS IN 1997

In 1997, the company's position was far more stable than in 1996. Sales and services constituted LTL 309.4m, or LTL 43m (16.2%) more than in 1996. Exports accounted for 85% of total sales, the main part was delivered to countries of Western Europe.

Output of the principal product, phosphorous fertilisers, increased by 10% compared with 1996. In 1997, the company produced 332.8t of ammonium phosphate 52%, 503.9t of sulphuric acid 100%, 183.8t of phosphorus acid 100%, 71.3t of granulated super phosphate 20% and 4.1t of aluminium fluoride.

In 1997, the company's net profit totalled LTL 6.1m (LTL 2.7 more than in 1996). Relatively modest increase in profits is related with the US\$15-20 annual fall in ammonium phosphate prices on Western markets.

In 1997, the company paved the way for the introduction of a new product - phosphate of diammonium. This product will enable LIFOSA to better adapt to the needs of the world markets and consequently raise the company's profitability.

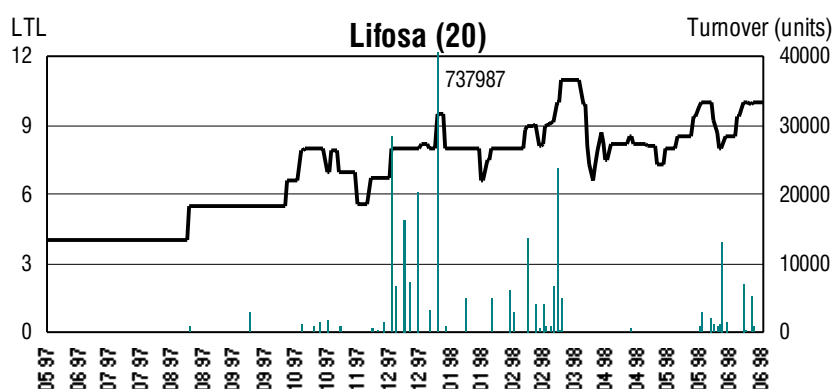
Starting with the second quarter of 1997, the company has been enjoying corporate profit tax exemption due to the amount of foreign investment in the company (LIFOSA is relieved from profit tax for three years).

## PLANS, PROSPECTS FOR 1998

In 1998, LIFOSA plans to reconstruct the shop of sulphuric acid production. With the implementation of new technologies, the company anticipates to increase production output by 13 per cent. Investments into modernisation of production will total LTL 45 million. LIFOSA plans to improve production technology and quality of diammonium phosphates. The company foresees to increase efficiency of its logistics section and to reduce pollution by introducing new environmental protection measures.

## SUBSIDIARIES

	<b>Date of establishment</b>	<b>Authorised capital</b>	<b>Share interest</b>
Šiaulių Malūnas AB	29/08/97	LTL 8.4m	49.96%



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		197586133	207077628	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		55643321	87747792	Current ratio	3.38	1.54
Stock		37132062	51834014	Quick ratio	1.21	0.56
Amounts receivable within one year		12431397	25022885	Net working capital (LTL thou)	40755	29410
TRANSFER ACCOUNTS		2232004	1648243	Net working capital to total assets	0.16	0.10
<b>TOTAL ASSETS</b>		<b>255461458</b>	<b>296473663</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		237891859	241234408	Profit margin (%)	0.01	0.02
Capital		155814600	155814600	Return on assets (%)	0.01	0.02
Subscribed capital		155814600	155814600	Return on equity (%)	0.01	0.03
Share premium account		14782	14782	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		65797522	65797522	Total debt ratio	0.07	0.19
Reserves		16264955	16128949	Debt / equity ratio	0.07	0.23
Profit (loss) brought forward		0	3478555	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		449671	1846211	Inventory turnover	7.64	5.99
Amounts payable within year and short-term liabilities		17119928	53393044	Receivables turnover	16.99	20.35
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	6.54	10.52
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>255461458</b>	<b>296473663</b>	Long-term assets turnover	1.35	1.44
				Total assets turnover	1.04	1.04
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		266379393	309433439			
COST OF GOODS SOLD AND SERVICES RENDERED		235722650	271940293			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>3400160</b>	<b>4751992</b>			

TRADING STATISTICS	1997	1-2Q 1998
<b>PRICE (LTL)</b>		
First	4.00	9.50
Max	4.00 (08.13)	11.00 (03.20)
Min	9.50 (12.31)	6.57 (03.27)
Last	9.50 (12.30)	10.03 (06.24)
Change (%)	137.50	5.58
Number of transactions (CM)	160	206
Turnover CM (units)	832125	120434
Turnover CM (LTL)	7748944	1095572
Turnover BT (units)	728693	131535
Turnover BT (LTL)	2142109	1184756
CM turnover as % in total	53.31	47.80
Total turnover (units)	1560818	251969
Total turnover (LTL)	9891053	2280328
Turnover ratio (%)	20.19	2.30
As % in the total share turnover	1.03	0.50

MARKET VALUE RATIOS	1996	1997
Capitalisation (LTL thou)		73426
Share book value (LTL)	30.61	31.22
Price / book value ratio [P/BV]	-	0.30
Earnings per share (LTL)	0.43	0.79
Price / earnings ratio [P/E]	-	12.09
Dividend per share (LTL)	0.00	0.00
Dividend yield	-	-
Dividend payout ratio	-	-

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 220,800,000

### Ordinary shares:

-10978332 registered shares at LTL 20 par (security code 11669) accounting for 99.21% of the auth. capital (admitted to trading at the NSEL on 12.05.97)

### Preference shares:

-61668 registered shares with 3% cumulative dividend at LTL 20 par (security code 11670) accounting for 0.79% of the auth. capital (admitted to trading at the NSEL on 12.05.97)

## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 922.

Danas Tvarijonavičius	51.17%
Indutech S.P.A (Italy)	18.33%

## DIRBTINIS PLUOŠTAS

## ARTIFICIAL YARN

<b>Address:</b>	Pramonės pr. 4, 3711 Kaunas	<b>Established:</b>	1965
<b>Phone:</b>	(370-7) 753527	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-7) 755038	<b>Number of employees:</b>	1611
<b>Registration date:</b>	14/12/92	<b>Authorised capital (LTL m):</b>	96.5
<b>Registration code:</b>	3353911	<b>Capitalisation (LTL m) (01/07/98):</b>	86.9

<b>Auditor:</b>	<b>Price Waterhouse</b>	<b>Trading list:</b>	<b>Current</b>
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**Management Board:** Giedrius Pukas (Chairman), Vladimiras Romanovas, Raimundas Petrikas

**Managing Director** (participation in the company): Algimantas Stasys Anužis (0.07%)

**Investment Relations:** Giedrius Pukas, tel. (370-7) 350 192

## CORPORATE HISTORY

The company's legal predecessor, state plant of artificial fibre VALSTYBINĖ PLUOŠTO GAMYKLA, was established in 1965. The state plant started operations in cooperation with the British firm Courtaulds and French partner Ateliers Roannais de Constructions Textiles. In December 1992, the company underwent privatisation. The state factory of artificial fibre was reorganised and registered as a public limited company DIRBTINIS PLUOŠTAS. The company's authorised capital constituted LTL 5.4 million.

Changes in the company's authorised capital were registered with Kaunas Municipality Register on 11 August 1993, 28 December 1993 and 22 June 1994. On 24 March 1995, stock capital of DIRBTINIS PLUOŠTAS amounted to LTL 5.75 million.

On 27 January 1995, the general shareholders' meeting decided to raise share capital out of revaluation reserves and to issue 34.5m ordinary shares at LTL 1 par. The amendment of DIRBTINIS PLUOŠTAS Articles of Association establishing the authorised capital of LTL 40m was registered on 15 June 1995.

On 22 December 1995, the extraordinary shareholders' meeting made a decision to increase the authorised capital by LTL 8m out of supplementary contributions. In May 1995, Kaunas Municipality registered share capital in excess of LTL 48 million.

On 27 January 1996, the extraordinary shareholders' meeting decided to increase the authorised capital out of revaluation reserves and share premium reserve and to issue 48m ordinary registered shares. On 20 March 1997, the stock capital reached LTL 96.5m and comprised equal number ordinary shares at LTL 1 par.

In September 1997, DIRBTINIS PLUOŠTAS issued and privately placed 5,000 bearer discount bonds in dematerialised form for the total of US\$ 5 million. Bonds with 6 months maturity and annual interest of 9.5% were not listed on any stock exchange.

## BUSINESS ACTIVITY

Since its establishment DIRBTINIS PLUOŠTAS has been producing two types of cellulose fibre: acetate and triacetate yarn. Initially the company produced 7,000t of acetate yarn and 7,200t of triacetate fibre per year. Until 1990 the company sold its production exclusively in the USSR. Restoration of Lithuania's independence and recession of the Soviet economy caused decline in production volumes. In the course of 1992-1993, artificial fibre output fell to 4300-3400 tonnes.

Starting with 1993 production volumes began to increase. Good management policy attracted Western and Asian partners.

In the beginning of 1995, the company achieved maximum utilisation of its productive capacities and adapted its equipment for manufacturing acetate fibre instead of triacetate yarn. Modernisation of equipment and growth of capacity continued until 1996, which resulted in 11,558t of production.

In 1993, DIRBTINIS PLUOŠTAS together with Austrian firm Richard Hammerle founded a joint-venture Kateks Ltd. The company weaves lining fabrics that are sold by the Austrian partner in foreign countries. DIRBTINIS PLUOŠTAS participates with LTL 10.68m (34%) in Kateks capital.

It is estimated that the company could produce 14,000 tonnes of acetate and textured yarn rolled up in drumtype and cone shaped spools, if it operated 345 days per year non-stop. DIRBTINIS PLUOŠTAS supplies with acetate yarn the main Lithuanian knitwear and textile producers.

Today, DIRBTINIS PLUOŠTAS is the only producer of acetate fibre in the Baltic States.

## DEVELOPMENTS IN 1997

In 1996-1997, foreign markets were offered a bigger choice of acetate yarn. In 1997, the company sold 13095t of acetate fibre. DIRBTINIS PLUOŠTAS is an "export-oriented" company, since it exports 79% of its products, while 21% are realised on the domestic market.

During 1997, the company's investment projects totalled LTL 19.28m, LTL 11.63m of which was channelled into modernisation of weaving machinery.

End-of-1997, net profit amounted to LTL 6,358,871 (cf. in 1996 net profit was LTL 4,088,929).

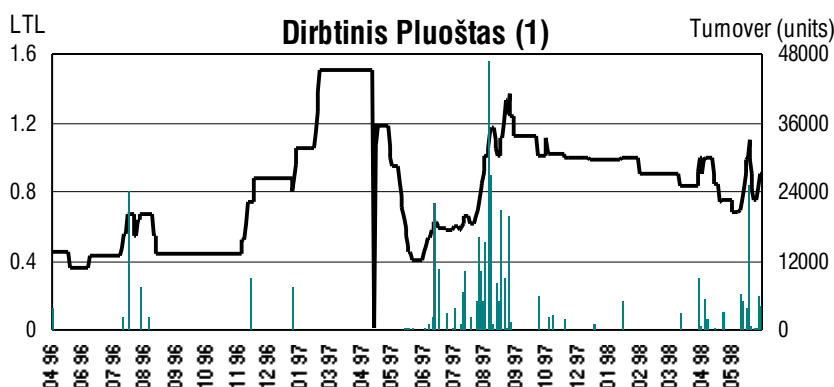
In 1997, the average number of staff, as compared with 1996, increased. The average monthly salary rose from LTL 1,013 in 1996 to LTL 1,248 in 1997.

## PLANS, PROSPECTS FOR 1998

In order to ensure self-sufficiency in electric and thermal energy, the company plans to build an autonomous power station. Reconstruction and modernisation of weaving machinery is another big project.

In the beginning of 1999, DIRBTINIS PLUOŠTAS plans to introduce necessary safeguards to its computer systems under a plan to meet with the millennium computer "bomb" compliance rules. The accounting system Concorde, presently being installed in the company, provides an adequate solution for the year 2000 date problem.





BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		96052396	103221958	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		59188313	80630514	Current ratio	1.27	1.15
Stock		28994475	44599864	Quick ratio	0.65	0.52
Amounts receivable within one year		23321849	34991653	Net working capital (LTL thou)	12419	10658
TRANSFER ACCOUNTS		13774	32257	Net working capital to total assets	0.08	0.06
<b>TOTAL ASSETS</b>		<b>155254483</b>	<b>183884729</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		103517050	109755920	Profit margin (%)	0.02	0.03
Capital		48292600	96543400	Return on assets (%)	0.03	0.03
Subscribed capital		48271700	96543400	Return on equity (%)	0.04	0.06
Share premium account		2188798	1972065	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		48054968	0	Total debt ratio	0.33	0.40
Reserves		523470	841414	Debt / equity ratio	0.50	0.68
Profit (loss) brought forward		4457214	10378141	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		3842402	3774802	Inventory turnover	8.59	5.84
Amounts payable within year and short-term liabilities		46753309	69968573	Receivables turnover	10.34	8.19
ACCRUED CHARGES AND DEFERRED INCOME		30000	36000	Net working capital turnover	16.50	22.40
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>155254483</b>	<b>183884729</b>	Long-term assets turnover	2.13	2.31
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	1.32	1.30
SALES AND SERVICES		204849331	238698391			
COST OF GOODS SOLD AND SERVICES RENDERED		188048815	214917380			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>4088929</b>	<b>6358871</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	35439	95578
First	0.45	0.88	0.99	Share book value (LTL)	2.14	1.14
Max	0.88 (12.10)	0.01 (04.24)	1.10 (06 16)	Price / book value ratio [P/BV]	0.41	0.87
Min	0.36 (06.06)	1.51 (04.23)	0.68 (06 04)	Earnings per share (LTL)	0.08	0.07
Last	0.88 (12.09)	0.99 (12.22)	0.90 (06 30)	Price / earnings ratio [P/E]	10.39	15.02
Change (%)	95.56	12.50	-9.09	Dividend per share (LTL)	0.00	0.00
Number of transactions (CM)	17	173	71	Dividend yield	-	-
Turnover CM (units)	48537	285984	84438	Dividend payout ratio	-	-
Turnover CM (LTL)	31832	266407	76628			
Turnover BT (units)	0	953525	10229436	<b>SUBSIDIARIES (Branch offices)</b>		
Turnover BT (LTL)	0	859988	3716810			
CM turnover as % in total	100.00	23.07	0.82			
Total turnover (units)	48537	1239509	10313874			
Total turnover (LTL)	31832	1126395	3793438			
Turnover ratio (%)	0.12	1.28	10.68			
As % in the total share turnover	0.02	0.12	0.83			
				Health and sports house	Girstutis	14/12/1992

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 96,543,400  
**Ordinary shares:**  
 -96543400 registered shares at LTL 1.00 par (security code 10206) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 19.04.94)

## STRUCTURE OF OWNERSHIP

Logista UAB	45.72%
State Securities Fund	16.07%
Holding Nekilnojamas Turtas	9.54%
Holding Kauno Holdingas ir Partneriai	4.78%
Natural persons	8.07%
Employees	3.26%



## VERNITAS

## SYNTHETIC YARN

<b>Address:</b>	Stoties g. 16, 4520 Marijampolė	<b>Established:</b>	1975
<b>Phone:</b>	(370-43) 73530, 73533, 71429	<b>Privatised:</b>	1994
<b>Fax:</b>	(370-43) 70680	<b>Number of employees:</b>	1425
<b>Registration date:</b>	06/01/94	<b>Authorised capital (LTL m):</b>	38.8
<b>Registration code:</b>	5122365	<b>Capitalisation (LTL m) (01/06/98):</b>	15.5

**Trading list:** Unlisted

**Supervisory Board** (participation in the company): Juozas Gavutis, Chairman (1.14%), Sigitas Pečkauskas (0.01%), Liucija Šimkevičiūtė (0.26%), Elvyra Jokubauskienė (0.72%), Antanas Griška (0.01%), Margarita Saveikytė (0%)

**Management Board:** Kęstutis Liubinas, Chairman (10.4%), Vladas Danilovas (6.6%)

**Managing Director:** Kęstutis Liubinas

**Investment Relations:** Kęstutis Liubinas, tel. (370-43) 7 35 30

## CORPORATE HISTORY

The company's legal predecessor, Kapsukas Synthetic Yarn Factory, was founded in 1971, and the first plait of yarn was spun in 1975. The name of the company had been changed several times. For a long time it was known as Marijampolė Synthetic Yarn Factory, later as a state stock company Marijampolė Spinning Factory, and since 6 January 1994 as a joint stock company VERNITAS.

In 1994, the authorised capital of the company totalled LTL 8.9m (including 22% of stock in the state hands). With new issues of securities out of revaluation reserves in 1995, the company's authorised capital amounted to LTL 30.2 million. In 1996, the company's authorised capital underwent indexation and reached LTL 41.35 m by the end of the year. In March 1997, share capital was reduced, since LTL 2.5m of the company's assets were transferred to the state. At present, the authorised capital amounts to LTL 38.8 million. It is divided into an equal number of ordinary registered shares.

## BUSINESS ACTIVITY

The company specialises in preparation and spinning of textile fibres, as well as in distribution of yarn. Other business arms engage in manufacture of textile articles, realisation of textiles and other consumer goods, transportation services, etc.

The main products of VERNITAS include combed and mangled synthetic yarn for the textiles industry and hand knitting. The company also manufactures knitted outerwear for children, women and men and woven souvenirs - national sashes, serviettes, tablecloths, etc.

The company sells its production in the domestic and foreign markets. The main suppliers of raw materials are Lithuanian, Belarus and Swiss companies.

## DEVELOPMENTS IN 1997

1997 was an outstanding year for the company. VERNITAS produced 5991t of yarn, 177t of consumer goods, 23410t of knitted articles and souvenirs. The production volume totalled LTL 98.5 million. Compared with 1996, output increased by 8%, and sales experienced a 14.5% growth. Total turnover exceeded LTL 92 million. It was the best achievement in the company's history.

In October 1997, a new yarn dyeing section was launched into operation. In the future VERNITAS intends to dye around 30% of yarn.

In 1997, 73% of VERNITAS products (LTL 73.9m) were sold in Lithuania, while 23% and 4% were exported to Western Europe and CIS, respectively.

VERNITAS generated LTL 7.1m in net profit, a 29% rise compared with 1996.

## PLANS, PROSPECTS FOR 1998

VERNITAS intends to:

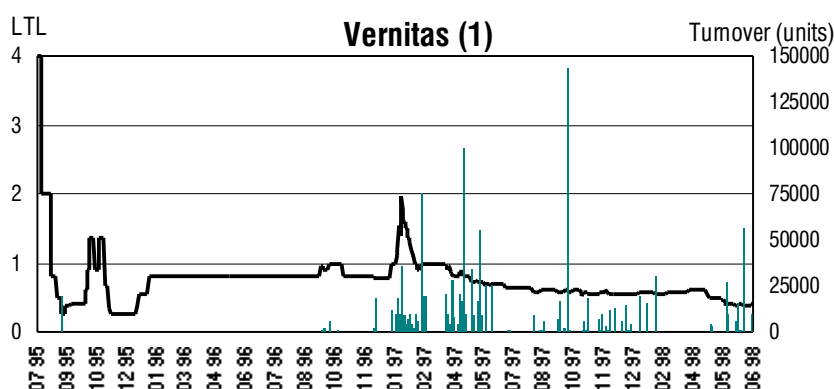
- expand domestic network of outlets;
- search for new markets in Western and Eastern countries;
- reconstruct the knitted fabrics section;
- prepare a project for the construction of own electrical and steam power station and to built it in future.

## STRUCTURE OF OWNERSHIP

Ministry of Economy	17.56%
Kęstutis Liubinas	9.91%
Rimantas Grabauskas	7.18%
Vladimiras Danilovas	6.56%
Danutė Danilovienė	5.06%

## STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 38,838,330
<b>Ordinary shares:</b>	-38838330 registered shares at LTL 1 par (security code 11126) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 03.07.95)

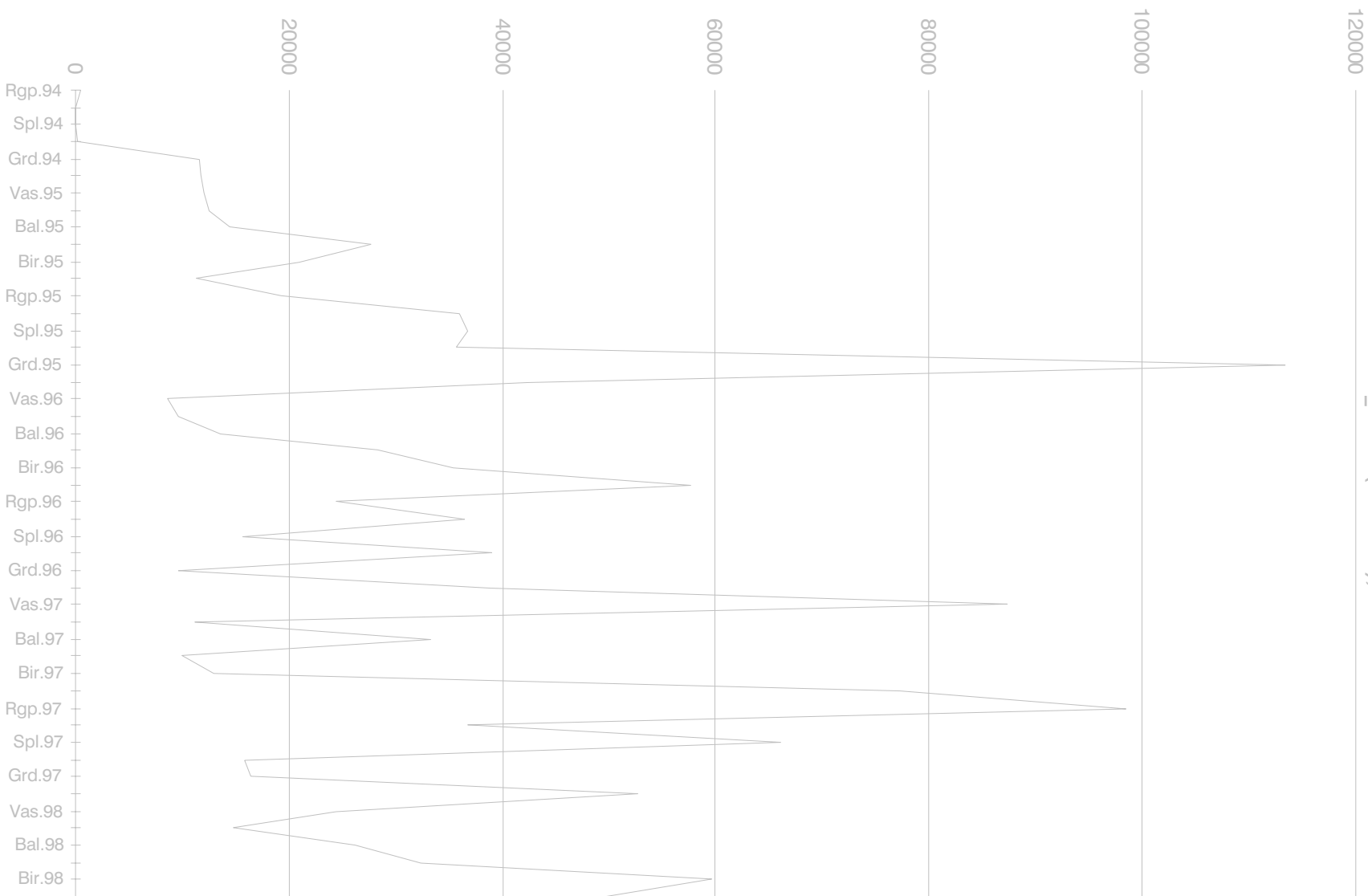


<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		36609519	37010281	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		21332094	26384690	Current ratio	3.69	2.77
Stock		17762193	18256271	Quick ratio	0.62	0.85
Amounts receivable within one year		2266652	5209290	Net working capital (LTL thou)	15550	16854
<b>TRANSFER ACCOUNTS</b>		6162	16947	Net working capital to total assets	0.27	0.27
<b>TOTAL ASSETS</b>		<b>57947775</b>	<b>63411918</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		51764875	54521882	Profit margin (%)	0.06	0.08
Capital		41353630	38838330	Return on assets (%)	0.10	0.11
Subscribed capital		41353630	38838330	Return on equity (%)	0.11	0.13
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.11	0.17
Reserves		8855326	9209403	Debt / equity ratio	0.12	0.21
Profit (loss) brought forward		1555919	6474149	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		390459	2561910	Inventory turnover	4.29	4.43
Amounts payable within year and short-term liabilities		5717652	6190578	Receivables turnover	35.08	24.79
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		70717	134080	Net working capital turnover	5.55	5.50
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>57947775</b>	<b>63411918</b>	Long-term assets turnover	2.36	2.50
				Total assets turnover	1.49	1.46
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		86230650	92657124			
COST OF GOODS SOLD AND SERVICES RENDERED		74729379	79838436			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>5504953</b>	<b>7081203</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	32256	21361
First	0.55	0.78	0.55	Share book value (LTL)	1.25	1.35
Max	1.00 (10.17)	0.52 (10.15)	0.61 (04 22)	Price / book value ratio [P/BV]	0.62	0.41
Min	0.77 (12.09)	1.96 (01.21)	0.39 (06 25)	Earnings per share (LTL)	0.13	0.18
Last	0.78 (12.10)	0.55 (12.22)	0.40 (06 30)	Price / earnings ratio [P/E]	5.86	3.02
Change (%)	41.82	-29.49	-27.27	Dividend per share (LTL)	0.020	0.050
				Dividend yield	0.03	0.09
Number of transactions (CM)	22	403	82	Dividend payout ratio	0.15	0.27
Turnover CM (units)	29910	1056035	309329			
Turnover CM (LTL)	24879	903547	149400			
Turnover BT (units)	500	1804134	42000			
Turnover BT (LTL)	500	1779357	23700			
CM turnover as % in total	98.36	36.92	88.05			
Total turnover (units)	30410	2860169	351329			
Total turnover (LTL)	25379	2682903	173100			
Turnover ratio (%)	0.07	7.36	0.90			
As % in the total share turnover	0.01	0.28	0.04			

# LITHUANIAN COMPANIES

TURNOVER OF T\_BILLS (LTL thou), 1993-1998



## CONSTRUCTION AND BUILDING MATERIALS

In 1992, the Lithuanian construction sector fell into crisis together with the rest of the economy. The main goal of most Lithuanian companies was to survive in this period, thus they did not invest in the construction of new buildings. Also, the reorganisation of the agricultural sector produced a sharp decrease in demand for construction of big livestock farms and other buildings. The expansion of cities was also stopped due to the economic crisis. The lack of resources for development brought about a time of difficulties in finding financing for construction companies. Therefore, squeezed demand and bad receivables induced a cutting-short in construction activities of 16.5% in 1992 and reorganisation of big construction companies into smaller ones. Besides, many construction specialists left construction companies to establish small individual enterprises. Also, ownership structures changed, as most companies were privatised. In 1996, there were 1,982 construction companies, of which 52 were state-owned.

In the period 1991-1995, a smoothing in demand for construction in Lithuania raised the amounts of work done by Lithuanian companies in foreign countries, mostly in Russia and Kaliningrad. However, these markets were risky due to difficult financing. In 1997, several construction companies announced their plans to increase the amount of work done in Lithuania in 1998. The plans are likely to be accomplished, because the state enhanced mortgage financing in 1998.

In 1995, construction of dwellings reached its bottom since 1990, and showed first growth (11.8%) in construction amounts (at current prices) in 1996. These were forced mainly by the increase of population investment in dwelling works by 24 per cent.

There is a huge amount of companies producing building materials in Lithuania. The largest of them are Akmenės Cementas (cement), Siilikatas (bricks), Dvarčionių Keramika (ceramic tiles). However, the Lithuanian market is filled with imported building materials of higher quality, thus Lithuanian companies face strong competition. It is a good incentive for construction companies, quality of their work has become higher.

During 1995-1997, the construction price index dropped from 25.4% to 7.7%, while the amount of construction work at current prices rose by an average of 16% per year. The slower growth in prices allows for stabilisation on the construction market and expectations for further growth of construction amounts in the same direction as the total economy.

The largest construction company Kausta had about 9% of the market in 1995. According to estimated data in 1997, the largest was Mažekių Gairė, with a market share of 6%.

In 1997, the average sales of the 8 largest construction companies were LTL 57.4m, increasing by 41.6 per cent. The largest sales were LTL 117m of Kausta, whose main activity is building of dwelling houses, and the lowest sales of this group were LTL 44.3m of Panevėžio Keliai, whose main activity is construction of roads. Net margin fluctuated between 13.6% of Panevėžio Keliai to 1.5% of Lithun, with the average being 4.8 per cent.

In 1997, the state began to work more actively in the field of construction financing. Last year the state allocated LTL 24m for municipalities to finance the building of dwellings. Also, Hermis Bankas and Vilniaus Bankas made more active mortgage financing programs in 1997. Vilnius Municipality organised a competition among banks to finance dwelling construction for LTL 15m in 1Q98. These actions are a good start for further development of construction. The mortgage financing system is expected to develop further in 1998-1999, being supported by the banking sector and new pension funds.





## AKMENĖS CEMENTAS

## MANUFACTURE OF CEMENT

**Address:** J.Dalinkevičiaus g. 2, 5464 Naujoji Akmenė  
**Phone:** (370-95) 58323  
**Fax:** (370-95) 52198  
**Registration date:** 16/09/93  
**Registration code:** 5300914

**Established:** 1952  
**Privatised:** 1993-1995  
**Number of employees:** 1035  
**Authorised capital (LTL m):** 46.2  
**Capitalisation (LTL m)(01/07/98):** 77.7

**Auditor:** KPMG Lietuva **Trading list:** Current

**Management Board** (participation in the company): Simonas Vytiš Anužis, Chairman (12.54%), Vincas Montvila (12.54%), Olius Danyla (12.54%), Algimantas Mituzas (12.54%), Ole Gunnar Selvaag (33.25%)

**Managing Director:** Pranas Krištopaitis (0%)

**Investment Relations:** Simonas Vytiš Anužis, tel. (370-95) 5 41 40

## CORPORATE HISTORY

In July 1945, a decision was made to build a factory for cement manufacturing. Akmenės region was chosen due to its rich limestone-bed. The first production line was launched in September 1952, and over several decades the company gradually grew into a national cement manufacturing leader. With a new factory building constructed in eighties, AKMENĖS CEMENTAS increased its capacity to annual average of 3.3m tonnes and became one of the largest cement companies in Europe.

Following initial mass privatisation, the enterprise was privatised through a public offering in 1993-1995. Currently, 100% of the company's capital are in private hands.

## BUSINESS ACTIVITY

The company is primarily engaged in manufacture of cement. The sales of cement stabilised at LTL 700 thou over several years.

37.8% of AKMENĖS CEMENTAS output are realised in Lithuania, while the remainder is exported. The sales in Western markets, including Finland, Sweden, Belgium generate 47.8% of total revenues.

## DEVELOPMENTS IN 1997

In 1997, end-of-year results were in line with budgeted figures. AKMENĖS CEMENTAS sold its production and provided services for the total amount of LTL 114,873 thousand. Return from sale of products constituted LTL 109,344 thou, while LTL 5,528 thou of revenue originated from rendered services. As compared to 1996, sales of cement in 1997 increased from LTL 682 thou to LTL 710 thousand.

Inflation had no impact on the pricing of products. One of the biggest achievements in 1997 was maintenance and expansion of the consumer market.

In order to achieve the maximum efficiency between labour distribution and production volumes, number of staff was gradually reduced. The personnel decreased by 37 employees from 1072 at the beginning of 1997 to 1035 at the year end. This reduction allowed to raise salaries with little impact on the production costs.

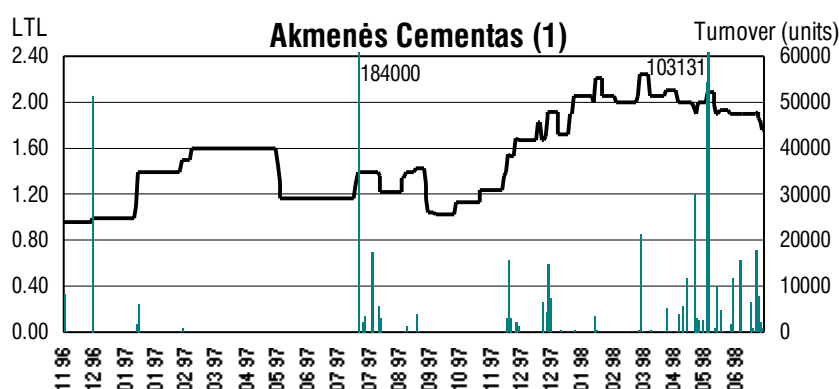
In 1997, the company gained LTL 3m pre-tax profit, which resulted in LTL 2.5m net profit (cf. in 1996 LTL 5.0m and LTL 2.5m accordingly).

## PLANS, PROSPECTS FOR 1998

The company anticipates increase in its sales turnover from 850 thou tonnes in 1997 to 1m tonnes in 2000. To achieve this goal, AKMENĖS CEMENTAS developed and started implementing reconstruction project of main means of production. In the first stage of the project, the company aims to reduce share of energy costs in the total cement production costs. Investments during the initial stage will amount to around LTL 40 million. In 1997, the company carried out investments worth LTL 23.2 million.

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Jūsų Laisvalaikis UAB	23/07/96	LTL 1,072,800	100%
Naujosios Akmenės Deguonis UAB	23/07/96	LTL 114,400	100%
Naujosios Akmenės Sanatorija UAB	23/07/96	LTL 256,300	100%
Naujosios Akmenės Sporto Rūmai UAB	23/07/96	LTL 324,900	100%
Medis ir Betonas UAB	23/01/97	LTL 392,200	100%



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		50853715	63867292	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		34640923	48775451	Current ratio	1.77	1.38
Stock		23978207	26175655	Quick ratio	0.55	0.66
Amounts receivable within one year		8714008	13091943	Net working capital (LTL thou)	15098	13768
<b>TRANSFER ACCOUNTS</b>		80235	1279607	Net working capital to total assets	0.18	0.12
<b>TOTAL ASSETS</b>		<b>85574873</b>	<b>113922350</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		58913047	61539909	Profit margin (%)	0.03	0.02
Capital		46164555	46164555	Return on assets (%)	0.04	0.02
Subscribed capital		46164555	46164555	Return on equity (%)	0.06	0.04
Share premium account		46905	46905	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.31	0.48
Reserves		12701587	12701587	Debt / equity ratio	0.45	0.91
Profit (loss) brought forward		0	2626862	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		5096640	18198059	Inventory turnover	4.57	3.42
Amounts payable within year and short-term liabilities		19623405	34184382	Receivables turnover	12.89	10.61
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	0	Net working capital turnover	7.27	8.34
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>85574873</b>	<b>113922350</b>	Long-term assets turnover	2.16	1.80
				Total assets turnover	1.28	1.01
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		109704546	114872916			
COST OF GOODS SOLD AND SERVICES RENDERED		87723200	85879544			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>3402107</b>	<b>2465950</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	44127	84724
First	0.95	1.00	1.92	Share book value (LTL)	1.29	1.31
Max	1.00 (12.17)	1.00 (01.13)	2.25 (03 25)	Price / book value ratio [P/BV]	0.78	1.47
Min	0.95 (11.28)	1.92 (12.31)	1.73 (01 13)	Earnings per share (LTL)	0.04	0.01
Last	1.00 (12.05)	1.92 (12.30)	1.76 (06 29)	Price / earnings ratio [P/E]	28.14	134.02
Change (%)	5.26	92.00	-8.33	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	23	86	152	Dividend payout ratio	-	-
Turnover CM (units)	59359	297311	346049			
Turnover CM (LTL)	58952	437517	697224			
Turnover BT (units)	124838	9592332	162115			
Turnover BT (LTL)	130393	35528019	290409			
CM turnover as % in total	32.23	3.01	68.10			
Total turnover (units)	184197	9889643	508164			
Total turnover (LTL)	189345	35965537	987633			
Turnover ratio (%)	0.42	22.41	1.15			
As % in the total share turnover	0.10	3.75	0.22			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 46,164,555

### Ordinary shares:

-44127021 registered shares at LTL 1 par (security code 10189) accounting for 95.59% of the auth. capital (admitted to trading at the NSEL on 30.07.96)

### Preference shares:

-2037534 registered shares at LTL 1 par with 90% non-cumulative dividend (security code 10190) accounting for 4.41% of the auth. capital (not admitted to trading at the NSEL)

## STRUCTURE OF OWNERSHIP

Employees (former & present) 65.25%  
Foreign investors 34.75%

## DVARČIONIŲ KERAMIKA

## CERAMIC PRODUCTS

<b>Address:</b>	Keramikų g. 2, 2036 Vilnius	<b>Established:</b>	1888
<b>Phone:</b>	(370-2) 747021, 747823	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-2) 747061	<b>Number of employees:</b>	455
<b>Registration date:</b>	10/06/94	<b>Authorised capital (LTL m):</b>	44.7
<b>Registration code:</b>	1062848	<b>Capitalisation (LTL m) (01/07/98):</b>	71.5

<b>Auditor:</b>	<b>Coopers &amp; Lybrand</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Mindaugas Danilevičius, Chairman (0), Povilas Skuodas (400 shares), Jonas Liubertas (160 shares), Eugenijus Pokulnevičius (121 shares), Liudmila Suboč (193 shares), Raimundas Kurlianskis (510 shares), Michele Pulpito (0), Linas Sasnauskas (0), Hamid Ladjevardi (0)

**Management Board:** Juozas Raišelis, Chairman (13.3%), Romanas Urniežius (1.1%), Ženius Butkus (0%), Audrius Kalvaitis (0%)

**Managing Director:** Juozas Raišelis

**Investment Relations:** Romanas Urniežius, tel. (370-2) 747 878

## CORPORATE HISTORY

The company's predecessor was a small brickyard with three furnaces for burning bricks opened back in 1888 in Dvarčionys.

In 1963, Ukmergė ceramics unit was affiliated with the plant. In 1967, Širvintų plant merged with Dvarčionių brickworks. With the installation of new equipment in 1974, ceramic tiles were launched into production. In 1980, a new Italian line for production of glazed wall tiles was mounted. Within 1984-1985, the company introduced glazed and ornamented floor tiles. During 13 years (1974-1987) production of ceramic tiles augmented six-fold.

In 1992, the enterprise became a private limited company. The company's management found a reliable partner from Italy, Nasseti S.P.A., and in 1994, the Lithuanian and Italian joint venture DVARČIONIŲ KERAMIKA Ltd was founded. The Italian partner held 30% of the stock at the time. In the same year, the contract with Nasseti S.P.A. regarding installation of new machinery was signed. The equipment was intended for production of new generation ceramic glazed wall and floor tiles. The total value of the project amounted to US\$ 11m, including US\$ 7.5m in the form of a long-term loan from a Swiss bank.

In December 1996, the company's general shareholders' meeting decided to transform closely-held DVARČIONIŲ KERAMIKA Ltd into a public company with the share capital of LTL 30m divided into 6m ordinary shares at LTL 5 par. During last year the company four times raised its share capital out of supplementary contributions until it finally reached LTL 44.7 million.

At the end of 1997, a new factory manufacturing ceramic glazed tiles started to operate. The capacity reaches 1.3m square meters of tiles per year. In 1998, DVARČIONIŲ KERAMIKA will celebrate its 110th anniversary.

## BUSINESS ACTIVITY

DVARČIONIŲ KERAMIKA is the only producer of ceramic tiles in Lithuania and the biggest factory of its kind in the Baltic countries. The company makes high-quality glazed and unglazed wall and floor tiles, ceramic roofing tiles, facade and hearth tiles, special ceramic products for restoration assignments.

The company is better-positioned comparing to its competitors due to high quality of the production (new Italian equipment and technology, qualified personnel, good quality raw materials) and low cost (cheaper labour, use of the country's raw materials clay and sand, lower transport expenses). Production is carried out according to the most progressive Italian

technology and meets European standards. DVARČIONIŲ KERAMIKA products have certificates issued by Lithuanian, Russian, Polish and German authorised bodies.

The company exports about 25% of its production to Russia, Ukraine, Kazakhstan, Latvia, Estonia, Poland, Germany and Scandinavian countries. In Lithuania distribution network embraces several outlets in cities and all larger stores specialising in building materials.

## DEVELOPMENTS IN 1997

In the rating made by the Confederation of Lithuanian Industrialists DVARČIONIŲ KERAMIKA topped the list of Lithuanian companies that accomplished the biggest economic progress during 1997. A number of international magazines specialised in ceramics also showed interest in the company's activity. Global Ceramic Review (England), Ceramic Forum International (Germany), Ceramic World Review (Italy), Brick World Review (Italy), Azulejo (Spain) published articles focused on DVARČIONIŲ KERAMIKA development, products, new plant for manufacturing tiles and other aspects of the company's activity.

Last year the company opened two modern outlets in Vilnius and Kaunas. In April of 1998, a new outlet in Vilnius downtown started selling DVARČIONIŲ KERAMIKA products.

Today the company's share in the domestic market reaches 31% as compared with 16% in 1996. Sales in 1997 more than doubled to LTL 30.2 million. Net profit tripled and amounted to LTL 4.61 million.

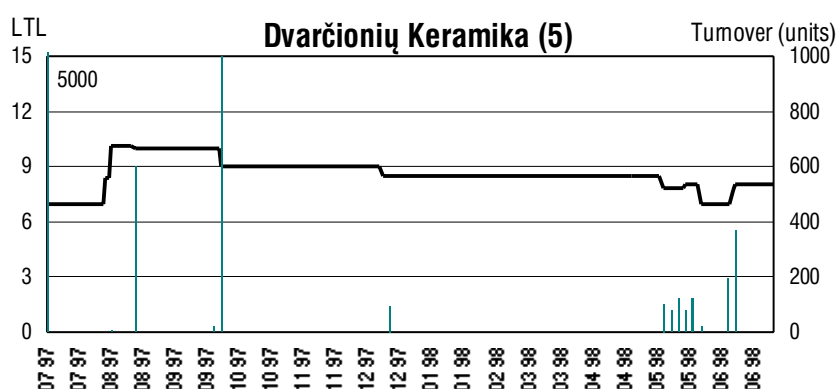
## PLANS, PROSPECTS FOR 1998

In order to prove outstanding quality of its products, the company is going to implement ISO 9002 quality management system. The international quality certificate would help strengthen the image of a solid company.

Investment projects foresee installation of a new line for production of floor tiles and introduction of elite tiles made to the customer's order.

In 1998, DVARČIONIŲ KERAMIKA intends to open a rep office in Moscow, also to establish its presence in St. Petersburg, Kiev and Dnepropetrovsk. The company anticipates increase of exports to 50 per cent.

Recent and future developments are expected to take sales to LTL 46.45m and increase the company's market share to 40 per cent.



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		57614048	75421832	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		14023887	27287230	Current ratio	1.23	1.25
Stock		12579716	15435584	Quick ratio	0.13	0.54
Amounts receivable within one year		1014438	7000862	Net working capital (LTL thou)	2577	5527
TRANSFER ACCOUNTS		3311	6645	Net working capital to total assets	0.04	0.05
<b>TOTAL ASSETS</b>		<b>71641246</b>	<b>102715707</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		30031129	48476882	Profit margin (%)	0.12	0.15
Capital		2816590	41962290	Return on assets (%)	0.02	0.04
Subscribed capital		2816590	41962290	Return on equity (%)	0.05	0.10
Share premium account		2658	3168432	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.58	0.53
Reserves		27211881	3346160	Debt / equity ratio	1.39	1.12
Profit (loss) brought forward		0	0	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		29983548	32328248	Inventory turnover	1.50	1.82
Amounts payable within year and short-term liabilities		11450611	21766430	Receivables turnover	11.01	7.54
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	5.36	5.46
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>71641246</b>	<b>102715707</b>	Long-term assets turnover	0.24	0.40
				Total assets turnover	0.19	0.29
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		13821525	30204354			
COST OF GOODS SOLD AND SERVICES RENDERED		12060645	25488678			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>1614466</b>	<b>4605204</b>			

TRADING STATISTICS	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>			Capitalisation (LTL thou)		71336
First	7.00	8.50	Share book value (LTL)	53.31	5.78
Max	7.00 (08.04)	8.50 (05 06)	Price / book value ratio [P/BV]	-	1.47
Min	10.08 (08.18)	7.00 (06 08)	Earnings per share (LTL)	2.87	0.55
Last	8.50 (12.18)	8.00 (06 11)	Price / earnings ratio [P/E]	-	15.49
Change (%)	21.43	-5.88	Dividend per share (LTL)	0.00	0.00
			Dividend yield	-	-
Number of transactions (CM)	14	20	Dividend payout ratio	-	-
Turnover CM (units)	6726	1080.00			
Turnover CM (LTL)	51116	8367.00			
Turnover BT (units)	789120	0.00			
Turnover BT (LTL)	6155136	0.00			
CM turnover as % in total	0.85	100.00			
Total turnover (units)	795846	1080.00			
Total turnover (LTL)	6206252	8367.00			
Turnover ratio (%)	9.48	0.01			
As % in the total share turnover	0.65	0.00			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 44,712,290

### Ordinary shares:

-8942458 registered shares at LTL 5 par (security code 12231) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 09.06.97)

## STRUCTURE OF OWNERSHIP

Dvarčionys AB	40.16%
Iberian Ceramics Limited	13.78%
Juozas Raišelis	13.3%
Baltic Republics Fund	8.82%
Abdulaziz A.M. Al-brahim	5.93%
Baltic Fund Securities	6.7%



## LITHUN

## CONSTRUCTION

<b>Address:</b>	J.Lelevelio g. 4, 2001 Vilnius	<b>Established:</b>	1991
<b>Phone:</b>	(370-2) 629621	<b>Number of employees:</b>	600
<b>Fax:</b>	(370-2) 628527	<b>Authorised capital (LTL m):</b>	10.3
<b>Registration date:</b>	25/04/91	<b>Capitalisation (LTL m) (01/07/98):</b>	3.74
<b>Registration code:</b>	1000655		

<b>Auditor:</b>	<b>KPMG Lietuva</b>	<b>Trading list:</b>	<b>Current</b>
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**Management Board** (participation in the company): Dalius Gedvilas, Chairman (45.7%), Zigmantas Balčytis (4.1%), Aleksandra Karpovičienė (0%), Raimundas Luneckas (4.3%), Rūta Motiejūnaitė (0%)

**Managing Director:** Dalius Gedvilas

**Investment Relations:** Dalius Gedvilas, tel. (370-2) 629 621

## CORPORATE HISTORY

The Lithuanian-Hungarian closed joint-stock company LITHUN was established in 1991 by 16 individuals and Hungarian firm Talizman. The company's authorised capital at that time equalled Rbl 410 thou (LTL 4100), which grew to LTL 300 thou by 1993.

During 1992-1993, the company was actively involved in the process of privatisation and thus acquired controlling interest in several construction-related companies, such as Vilnius Asphalt-Concrete Plant and the First Electric Company.

In 1995, LITHUN Ltd was transformed into a public limited company at the same time merging six affiliated enterprises: LH Asbet AB, Elrima UAB, Debiutas UAB, Balatonas UAB, Sūkis UAB and investment company LH Kapitalas. During the reorganisation, the company raised the share capital out of the capital and revaluation reserves to LTL 7.9 million. In 1997, the company increased the authorised capital out of the capital reserve to LTL 10.3 million.

## BUSINESS ACTIVITY

LITHUN provides a full range of construction and repair services: general construction of buildings and civil engineering works, erection of roof covering, construction and repair of roads and streets, installation of electric wiring and other. The company manufactures building materials and various components: concrete, cement solution, asphalt concrete mixture, bitumen emulsion and paste, shuts, prefabricated partitions, doors and windows. In 1997, the range of products was widened with the introduction of decorative pillars, footsteps, shuts and materials with rough surface. Last year the whole output was sold in Lithuania, except for 10% of concrete that were exported to Latvia and Russia. In addition, LITHUN renders auxiliary services: leasing of transport and building equipment, logistics, design and automobile repair station services.

LITHUN incorporates 7 branches that specialise in different fields of activity: Lithun Ranga (construction), Elprima (installation of electric wiring), Lithun Transportas (transport services), Trinkelė

(manufacture of concrete and asphalt products in Vilnius), Klaipėda branch (manufacture of concrete products in Klaipėda seaport), Vilniaus Asfaltbetonis (trade in company's building materials) and Lithun Keliai (construction of roads and landscaping).

## DEVELOPMENTS IN 1997

The company worked successfully throughout 1997. The most important assignments carried out last year were installation of electrical wiring in the Presidential House, construction of the modern apartment house in Vilnius, Peace Corps of the Defence Ministry in Rukla, labour exchanges in Tauragė and Pakruojis as well as reconstruction of Minties-Žirmūnų street crossing.

In 1997, the company started implementation of the investment project amounting to LTL 10 million. The funds will be used to equip the paving elements producer in Klaipėda. Last year LTL 3.8m were invested into construction of this plant.

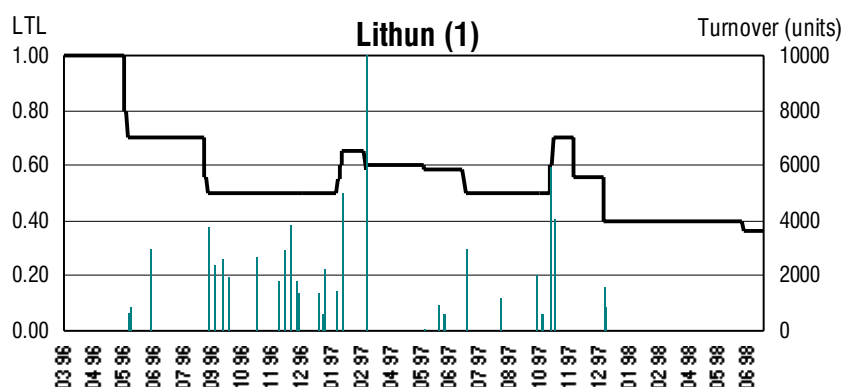
During 1997, the company's sales and services totalled LTL 41.95 million. It exceeds the year 1996 revenue by 14.7 per cent. The bulk of income, 37.7% or LTL 15.8m, was derived from sale of building materials produced by the company. Construction works and installation of electrical wiring accounted for LTL 10.25m or 24.4% of the total revenue each. LITHUN road builders contributed LTL 4.55m or 10.8% to the company's proceeds in 1997. LITHUN net profit totalled LTL 738 thou or 32% less than in 1996. The decline in profits was mainly effected by risen costs of goods and services.

## PLANS, PROSPECTS FOR 1998

Until year 2000 LITHUN plans to carry out full reorganisation of the company's activities and to focus on the construction and repair of buildings and roads. In order to assure profitable performance, the company is intending to get ISO 9000 quality standard certificate. In the future, LITHUN aims to enter Latvia's and Russia's regional markets.

## SUBSIDIARIES

	<b>Date of establishment</b>	<b>Authorised capital</b>	<b>Share interest</b>
Lithun Makleriai (brokerage)	1994	LTL 450 thou	100%
Naigėda UAB	1997	LTL 5m	100%
Lithun Prekybos Centras UAB	1997	LTL 10 thou	100%



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		12258926	24149297	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		8202144	10546265	Current ratio	1.41	1.15
Stock		4484790	4298557	Quick ratio	0.66	0.70
Amounts receivable within one year		2983036	4448140	Net working capital (LTL thou)	2455	1458
TRANSFER ACCOUNTS		287598	346714	Net working capital to total assets	0.12	0.04
<b>TOTAL ASSETS</b>		<b>20748668</b>	<b>35042276</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		10967034	16338324	Profit margin (%)	0.03	0.02
Capital		7884972	10399368	Return on assets (%)	0.05	0.02
Subscribed capital		7884972	10399368	Return on equity (%)	0.10	0.05
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		695641	4990000	Total debt ratio	0.47	0.53
Reserves		1900977	210791	Debt / equity ratio	0.89	1.14
Profit (loss) brought forward		485444	738165	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		3747192	9268753	Inventory turnover	4.80	6.96
Amounts payable within year and short-term liabilities		6034337	9431346	Receivables turnover	14.18	11.29
ACCRUED CHARGES AND DEFERRED INCOME		105	3853	Net working capital turnover	14.90	28.78
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>20748668</b>	<b>35042276</b>	Long-term assets turnover	2.98	1.74
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	1.76	1.20
SALES AND SERVICES		36573086	41948363			
COST OF GOODS SOLD AND SERVICES RENDERED		22709229	30553246			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>1082941</b>	<b>738165</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	3942	4160
First	1.00	0.50	0.40	Share book value (LTL)	1.39	1.57
Max	1.00 (03.07)	0.40 (12.31)	0.40 (05.29)	Price / book value ratio [P/BV]	0.36	0.25
Min	0.50 (08.27)	0.70 (10.22)	0.36 (06.30)	Earnings per share (LTL)	0.14	0.07
Last	0.50 (12.31)	0.40 (12.18)	0.36 (06.05)	Price / earnings ratio [P/E]	3.64	5.63
Change (%)	-50.00	-20.00	-10.00	Dividend per share (LTL)	0.035	0.00
				Dividend yield	0.07	-
Number of transactions (CM)	36	46	0	Dividend payout ratio	0.25	-
Turnover CM (units)	29666	41527	0			
Turnover CM (LTL)	15731	23813	0			
Turnover BT (units)	1693368	46000	130000			
Turnover BT (LTL)	677347	27600	36500			
CM turnover as % in total	1.72	47.44	0.00			
Total turnover (units)	1723034	87527	130000			
Total turnover (LTL)	693079	51413	36500			
Turnover ratio (%)	21.85	0.84	1.25			
As % in the total share turnover	0.37	0.01	0.01			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 10,399,368

### Ordinary shares:

-10399368 registered shares at LTL 1 par (security code 11082) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 04.03.96)

## STRUCTURE OF OWNERSHIP

Dalius Gedvilas 45.68%  
State Securities Fund 7.8%

# PANEVĖŽIO STATYBOS TRESTAS DESIGN AND CONSTRUCTION

<b>Address:</b>	P.Puzino g. 1, 5319 Panevėžys	<b>Established:</b>	1957
<b>Phone:</b>	(370-54) 62992, 64451	<b>Privatised:</b>	1993, due 1998
<b>Fax:</b>	(370-54) 63393	<b>Number of employees:</b>	1161
<b>Registration date:</b>	30/10/93	<b>Authorised capital (LTL m):</b>	16.3
<b>Registration code:</b>	4773296	<b>Capitalisation (LTL m) (01/07/98):</b>	8.18

<b>Auditor:</b>	<b>Pačiolis UAB</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Donatas Jakubonis (0.4%), Romualdas Saladžius (0.2%), Petras Mumša (0.1%), Liudas Savickas (0.2%), Rimvydas Dailidėnas (0.3%), Vidas Rutkauskas (0.1%)

**Management Board:** Antanas Pavalkis (1%), Lionginas Sakalauskas (0.7%), Vladas Lipnevičius (0.2%), Donatas Rauba (0.8%), Alvydas Morkvėnas (0.3%), Leonas Masiliūnas (0.7%), Aloyzas Bertašius (0.4%), Algimantas Rapševičius (0.7%), Jonas Ratkus (0.5%), Vaidutis Juodzevičius (0.7%), Pranas Misevičius (0.8%), Dalius Gesevičius (0.6%), Rimantas Stropaitis (0.1%)

**Managing Director:** Antanas Pavalkis

**Investment Relations:** Donatas Rauba, tel. (370-54) 6 38 63

## CORPORATE HISTORY

The company was established on 1 February 1957 in Panevėžys, one of the industrial centres of Lithuania. In Panevėžys city and region all largest manufactures, Linas, Ekranas, Lietkabelis, and the majority of apartment houses were constructed by PANEVĖŽIO STATYBOS TRESTAS. The company has also built a number of social, health care, educational and sports centres: drama theatre, hotel, hospitals, sports house, schools, kindergartens and other. The company's productive capacity, innovation and quality of services were properly evaluated and in 1969, PANEVĖŽIO STATYBOS TRESTAS was granted the name of the Model Building Trust.

In 1991, the enterprise was reorganised into the state public company with the authorised capital of LTL 104 thou, 64% of which were held by the state, and the remainder of the capital was in the hands of public. With the revaluation of the company's long-term assets in 1993, the authorised capital amounted to LTL 1.48m, including the state holding of 42.2 per cent. In the same year, PANEVĖŽIO STATYBOS TRESTAS was reorganised into a public joint stock company. After the transfer of some property to the state, the state's stake in the company decreased to 11.2 per cent. With the second revaluation of the long-term assets, the authorised capital augmented to LTL 14.4 million. The last shareholders' meeting resolved to raise the share capital to LTL 16.3m out of the profit reserve.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The principle activity is design and construction of different types of buildings, constructions and communication lines in Lithuania and abroad. The main projects have shifted from regions to the capital Vilnius (Vilnius Castles Ensemble, Presidential House, Vilnius Railway Station, etc.). The company expanded geography of its activities, e.g., 6% of the construction work was carried out in Čerepovec town in Russia. The state department in charge of the protection of cultural values

appraised the high quality of PANEVĖŽIO STATYBOS TRESTAS services and issued the licence permitting to restore and rebuild historic buildings. In 1997, the company successfully completed reconstruction of the Presidential House. The managing director of the company was awarded a third class order of the Grand Duke Gediminas for this project.

In addition to construction services, the company produces building materials. Customers are supplied with wooden, metal and glass products manufactured by PANEVĖŽIO STATYBOS TRESTAS. In 1997, the company launched production of prefabricated wooden dwelling houses that are presently exported to Germany. Houses of a new design will soon be offered to the Lithuanian market.

The company incorporates 9 branches that perform different functions: Vilsensta, Gensta, Genranga, Restava carry out major construction works, Pastatų Apdaila performs decoration of buildings and interiors, Stanulda constructs pipelines, surroundings are under Gerbusta's care, Darmesta engages in wholesale and retail trade, and Žagienis organises recreation.

In 1997, the company's proceeds from activities rose by 2.8%, however the profit margin decreased due to tightened competition. Gross profit amounted to LTL 1.9m, net profit constituted LTL 1.5 million.

## PLANS, PROSPECTS FOR 1998

The company is preparing a strategic development programme for the period until year 2000. The company will increase the scope of construction works. In order to enhance quality of the provided services, PANEVĖŽIO STATYBOS TRESTAS intends to implement the international quality management system ISO 9002. For this purpose the company has signed an agreement with a British firm. The state is expected to sell its residual holding in PANEVĖŽIO STATYBOS TRESTAS in 1998 and in this way complete privatisation of the company.

## STRUCTURE OF OWNERSHIP

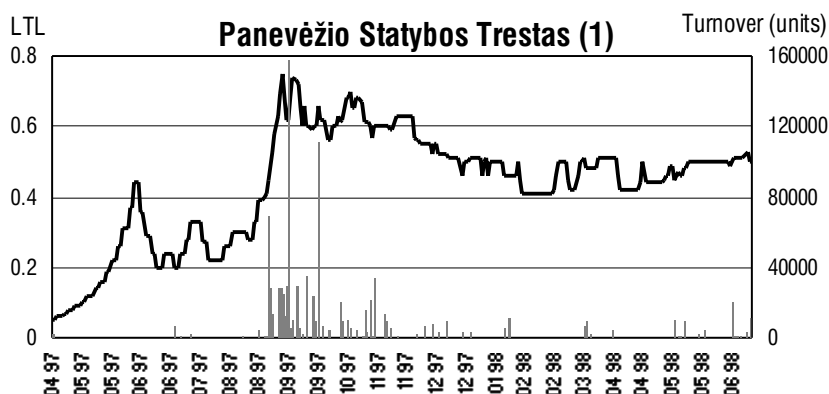
State Securities Fund	11.15%
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## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 16,350,000

### Ordinary shares:

-16350000 registered shares at LTL 1 par (security code 10144) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 14.04.97)



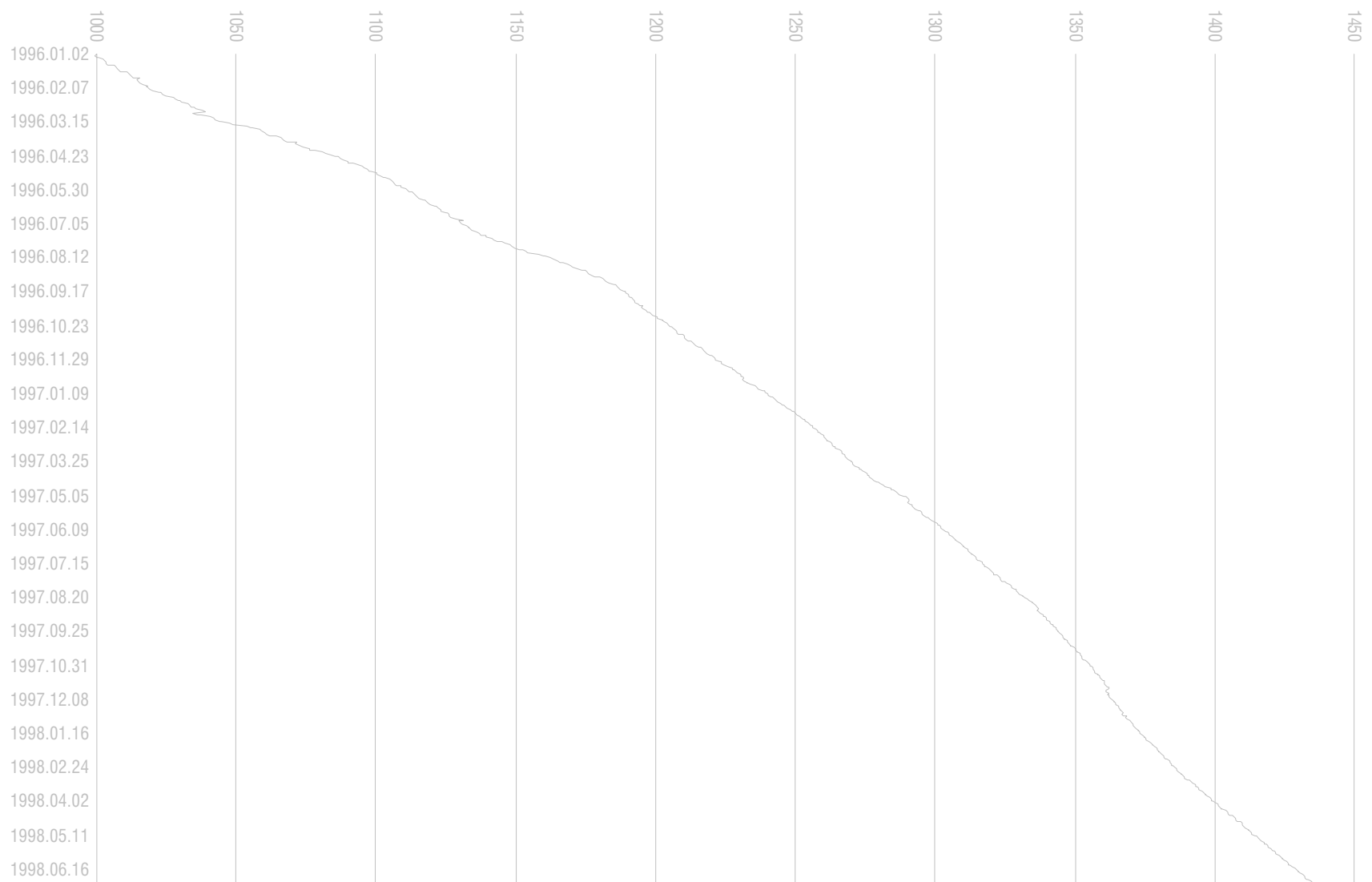
<b>BALANCE SHEET (LTL)</b>		<b>LAS (1996, 1997)</b>		<b>FINANCIAL RATIOS</b>	
	<b>1996</b>	<b>1997</b>	<b>1996</b>	<b>1997</b>	
<b>LONG TERM ASSETS</b>	10505269	10624270	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>	15311131	13931952	Current ratio	1.76	2.25
Stock	5314728	4694746	Quick ratio	1.15	1.49
Amounts receivable within one year	8527543	7168042	Net working capital (LTL thou)	6601	7729
TRANSFER ACCOUNTS	1660	1660	Net working capital to total assets	0.26	0.31
<b>TOTAL ASSETS</b>	<b>25818060</b>	<b>24557882</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>	17106239	18693416	Profit margin (%)	0.05	0.03
Capital	14400000	14400000	Return on assets (%)	0.11	0.06
Subscribed capital	14400000	14400000	Return on equity (%)	0.16	0.09
Share premium account	0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve	0	0	Total debt ratio	0.34	0.25
Reserves	2706239	2706239	Debt / equity ratio	0.51	0.34
Profit (loss) brought forward	0	1587177	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities	0	0	Inventory turnover	8.29	9.09
Amounts payable within year and short-term liabilities	8711821	5864466	Receivables turnover	6.44	7.06
ACCRUED CHARGES AND DEFERRED INCOME	0	0	Net working capital turnover	8.17	7.17
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>25818060</b>	<b>24557882</b>	Long-term assets turnover	5.13	5.21
			Total assets turnover	2.09	2.26
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>					
SALES AND SERVICES	53915666	55402726			
COST OF GOODS SOLD AND SERVICES RENDERED	43112328	45503827			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>	<b>2781963</b>	<b>1587177</b>			

<b>TRADING STATISTICS</b>		<b>1997</b>		<b>1-2Q 1998</b>		<b>MARKET VALUE RATIOS</b>	
						<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>							
First		0.05		0.50			
Max		0.05 (04.15)		0.53 (06 26)			
Min		0.75 (09.04)		0.39 (02 24)			
Last		0.50 (12.29)		0.50 (06 29)			
Change (%)		900.00		-			
Number of transactions (CM)		276		137			
Turnover CM (units)		846030		114424		Capitalisation (LTL thou)	7200
Turnover CM (LTL)		511124		55739		Share book value (LTL)	1.19
Turnover BT (units)		1362209		2686424		Price / book value ratio [P/BV]	-
Turnover BT (LTL)		430920		1868245		Earnings per share (LTL)	0.19
CM turnover as % in total		38.31		4.09		Price / earnings ratio [P/E]	-
Total turnover (units)		2208239		2800848		Dividend per share (LTL)	0.035
Total turnover (LTL)		942044		1923984		Dividend yield	-
Turnover ratio (%)		15.33		17.13		Dividend payout ratio	0.18
As % in the total share turnover		0.10		0.42			



# LITHUANIAN COMPANIES

LITIN-WVP (1996-1998)



## ENGINEERING AND CABLES

The electronics sector in Lithuania is quite advanced in terms of the former Soviet Union industries, though it suffered a severe decline during 1992-1995. In the last couple of years, it proceeded by heavy capital investments into modernising production and restructuring, giving rise to several companies, while large numbers went bankrupt.

The electronics sector is specialised in semiconductors and TV components. The semiconductors were mostly oriented to the former Soviet military industry. With the collapse of the Soviet Union, the Lithuanian electronics sector was unable to find a niche in the open market.

During this time, a big TV producer Banga went bankrupt, leaving a few small enterprises operating on its base. Šiaulių Taurus split into a number of smaller companies, continuing different predecessor's activities. Vilma, a big supplier for the military industry, started to produce electric appliances and currently operates successfully, selling its production to Western countries.

The TV producers were more successful, led by Ekranas and Vilniaus Vingis, both managed to enter foreign markets. In spite of their small size, the companies export 60% to 70% of sales to Western Europe.

Also, some new electronic companies were founded in this span of time. Private limited company Sigmanta, a computer systems design and manufacturing enterprise, produces Risk PowerPC and Pentium systems based on new technologies and know-how rendered by IBM for the local market. EMH Elgama is a German-Lithuanian joint venture involved in production of electric voltage meters, about 40% of which are exported to European countries and South America.

Below are the main features of today's Lithuanian electronics industry:

- The intensive capital investments with the investment peak to be reached in 1998-1999. Ekranas and Vilniaus Vingis were certified with ISO 9001 in 1997, several smaller companies in the industry are striving to get ISO certificates in 1998. The main target for most of these companies is to reach international quality standards.

- There is a lack of R&D in general, though Vilniaus Vingis is an exception with the ability to quickly change the modifications of the main product (deflection yokes). Ekranas should introduce new modification of TV tubes this autumn, but it is not an originally developed technology. Other companies follow the pattern and are not able to make independent R&D due to their small sizes.

- The low cost is characteristic of all of the companies in the industry, although they are too small to employ economies of scale. Fixed and energy costs are still lower than in Europe, and it allows companies to keep the prices lower and compensates the lack in quality. Vilniaus Vingis is an exception: the company sells production at a higher price than the average in Europe, but also has an advantage of new product timing.

- The low competition in the domestic market. The industry inherited an integrated structure with separate companies producing components for the same product. For example, the TV producers, who represent the strongest companies within the sector.

The future of the industry will depend mostly on large international corporations coming to Lithuania and the CIS. Although the possibilities of acquisitions are premature, examples of cross-holdings are already available.



## EKCRANAS

**Address:** Elektronikos g. 1, 5319 Panevėžys  
**Phone:** (370-5) 463168  
**Fax:** (370-5) 423415  
**Registration date:** 1/04/94  
**Registration code:** 4780222

**Auditor:** Coopers & Lybrand

**Established:** 1962  
**Privatised:** 1994  
**Number of employees:** 4850  
**Authorised capital (LTL m):** 113  
**Capitalisation (LTL m) (01/07/98):** 90.7

**Trading List:** Current

**Supervisory Board:** Vaclovas Šleinota (Chairman), Angelija Zokaitienė, Borisas Lebedevas, Alexandre Niklan, Rokslen Kőrezlioglu  
**Management Board:** Eimutis Žvybas (Chairman), Vytautas Zabarskas, Jonas Makūnas, Antanas Marozas, Remigijus Marcinkevičius, Algis Karoblis, Aleksandras Michelsonas, Aydin Giz  
**Managing Director:** Eimutis Žvybas  
**Investment Relations:** Angelija Zokaitienė, tel. (370- 5) 436 601

## CORPORATE HISTORY

Three decades ago, EKCRANAS, the largest TV tubes-manufacturing plant in the Baltics emerged in the outskirts of Panevėžys. In 1967, television black-and-white picture tubes 24", which were in demand in a number of European countries, were launched into production. In 1978, the production of colour picture tubes of the same type began. After Lithuania regained independence, the range of products was enriched by 2 new types of colour picture tubes: 14" and 21".

In April 1994, the state-owned plant was transformed into a public limited company EKCRANAS. As in 1993-1994 the company's Eastern European partners were experiencing difficulties, EKCRANAS intensively searched for new kinescope consumers. In 1994, the structure of company's export markets changed with the appearance of customers from Western Europe, Asia and South America. The new kinescope model 20" was added to the assortment.

In 1995, EKCRANAS was noticed by foreign investors. In June, the Irish company Henley Trading Ltd. acquired 29.8% of stock. In the beginning of 1996, the Ministry of Economy registered EKCRANAS as a company with foreign capital invested. At the same time a new issue of US\$ 2.5m was acquired by Henley Trading Ltd. Following the increase of capital, the company drew new funds to finance acquisition of new equipment that would allow to improve the quality of TV picture tubes.

By now EKCRANAS has accumulated the authorised capital of LTL 113m, of which 44% are held by foreign investors. In fact, the company includes three virtually autonomous branches - two of them manufacture glass components and the third assembles kinescopes and optical apparatuses. The production is assisted by transport and equipment operating divisions. The main three technological tube assembly lines are run by over 6000 employees. The plant occupying a site of 50 hectares produces about 2m kinescopes per year.

## BUSINESS ACTIVITY

EKCRANAS manufactures television colour picture tubes of three types: 14", 20", and 21" as well as glass details and components for kinescopes. Last year 1.7m kinescopes were manufactured and sold for LTL 320m, which made up 97% of total yearly sales turnover. Total company's income reached LTL 330m, of which LTL 296m due to export sales. According to annual sales EKCRANAS holds the seventh place among Lithuanian companies.

The company's market structure greatly changed over the past four years. In 1997, as much as 76.5% of total production was sold in Western European and Asian countries, 13.5% in the CIS and 9.9% inside Lithuania. In 1993, sales in the CIS and Lithuania amounted to 98% of total sales, whereas export to Western countries accounted for mere 2 per cent.

In 1997, the company's products were purchased by more than 30 companies from Europe and Asia. Among them were such world known companies as Profilo-Telra (Turkey), Sanyo (Great Britain), Formenti (Italy), Continental Edison, Kotron, Sagem and Great Wall (France) and others.

## DEVELOPMENTS IN 1997

In 1997, EKCRANAS efforts in the sphere of marketing were crowned with continuing success: the company strengthened its positions in the markets of Western Europe and Asia. This achievement is of special importance as the company's competitors in these markets are such well known companies as Philips, Thompson, Samsung, LG Electronics and others.

In 1997, the company employed 4,850 people or 21.5% less than in 1996. The reason for this decrease was a major reorganisation of EKCRANAS management, closely related to modernisation of production process and essential changes in organisational structure of the company.

A number of subsidiaries started to operate as closed-stock companies. The status of joint stock company has been granted to EKCRANAS Ekspedicija (transport), EKCRANAS Statyba (construction) and EKCRANAS Stiklo Indai (glassware). Moreover, three former departments - EKCRANAS Energetika (energy), EKCRANAS Elektronika (electronics) and EKCRANAS Mechanika (mechanics) - were granted status of subsidiaries.

During the past four years, glass components have been produced working in close co-operation with the US company Technoglas. In 1997, the company installed a new system for measuring glass components and equipment as well as a plunger compensation system and new pin sealing machines. Significant improvements in the quality of panels and funnels were achieved due to modernisation of equipment in the grinding shop and the use of new materials. Other important improvements in the glass components production help the company save materials, energy and labour resources. The most remarkable results have been achieved in the tubes assembly shop. Novelties in the assembly process not only reduced operation costs, but also considerably improved the quality of the tube. Experts and consultants from France, Italy, United States and Czech Republic worked together with the local staff and made their contribution to the changes in this field.

## PLANS, PROSPECTS FOR 1998

The company's goals for the year are as follows:

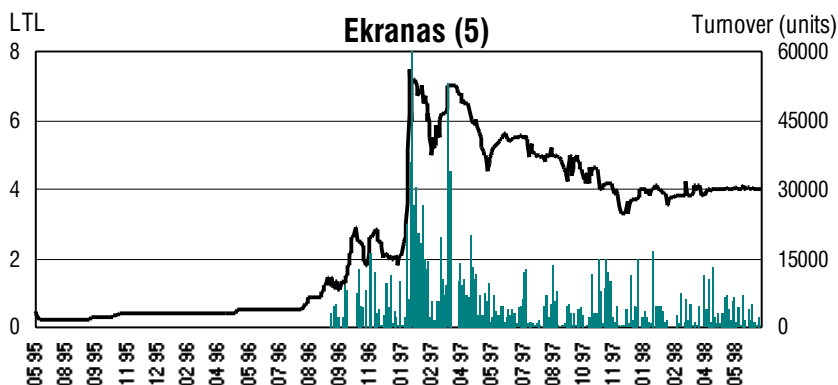
Achieve highest quality. Implementation of ISO 9001 quality system gave remarkable results. The company started 1997 with 5-6% of claims from customers and finished the year by reducing the figure to only 0.64-1.38% of them. Quality is the major goal and the company is devoted to its implementation in all operations from production to relationship with clients. Implementation of this goal will strengthen the company's positions in the world markets and consolidate its image of a reliable producer.

Start production of the newly designed product 21FST. In the near future the company has plans to produce a trial lot of these tubes which will allow to test their technical characteristics and start mass production in July-August. This sophisticated electronic device is extremely important because its production will demonstrate capacity in the areas of technical expertise and staff qualification. Expected demand and popularity of the product will help to enter new markets.



Produce 2m tubes. The company will produce 4 models of tubes (14", 20", 21"FS), including the newly designed 21FST. The tubes will be produced on two assembly lines, however, the intensity of the production process will not affect the quality of products, and the needs and requirements of clients will always remain the main benchmark for activity. As soon as the company guarantees regular output of the tubes, it will make attempts to sell the product at profit.

Continue technical modernisation initiated in 1996. Encouraged by significant achievements in modernisation of the company's technologies and equipment, EKCRANAS intends to continue the upgrading process. In order to accomplish this goal, the company is planning to effectively use own financial resources and foreign capital, and thus create best technical conditions for routine products.



BALANCE SHEET (LTL)	IAS (1997)	1996	1997	FINANCIAL RATIO	1996	1997
<b>LONG TERM ASSETS</b>		148959276	155083000	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		101547468	91404000	Current ratio	2.12	1.40
Stock		59278805	46508000	Quick ratio	0.88	0.69
Amounts receivable within one year		37906167	37145000	Net working capital (LTL thou)	53734	26164
TRANSFER ACCOUNTS		81506	0	Net working capital to total assets	0.21	0.11
<b>TOTAL ASSETS</b>		<b>250588250</b>	<b>246487000</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		174914858	176992000	Profit margin (%)	0.14	0.04
Capital		113028395	113028000	Return on assets (%)	0.18	0.06
Subscribed capital		113028395	113028000	Return on equity (%)	0.26	0.08
Share premium account		1920	2000	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		39224314	39225000	Total debt ratio	0.30	0.28
Reserves		3373115	3371000	Debt / equity ratio	0.43	0.39
Profit (loss) brought forward		19287114	21366000	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		6063963	4255000	Inventory turnover	5.06	4.68
Amounts payable within year and short-term liabilities		47895038	65240000	Receivables turnover	7.65	8.26
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	6.16	11.84
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>250588250</b>	<b>246487000</b>	Long-term assets turnover	2.22	2.00
				Total assets turnover	1.32	1.26
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
SALES AND SERVICES		331080856	309899000	Capitalisation (LTL thou)	47472	90423
COST OF GOODS SOLD AND SERVICES RENDERED		261537729	247681000	Share book value (LTL)	7.74	7.83
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>45597050</b>	<b>13742000</b>	Price / book value ratio [P/BV]	0.27	0.51
				Earnings per share (LTL)	2.02	0.61
<b>TRADING STATISTICS</b>				Price / earnings ratio [P/E]	1.04	6.58
<b>PRICE (LTL)</b>				Dividend per share (LTL)	0.00	0.00
First		0.42	2.10	Dividend yield	-	-
Max	2.88 (10.22)	2.10 (01.02)	4.23 (03 09)	Dividend payout ratio	-	-
Min	0.50 (04.30)	7.45 (01.16)	3.51 (02 09)			
Last	2.10 (12.30)	4.00 (12.31)	4.01 (06 25)			
Change (%)	400.00	90.48	0.25			
Number of transactions (CM)		264	2241	<b>STRUCTURE OF OWNERSHIP</b>		
Turnover CM (units)		172288	1289640	Henley Trading Ltd		32.1%
Turnover CM (LTL)		363788	7423388	Swiss citizen Aydin Giz		13.5%
Turnover BT (units)		127073	781523			
Turnover BT (LTL)		236387	4208913	<b>STRUCTURE OF SHARE CAPITAL</b>		
CM turnover as % in total		57.55	62.27	Share capital:	LTL 113,028,395	
Total turnover (units)		299361	2071163	Ordinary shares:		
Total turnover (LTL)		600175	11632301	-22605679 registered shares at LTL 5.00 par (security code 10423) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 16.05.95)		
Turnover ratio (%)		1.32	9.16			
As % in the total share turnover		0.32	1.21			

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Ekranas Ekspedicija	30/10/97	LTL 681264	90 %
Ekranas Statyba	30/10/97	LTL 297920	90 %
Vasaros Malonumai	17/05/96	LTL 795500	92 %

## BRANCH OFFICES

	Date of establishment
Ekranas Elektronika	21/11/96
Ekranas Mechanika	21/11/96
Ekranas Energetika	21/11/96



## SNAIGĖ

## REFRIGERATORS AND FREEZERS

<b>Address:</b>	Pramonės g. 6, 4580 Alytus	<b>Established:</b>	1963
<b>Phone:</b>	(370-35) 77580, 77175	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-35) 78158, 77612	<b>Number of employees:</b>	2416
<b>Registration date:</b>	01/12/92	<b>Authorised capital (LTL m):</b>	19.02
<b>Registration code:</b>	4966461	<b>Capitalisation (LTL m) (01/07/98):</b>	25.72

<b>Auditor:</b>	<b>Arthur Andersen</b>	<b>Trading List:</b>	<b>Official</b>
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**Supervisory Board** (participation in the company): Arvydas Paketūras, Chairman (0.08%), Sigitas Kauzonas (0.14%), Virginijus Dumbliauskas, Algis Gecevičius, Antanas Gerulis (0.05%), Adomas Kamienas (0.006%), Kazimieras Krisčiūnas (0.18%)

**Management Board:** Antanas Vytautas Andrulionis, Chairman (5.78%), Albinas Valašinas (2.29%), Romualdas Raudonis (7.81%), Rimantas Zibertas (2.4%)

**Managing Director:** Antanas Vytautas Andrulionis

**Investment Relations:** Antanas Vytautas Andrulionis, tel. (370-35) 7 75 80

**CORPORATE HISTORY**

Alytus refrigerator plant was established in 1963. The major company's activities include manufacture of household refrigerators and refrigerators for the use of hotels and bureaus. The company also produces spare parts for refrigerators, industrial lighting, tools and equipment.

A new factory was built in Alytus industrial district in 1968. The company's products earned their market soon, and in 1963, they were started to be exported. SNAIGĖ was privatised in 1992 and reconstructed in 1995, when usage of freons was stopped. The company's share capital of LTL 19.02m was registered in March of 1995 and remained the same since then. The powder coating know-how introduced in 1996 is currently worth 10% of the capital. The main providers of raw material and components are Lithuanian, CIS and Western European companies.

**BUSINESS ACTIVITY, LATEST DEVELOPMENTS**

The company's activities were focused on increase of sales, search for new markets and partners, introduction of new products and improvement of the quality control system. During the year under review volume of production increased by LTL 26m and reached LTL 171.3 million. The main production, refrigerators and freezers, accounted for 96.3% of turnover.

Significant achievements in 1997: manufacture of 4 new types of refrigerators, introduction of bar codes for the company's products, certification of the company's quality system according to ISO 9001 standard requirements. The company's products go to 22 countries. The exports to Eastern countries augmented from 30% to 33.8%, while exports to Western countries jumped from 15.8% to 25 per cent. SNAIGĖ is one of the top 20 biggest

domestic exporters. The company's refrigerator RF 310.0 was proclaimed The Best Lithuanian Product of 1997. Manufacture of economical lighting was launched last year.

Reliability and quality of the company's products, as well as modernisation of production were SNAIGĖ's principal concerns in 1997. For this purpose the company introduced roll-bond evaporator coating on Eisenmann line and automated line for production of soft-line doors. After the modernisation, the capacity of foam polyurethane injection line rose by 30%, roll polystyrene was introduced, thermo forming line and new refrigerator test benches were installed.

SNAIGĖ's net profit soared from LTL 624.8 thou in 1996 to LTL 5.76m in 1997. Dividends of LTL 0.50 per share were paid to the company's shareholders.

**PLANS, PROSPECTS FOR 1998**

Year 1998 is aimed at improving product quality, retaining current markets and searching for new markets, especially in Central Europe. The strategy of purchase of components undergoes major changes, now they are acquired only from the best European producers.

SNAIGĖ has signed a contract with the Italian company Bandera regarding the purchase of a new line for manufacture of plastics. Investments are expected to reach LTL 10m in 1998.

The company intends to improve its quality management system and introduce several new products.

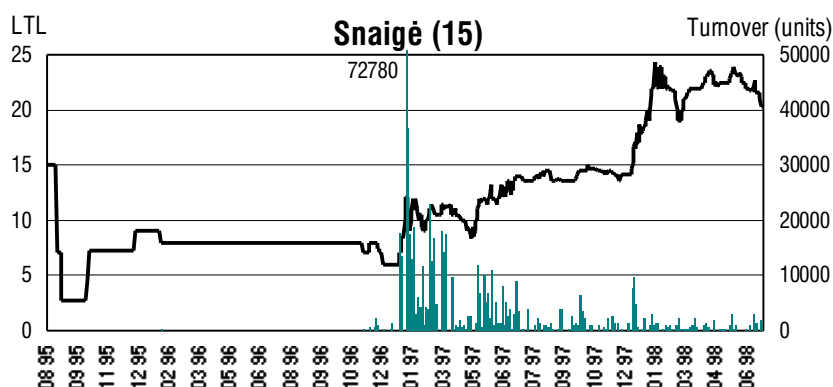
SNAIGĖ anticipates a surge in sales turnover to LTL 207m in 1998.

**STRUCTURE OF OWNERSHIP**

Hansabank	17.7%
Bank of Bermuda	12.7%
Romualdas Raudonis	8.92%
Antanas Vytautas Andrulionis	5.78%

**STRUCTURE OF SHARE CAPITAL**

<b>Share capital:</b>	LTL 19,020,405
<b>Ordinary shares:</b>	-1268027 registered shares at LTL 15 par (securities code 10927) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 10.07.95)



BALANCE SHEET (LTL)	IAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		29540000	28559000	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		28164000	33281000	Current ratio	0.93	1.43
Stock		21561000	22416000	Quick ratio	0.22	0.47
Amounts receivable within one year		5844000	6923000	Net working capital (LTL thou)	-2038	9992
TRANSFER ACCOUNTS		0	0	Net working capital to total assets	-0.04	0.16
<b>TOTAL ASSETS</b>		<b>57704000</b>	<b>61840000</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		<b>25045000</b>	<b>30365000</b>	Profit margin (%)	0.01	0.03
Capital		19020000	19020000	Return on assets (%)	0.03	0.09
Subscribed capital		19020000	19020000	Return on equity (%)	0.07	0.18
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.57	0.51
Reserves		8896000	8896000	Debt / equity ratio	1.3	1.04
Profit (loss) brought forward		-2871000	2449000	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		2457000	8186000	Inventory turnover	5.21	6.8
Amounts payable within year and short-term liabilities		30202000	23289000	Receivables turnover	15.84	26.83
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	-71.18	17.14
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>57704000</b>	<b>61840000</b>	Long-term assets turnover	4.91	6
				Total assets turnover	2.51	2.77
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		145062000	171268000			
COST OF GOODS SOLD AND SERVICES RENDERED		130995000	149628000			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>1777000</b>	<b>5320000</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	7608	22824
First	9.00	6.00	18.00	Share book value (LTL)	19.75	23.95
Max	9.00 (01.25)	18.71 (12.30)	24.25 (01 21)	Price / book value ratio [P/BV]	0.3	0.75
Min	6.00 (12.31)	5.95 (01.13)	18.00 (01 05)	Price/ Sales	0.05	0.13
Last	6.00 (12.17)	18.00 (12.31)	20.28 (06 25)	Earnings per share (LTL)	1.4	4.2
Change (%)	-33.33	200.00	12.67	Price / earnings ratio [P/E]	4.28	4.29
Number of transactions (CM)	43	1904	376	Dividend per share (LTL)	0	0.5
Turnover CM (units)	7936	642595	51862	Dividend yield	-	0.03
Turnover CM (LTL)	57636	7456379	1129380	Dividend payout ratio	-	0.12
Turnover BT (units)	0	216921	23792			
Turnover BT (LTL)	0	2691807	476845			
CM turnover as % in total	100.00	74.76	68.55			
Total turnover (units)	7936	859516	75654			
Total turnover (LTL)	57636	10148186	1606225			
Turnover ratio (%)	0.63	67.78	5.97			
As % in the total share turnover	0.031	1.06	0.35			

## VILNIAUS VINGIS

## ELECTRONIC TV AND RADIO COMPONENTS

**Address:** Savanorių pr. 176, 2600 Vilnius  
**Phone:** (370-2) 237770  
**Fax:** (370-2) 237393  
**Registration date:** 25/02/94  
**Registration code:** 2259783

**Established:** 1959  
**Privatised:** 1994  
**Number of employees:** 1960  
**Authorised capital (LTL m):** 45.6  
**Capitalisation (LTL m) (01/07/98):** 19.9

**Auditor:** Price Waterhouse **Trading List:** Current

**Supervisory Board** (participation in the company): Aurimas Maždžerius Chairman (0%), Aidas Galubickas (0%), Eimutis Žvybas(0%)

**Management Board:** Vaclovas Šleinota, Chairman (0.08%), Vladislovas Cybas (0.13%), Povilas Žutautas (0.006%), Rimvydas Savickas (0.13%), Jonas Mažuolis (0.08%), V.Petrauskas (0%)

**Managing Director:** Vaclovas Šleinota

**Investment Relations:** Vladislovas Cybas, tel. (370-2) 233 474

## CORPORATE HISTORY

The company's legal predecessor, a state plant Vingis, was founded in 1959. Public limited company VILNIAUS VINGIS was established through public privatisation of the state enterprise in 1994.

In 1994, the authorised capital amounted to LTL 5 million. At the end of 1994, the share capital reached LTL 14.6m due to revaluation of assets. In 1996, the capital was increased to LTL 31.8 million.

In 1997, the company issued 276,400 ordinary shares at LTL 5 par and drew LTL 16m in cash contributions. On 6 June 1997, the company's share capital made up LTL 45.6 million. The Estonian investment company Talinvest acquired 30.3% of the company's outstanding shares and topped the list of the biggest shareholders.

## BUSINESS ACTIVITY

For over 30 years, the company has been engaged in manufacture of deflection yokes, split transformers for TV sets and monitors, video controlling apparatuses, air heaters, ventilators as well as domestic electrical appliances and other equipment. By year 1997 sales VILNIAUS VINGIS was ranked 66th among all Lithuanian companies.

Purchase of RCA (USA) and SANYO (Japan) licences, as well as up-to-date know-how and equipment used for manufacture of deflection yokes and split transformers enabled the company to implement modern quality control and management systems. In 1997, the company was granted quality certificate ISO 9001 by German company TUV-CERT. From then on, all new products are certified according to VDE, BSI and UI systems.

The company exports about half of its production either directly to consumers or through distributors. Target markets cover Western Europe (Italy, UK, Germany), Eastern Europe (Slovak Republic, Poland and Czech Republic) and Turkey.

## DEVELOPMENTS IN 1997

The company more than doubled its exports compared with 1996. In 1997, the company sold 52.14% of its production in Lithuania, 29.3% in Western countries and 18% in the CIS. The main Western customer is SAMSUNG (27%), in the CIS countries Minsk manufacturer TV Horizont and Vitebsk TV Vitiaz are the main buyers. VILNIAUS VINGIS main partner in Lithuania is Ekranas AB, a plant manufacturing TV tubes. Ekranas exports the bulk of tubes produced with VILNIAUS VINGIS deflection yokes to Western countries.

Last year the company constructed and introduced to the market 9 new types of deflection yokes, 4 new transformers and 14 types of original technological equipment. The total amount of investments reached LTL 12 million. Two new lines for production of deflection yokes were mounted. Financial assistance received from Denmark was used for the reconstruction of the galvanic unit.

The company employs 1960 people. Output per employee increased by 29.5% comparing to 1996 and amounted to LTL 33,450.

The new issue of 276,400 ordinary shares at LTL 5 par drew LTL 16m and allowed to increase capital investments, sales, and working capital, the need for which rose together with production and sales.

## PLANS, PROSPECTS FOR 1998

The company's main objectives for year 1998 include:

- increase of sales;
- better use of production capacity;
- reduction of expenditure by increasing efficiency and quality of labour;
- increase of profitability.

Strategic goals for 1998-2001 foresee rise in sales by 30% from LTL 62.15m in 1997 to LTL 80m in 1998, and by year 2001 revenue from sales should triple compared with 1997. In terms of profit, VILNIAUS VINGIS anticipates net profit of LTL 3m in 1998 and LTL 9m in 2001.

## STRUCTURE OF OWNERSHIP

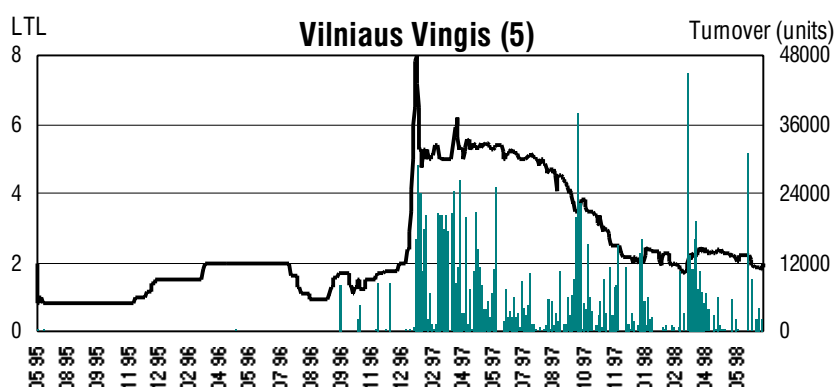
Talinvest Suprema Securities	30.82%
State Securities Fund	23.34%
Hansabank	10.85%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 45,615,525

**Ordinary shares:**

-9123105 registered shares at LTL 5 par (security code 10367) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 26.04.94)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		27998888	32972791	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		17299217	27100778	Current ratio	1.96	3.20
Stock		11218193	15207226	Quick ratio	0.70	1.49
Amounts receivable within one year		4478604	6992652	Net working capital (LTL thou)	8538	19543
TRANSFER ACCOUNTS		125177	1336809	Net working capital to total assets	0.19	0.32
<b>TOTAL ASSETS</b>		<b>45423282</b>	<b>61410378</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		36215128	52259779	Profit margin (%)	0.09	0.00
Capital		31795525	45615525	Return on assets (%)	0.10	0.00
Subscribed capital		31795525	45615525	Return on equity (%)	0.12	0.00
Share premium account		0	2211200	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		275	275	Total debt ratio	0.20	0.15
Reserves		3714119	4419328	Debt / equity ratio	0.25	0.18
Profit (loss) brought forward		705209	13451	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	0	Inventory turnover	3.71	4.22
Amounts payable within year and short-term liabilities		8856315	8864095	Receivables turnover	12.22	10.84
ACCRUED CHARGES AND DEFERRED INCOME		30186	30186	Net working capital turnover	5.51	3.18
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>45423282</b>	<b>61410378</b>	Long-term assets turnover	1.68	1.89
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	1.04	1.01
SALES AND SERVICES		47073637	62155054			
COST OF GOODS SOLD AND SERVICES RENDERED		40830187	55757771			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>4418704</b>	<b>13451</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	12718	20071
First	1.50	2.00	2.20	Share book value (LTL)	5.70	5.73
Max	2.00 (12.31)	2.00 (12.30)	2.45 (03 31)	Price / book value ratio [P/BV]	0.35	0.38
Min	0.90 (09.05)	8.00 (01.22)	1.70 (03 02)	Earnings per share (LTL)	0.69	0.00
Last	2.00 (12.21)	2.20 (12.31)	1.84 (06 30)	Price / earnings ratio [P/E]	2.88	-
Change (%)	33.33	10.00	-16.36	Dividend per share (LTL)	0.00	0.00
Number of transactions (CM)	77	1704	381	Dividend yield	-	-
Turnover CM (units)	32264	1170338	290364	Dividend payout ratio	-	-
Turnover CM (LTL)	52899	5477187	620110			
Turnover BT (units)	279744	5416099	1153956			
Turnover BT (LTL)	288136	25055302	1060687			
CM turnover as % in total	10.34	17.77	20.10			
Total turnover (units)	312008	6586437	1444320			
Total turnover (LTL)	341035	30532488	1680796			
Turnover ratio (%)	4.91	72.20	15.83			
As % in the total share turnover	0.18	3.18	0.37			



## LIETKABELIS

## CABLES AND WIRES

<b>Address:</b>	J.Janonio g. 4, 5300 Panevėžys	<b>Established:</b>	1958
<b>Phone:</b>	(370-25) 461735	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-25) 424501	<b>Number of employees:</b>	447
<b>Registration date:</b>	13/07/93	<b>Authorised capital (LTL m):</b>	17.03
<b>Registration code:</b>	4773865	<b>Capitalisation (LTL m) (01/07/98):</b>	3.26
<b>Auditor:</b>	<b>Arthur Andersen</b>	<b>Trading List:</b>	<b>Current</b>

**Management Board** (participation in the company): Leonas Jankus, Chairman (10.02%), Algirdas Bučas (10.56%), Kazimieras Aleksandravičius (21.3%), Jonas Klybas (0.013%), Beinoravičius Evaldas (0.042%)

**Managing Director:** Jonas Klybas

**Investment Relations:** Jonas Klybas, tel. (370-25), 461 735

## CORPORATE HISTORY

The state-owned plant was established in Panevėžys in 1958 and launched production a year later. Originally, it produced enamelled wires for the purposes of enterprises specialised in electronics and electrical engineering. In 1962, a new product - installation wires and cables used in construction and mechanical engineering - was introduced. In 1967, first consumer goods were produced by the company.

Opening of a new unit for manufacturing enamelled wires in 1986 enabled to achieve higher production outputs. It came to the peak in 1988-1989: 12,000t of enamelled wire and 205,000km of installation cables were manufactured. In 1992, LIETKABELIS commenced production of cables for Western Europe. The company's current specialisation includes installation cables and enamelled wires, which are in greatest demand due to their technical potential.

The state company LIETKABELIS was privatised in 1993 through a public offering and transformed into a public limited company. The Founding Meeting, which took place on 9 July 1993, decided to issue 1,419,368 ordinary registered shares at LTL 12 par.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company produces cables and wires of different diameters, which are used in manufacture of freezers, television receivers and electrical engines. The main consumers are engineering companies in Lithuania and neighbouring countries. Wires manufactured by LIETKABELIS are used in mounting and installation of various equipment. Among household goods, the most popular are cables used in household, hose-pipes and sprinkling systems.

Production volume has been diminishing in the recent years from LTL 38 thou in 1995 to LTL 35 thou in 1996 and finally

LTL 24 thou in 1997. Last year enamelled wires accounted for 57% of the total output, installation cables made up 40%, while household goods constituted mere 0.4 per cent.

LIETKABELIS purchases raw materials in Western European countries. The company sells 81% of its products to Lithuanian customers, while the remaining 19% constitute exports. The main Lithuanian consumer is Vilnius Vingis AB, which supplies its products to South Korean concern Samsung.

In 1997, the company's sales and services amounted to LTL 27.1 million. However, the company suffered loss of LTL 2 million. The authorised capital during last year underwent no changes and accounted for LTL 17 million.

LIETKABELIS implemented quality management system corresponding to ISO 9002. In June 1997, the system was certified by Det Norske Veritas. International recognition of company's production quality will allow LIETKABELIS to conquer new Western markets.

## PLANS, PROSPECTS FOR 1998

LIETKABELIS has developed business modernisation plan for 1998-2003. In the first stage of implementation, the company signed an agreement with the Austrian firm MAG Maschinen und Apparatebau Aktiengesellschaft regarding the purchase of a horizontal enamel unit HN 4/SN-8/8-6-7D on a three-year leasing schedule. The contract is valued at US\$ 1 million.

The company projects sales to reach LTL 36.7m in 1998. In 2001, sales are anticipated to amount to LTL 53.9 million. LIETKABELIS plans to accumulate LTL 3.8m in profit by 2001.

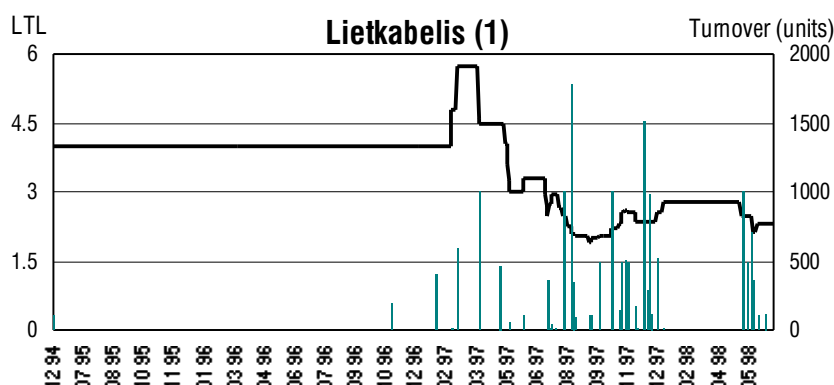
The company intends to introduce new products that have a good market in Lithuania and abroad. The range of enamelled and installation wires will be enriched.

## STRUCTURE OF OWNERSHIP

State Securities Fund	32.75%
Kazimieras Aleksandravičius	21.30%
Holding Invalda	10.56%
Holding Hermis Investicija	10.02%

## STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 17,032,416
<b>Ordinary shares:</b>	-1419368 registered shares at LTL 12 par (security code 10091) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 16.11.93)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		11654196	10961105	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		11448275	10546066	Current ratio	2.16	1.81
Stock		5255668	6028031	Quick ratio	1.17	0.78
Amounts receivable within one year		6052318	4288178	Net working capital (LTL thou)	6172	4722
TRANSFER ACCOUNTS		31439	4076	Net working capital to total assets	0.27	0.22
<b>TOTAL ASSETS</b>		<b>23133910</b>	<b>21511247</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		17474150	15449019	Profit margin (%)	0.17	-0.07
Capital		17032416	17032416	Return on assets (%)	0.27	-0.09
Subscribed capital		17032416	17032416	Return on equity (%)	0.36	-0.13
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		2515742	2515742	Total debt ratio	0.24	0.28
Reserves		29095	29095	Debt / equity ratio	0.32	0.39
Profit (loss) brought forward		-2103103	-4128234	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	0	Inventory turnover	5.55	4.35
Amounts payable within year and short-term liabilities		5297012	5809498	Receivables turnover	4.61	5.25
ACCRUED CHARGES AND DEFERRED INCOME		11105	18434	Net working capital turnover	6.09	5.74
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>23133910</b>	<b>21511247</b>	Long-term assets turnover	3.23	2.47
				Total assets turnover	1.63	1.26
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		37593085	27121221			
COST OF GOODS SOLD AND SERVICES RENDERED		33439418	24539117			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>6268459</b>	<b>-2025131</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	5677	3662
First	4.00	4.00	2.58	Share book value (LTL)	12.31	10.88
Max	4.00 (12.31)	1.90 (09.16)	2.80 (05.08)	Price / book value ratio [P/BV]	0.32	0.24
Min	4.00 (12.31)	5.74 (03.24)	2.15 (06.03)	Earnings per share (LTL)	4.42	-1.43
Last	4.00 (09.28)	2.58 (12.29)	2.30 (06.17)	Price / earnings ratio [P/E]	0.91	-
Change (%)	-	-35.50	-10.85	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	4	91	21	Dividend payout ratio	-	-
Turnover CM (units)	182	14664	3810			
Turnover CM (LTL)	728	40815	9358			
Turnover BT (units)	0	12447	892			
Turnover BT (LTL)	0	33498	1970			
CM turnover as % in total	100.00	54.09	81.03			
Total turnover (units)	182	27111	4702			
Total turnover (LTL)	728	74313	11328			
Turnover ratio (%)	0.01	1.91	0.33			
As % in the total share turnover	0.00	0.01	0.00			

## ELECTRICITY AND GAS SUPPLY

**ELECTRICITY**

Having limited indigenous energy resources, approximately 60% of resources including oil, gas, nuclear fuel and coal are imported to Lithuania. On the other hand, the installed capacities of the country's power plants and oil refinery are higher than the domestic needs, making Lithuania a net exporter of electricity and petrochemicals.

After a sudden drop in electricity generation and consumption in Lithuania in 1992, which was common for all the three Baltic States, the generation and demand for electricity has started to gradually climb in recent years, as the country's macroeconomic environment has improved. Following this trend, last year's electricity consumption continued creeping up, showing a 3.5% yoy rise, accompanied by seasonal demand variations when less energy was consumed during the summer time compared to the traditional peaks in winter. Quite unexpectedly, last year's generation figures faced a sudden drop due to a fall in exports over 2H97. The main electricity consumer remained the country's industrial sector, which accounted for 48% of all electricity consumed.

Lithuanian power utilities sector is represented by full service utility Lietuvos Energija (Lithuanian Energy, LE), 85% state-owned, and Ignalina Nuclear Power Plant (INPP) which is 100% state-owned. INPP is the main generator with 90% share. LE itself runs 7 regional power plants (mostly on coal and oil shale) and it controls both the grid and local distribution networks. LE is also net regional exporter of excess power generated by INPP, which runs at about 40% of load.

The privatisation of Lietuvos Energija remains unclear since the company is classified as a strategic enterprise, meaning that until the year 2000 at least 70% of its shares must be held by the state. However, there have been talks in the government to cancel this status at an earlier date. Following the requirements of the EBRD, the government is planning a gradual reconstruction of the company, in order to promote competition within the energy sector and to keep up with the privatisation process. Consequently, the government intends to create several separate electricity distribution companies. Even though it is still not clear how many companies will be created, Preussen Electra (GER) and Vattenfall (SWE) have already shown interest in acquiring the local distribution network. According to the country's Minister of Economy, the government intends to privatise the power plants and distribution network, except Ignalina NNP and high voltage transmission lines. However, the government has not specified when privatisation will start. Currently, the government has plans to separate the distribution network in 3H98. The new distribution companies will operate as separate units, buying electricity from LE and reselling it to consumers.

The future of LE and INPP is also closely related to the Baltic Ring project, which should join Scandinavia's, Baltic states, Russia's and Central European national transmission systems. Lithuanian utilities sector plays a key role in the project, since Lithuania and Poland stand on a wire-based "bottleneck". The Consortium, which joins Cal Energy Company, Duke Engineering

& Services, Stanton Group and Siemens won the tender to build a power bridge from Lithuania to Poland. The power bridge will connect Lithuanian power system to Central European, which will enable it to export low cost excessive power produced by INPP. Cal Energy, acting as a power trader, will buy at least 6 TWh annually from LE. The power bridge is expected to be completed by the year 2002.

Key drivers for future earnings growth in the electric utilities sector are:

(i) The demand for electricity has started to climb in recent years, and this trend is expected to continue in the future, as the country's general macroeconomic situation is improving. Accompanied by the optimistic macroeconomic projections, the demand for electricity is expected to grow in the coming 10-15 years at an average 3.5% annual rate.

(ii) As current tariffs still hardly cover costs, a future increase in tariffs is the key driver of earnings. Even though this may be a slow process, as such decisions are usually accompanied by strong political tensions, pressure from the EU to reform the local energy sector will force the government to implement the tariff increase in 1999.

(iii) Another key engine for growth is the expansion of exports. The country enjoys a relatively large electric utilities industry, with the installed generation capacity of 5,824 MW being twice as high as that of neighbouring Latvia and Estonia combined. Available capacity allows for the generation of approximately 30 TWh of electricity annually. Taking into account the recent generation figure of 14.9 TWh in 1997, the number is well above domestic demand, leaving much room for exports, as the country is capable of exporting up to 15 TWh of electricity annually. Furthermore, long-term prospects for gaining access to a western electricity grid, when a new line to Poland is built in 2002, should significantly boost export figures.

Building the line to Poland, the government must consider the future of Ignalina NPP. According to the Nuclear Safety Account Agreement with the EBRD, the government should not replace the NPP's fuel channels when the need for re-tubing is reached. This means that the plant may be closed somewhere around 2005. However, this is unclear, since Ignalina may be closed earlier due to safety issues and pressure from the EU. Currently, the European Commission is suggesting to develop a new strategy for 1998 for the reconstruction of the energy sector, which would also include the shut down of Ignalina NPP. However, the position of the government towards the closure of INPP is still unclear. With the guarantees to provide 6bn kWh of electricity annually for a period of 10 years starting from 2002, the government assumes the functioning of INPP. Recently elected President of Lithuania and former U.S. Environmental Protection Agency official, Mr. Valdas Adamkus, has spoken against shutting down Ignalina NPP, and, instead, has promoted the idea of building a very modern third reactor, while closing the two old ones.

## GAS

As Lithuania has no gas fields, all natural gas is imported from Russia via the Northern Lights pipeline that crosses Belarus. In the northern part of the country the local gas system is connected with Latvia, while in the west it is connected with Russia's Kaliningrad region. The designed capacity of the transmission pipelines is 8bn cb m of gas per year. Russian Gazprom is the main supplier of natural gas, selling it directly and through the intermediary Lithuanian-Russian joint venture Stella Vitae. Since 1993 the monopolistic position of AB Lietuvos Dujos (LD), the country's key gas distributor, became more suspended in the gas distribution field. Suspension of gas supply and unfavorable tariff policy influenced the decision of some Lithuanian industrial companies to buy gas directly from Russian Gazprom. As an unwelcome consequence, such big enterprises as AB Achema (chemicals), AB Lietuvos Energija and others took 34% of the gas distribution market in 1996 and 39% in 1997 from LD. However, LD remains a monopolist in the gas transportation business.

The Lithuanian natural gas network consists of 1,450 km of transmission gas pipelines, 4,110 km of distribution network connecting 490,000 consumers, 51 gas distribution stations which are built along the transmission pipeline and 7,900 kW reciprocating compressor station in Panevėžys.

Gas satisfies 22% of Lithuania's demand for primary energy resources. Since 1990 the share of the natural gas in primary energy consumption decreased from 26.3% to 22% in 1995-1996, reaching a low of 15.9% in 1997. The largest portion (approx. 50%) of natural gas is used by thermal energy plants and chemical sector. During 1993-1996, consumption of natural gas grew at a 13% annual rate. However, in 1997, the consumption of gas suddenly decreased by 7.2% due to the warm winter and sharp decline of world oil prices. The main gas consumers are Lithuanian electricity and thermal energy producers, which use approximately 50% of the natural gas supplied. Also, almost half of the thermal energy generated by district heating utilities is produced using natural gas.

Gas consumption has been forecasted to grow by 5.6% annually over the coming 8 years. The key drivers of growth include:

- (i) thermal power plants will increase natural gas consumption;
- (ii) expansion of gas distribution network;
- (iii) the possibility to use only gas in production of electricity in the Lithuanian power plant.

However, with the falling oil prices, when local power plants burn heavier fuel oil than gas, such a prediction should be viewed with caution. Currently, if the power plants start to burn more gas, then fuel costs would make approx. LTL 0.15/kWh against the recent costs of using heavy fuel, which stands at LTL 0.10/kWh. Furthermore, the government's position towards the shut down of Ignalina Nuclear Power Plant is unclear, and the plant is expected to operate for at least 5-10 years, ensuring even lower electricity costs for country's electricity supplier AB Lietuvos Energija.





## LIETUVOS DUJOS

## IMPORT, DISTRIBUTION AND SUPPLY OF NATURAL GAS

<b>Address:</b>	Aguonų g. 24, 2600 Vilnius	<b>Established:</b>	1961
<b>Phone:</b>	(370-2) 616925	<b>Privatised:</b>	1995, due in 1998
<b>Fax:</b>	(370-2) 263278	<b>Number of employees:</b>	4265
<b>Registration date:</b>	01/08/95	<b>Authorised capital (LTL m):</b>	372
<b>Registration code:</b>	2005952	<b>Capitalisation (LTL m) (01/07/98):</b>	327.5
<b>Auditor:</b>	<b>Coopers &amp; Lybrand</b>	<b>Trading list:</b>	<b>Current</b>

**Management Board** (participation in the company): Kęstutis Šumacheris, Chairman (0.027%), Viktoras Valentukevičius (0%), J. Olšauskas

**Managing Director:** Kęstutis Šumacheris

**Investment Relations:** Algirdas Mikulėnas, tel. (370-2) 634 700

**CORPORATE HISTORY**

State company LIETUVOS DUJOS was established by joining 8 gasifying houses in 1989. A year later LIETUVOS DUJOS was divided into self-dependent regional state gas companies that were incorporated in 1993. On 1 August 1995, the state company was reorganised into a public limited company LIETUVOS DUJOS.

Natural gas was first used by the Lithuanians in 1961, after a pipeline connecting Ukraine with Lithuania was constructed. From 1962 to 1992 LIETUVOS DUJOS was the only supplier of natural gas in the country. In 1993, Achema AB, Lietuvos Energija AB and other companies appeared on the natural gas market, taking 16.7% of the market share from LIETUVOS DUJOS, however they paid commission fees for transport services. Now LIETUVOS DUJOS' competitors hold 39% of the market.

In April 1997, the general shareholders' meeting resolved to raise authorised capital to LTL 338.74m out of additional contributions. The new issue was sold exclusively to the state and paid up in kind. Later the capital was increased several times and ultimately reached LTL 372.1 million. Two issues were acquired by the state, while one issue was placed among company's shareholders in proportion with their holdings.

**BUSINESS ACTIVITY, LATEST DEVELOPMENTS**

The company's principal activities include import, distribution and supply of natural gas. In addition, LIETUVOS DUJOS trades in liquefied petroleum gas, designs and constructs gas supply systems and manufactures machinery for the gas industry.

Lithuanian gas supply system consists of a 7900kW reversified compressory in Panevėžys, 1.45 thou km of transmission gas pipelines and 51 gas distribution stations. The projected capacity of gas-mains comes to 8bn cubic metres per year. This amount could satisfy needs of the domestic market by 70 per cent.

LIETUVOS DUJOS is the main gas importer in Lithuania and manages 60% of the natural gas distribution. It is the only company that runs the gas-main and thus enjoys a monopolist status in providing gas transport services. In addition, the company controls two thirds of the liquefied petroleum gas distribution network that encompasses 5 stations.

The company runs 10 branches: Magistraliniai Dujotiekiai (gas pipelines), Suskystintos Dujos (liquefied petroleum gas), Dujiniai Įrengimai (gas machinery) and 7 regional natural gas distribution firms based in the largest cities. The main supplier of natural gas is Gazprom (Russia), delivering directly and through Stella Vitae 32% and 65%, respectively, of total gas purchased by LIETUVOS DUJOS.

In 1997, transportation of gas fell by 2.7% compared to 6.6% growth in 1996. This was due to the warm winter and decreased world oil prices. LIETUVOS DUJOS' sales and services accounted for LTL 675 million (cf., LTL 729m in 1996). Gross profit decreased from LTL 43m in 1996 to LTL 40m in 1997. However in 1996, mainly due to extraordinary losses, the company encountered net loss of LTL 17m, while in 1997, LIETUVOS DUJOS generated net profit of LTL 16.84 million.

**PLANS, PROSPECTS FOR 1998**

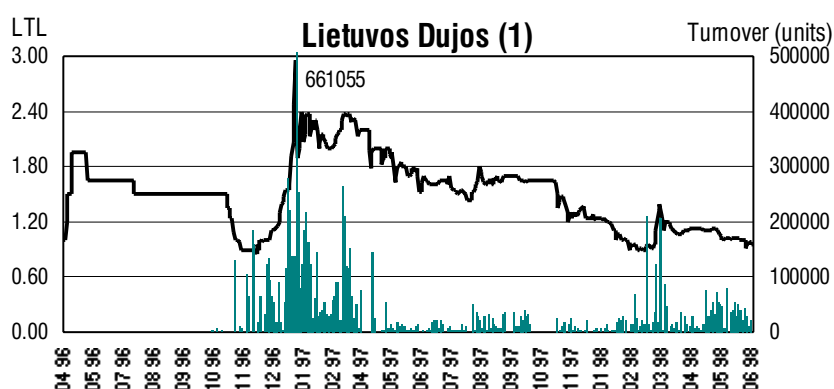
In 1998, the company expects annual growth of gas consumption to remain at 6% or at 2.5-2.7bn cb m of gas per year, which promises an average annual growth of sales by 8%, if prices are stable.

LIETUVOS DUJOS seeks a strategic investor to ensure steady supply of natural gas. The company intends to increase its authorised capital by issuing additional 66m shares. In March 1998, LIETUVOS DUJOS began the first stage of negotiations with investors interested in acquiring this issue. They are Gas de France, Ruhrgas and Preussen Elektra and Stelle Vitae. Gazprom of Russia also agreed to participate in negotiations.

**SUBSIDIARIES (Branch offices)**

The company has 10 branches:

- Magistraliniai Dujotiekiai is engaged in transporting natural gas via transmission lines to the distribution stations.
- Seven regional natural gas distribution branches based in the largest Lithuanian cities (Vilnius, Kaunas, Klaipėda, Šiauliai, Panevėžys, Alytus, and Ukmergė).
- Suskystintos Dujos is involved in wholesale and retail trade of liquefied petroleum gas.
- Dujiniai Įrengimai produces various appliances and components for the gas sector.



<b>BALANCE SHEET (LTL)</b>		<b>LAS (1996, 1997)</b>		<b>1996</b>		<b>1997</b>		<b>FINANCIAL RATIOS</b>		<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>				437805124	531590563			<b>LIQUIDITY RATIOS</b>			
<b>SHORT TERM ASSETS</b>				209720006	201719028			Current ratio	1.74	1.82	
Stock				41703748	53317466			Quick ratio	1.40	1.35	
Amounts receivable within one year				152925815	74425515			Net working capital (LTL thou)	89511	92497	
TRANSFER ACCOUNTS				293210	3942746			Net working capital to total assets	0.14	0.13	
<b>TOTAL ASSETS</b>				<b>647818340</b>	<b>737252337</b>			<b>PROFITABILITY RATIOS</b>			
<b>CAPITAL AND RESERVES</b>				374258206	376868986			Profit margin (%)	0.01	0.03	
Capital				333783547	372098057			Return on assets (%)	0.01	0.02	
Subscribed capital				333783547	372098057			Return on equity (%)	0.01	0.04	
Share premium account				0	0			<b>FINANCIAL LEVERAGE RATIOS</b>			
Revaluation reserve				0	1800			Total debt ratio	0.42	0.49	
Reserves				35372829	4742817			Debt / equity ratio	0.73	0.96	
Profit (loss) brought forward				5101830	26311			<b>ASSETS UTILISATION RATIOS</b>			
Amounts payable after one year and long-term liabilities				153057836	222868822			Inventory turnover	18.91	13.38	
Amounts payable within year and short-term liabilities				120276001	113044641			Receivables turnover	4.91	5.94	
ACCRUED CHARGES AND DEFERRED INCOME				226297	120542			Net working capital turnover	8.15	7.30	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>				<b>647818340</b>	<b>737252337</b>			Long-term assets turnover	1.67	1.27	
								Total assets turnover	1.13	0.92	
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>											
SALES AND SERVICES				729202028	675032423						
COST OF GOODS SOLD AND SERVICES RENDERED				685860828	635565009						
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>				<b>3926652</b>	<b>16843913</b>						

<b>TRADING STATISTICS</b>		<b>996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>		<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>					Capitalisation (LTL thou)	433919	426456	
First		1.00	1.30	1.25	Share book value (LTL)	0.97	1.01	
Max		1.95 (05.21)	1.20 (11.25)	1.40 (03 16)	Price / book value ratio [P/BV]	1.34	1.23	
Min		0.85 (12.02)	2.96 (01.17)	0.89 (02 25)	Earnings per share (LTL)	-0.05	0.05	
Last		1.30 (12.31)	1.25 (12.31)	0.96 (06 30)	Price / earnings ratio [P/E]	-	27.59	
Change (%)		30.00	-3.85	-23.20	Dividend per share (LTL)	0.00	0.00	
Number of transactions (CM)		371	2605	1636	Dividend yield	-	-	
Turnover CM (units)		1592801	7697690	3052432	Dividend payout ratio	-	-	
Turnover CM (LTL)		1589732	15816517	3250234				
Turnover BT (units)		4669582	4234239	1445041				
Turnover BT (LTL)		4910430	7545269	1482186				
CM turnover as % in total		25.43	64.51	67.87				
Total turnover (units)		6262383	11931929	4497473				
Total turnover (LTL)		6500162	23361786	4732420				
Turnover ratio (%)		1.88	3.50	1.32				
As % in the total share turnover		3.44	2.44	1.03				

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 372,098,058

### Ordinary shares:

- 341165051 registered shares at LTL 1 par (security code 11622) accounting for 91.69% of the auth. capital (admitted to trading at the NSEL on 22.04.96)
- 30373887 registered shares at LTL 1 par (security code 12316) accounting for 8.16% of the auth. capital (not admitted to trading at the NSEL)
- 559120 registered shares at LTL 1 par (security code 12343) accounting for 0.15% of the auth. capital (not admitted to trading at the NSEL)

## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 3,376.

State 91.94%

## LIETUVOS ENERGIJA

## ELECTRICITY SUPPLY

<b>Address:</b>	Žvejų g. 14, 2600 Vilnius	<b>Established:</b>	1995
<b>Phone:</b>	(370-2) 699406	<b>Number of employees:</b>	11480
<b>Fax:</b>	(370-2) 226736	<b>Authorised capital (LTL m):</b>	1836.4
<b>Registration date:</b>	04/12/95	<b>Capitalisation (LTL m) (01/07/98):</b>	899.9
<b>Registration code:</b>	2055155		
<b>Auditor :</b>	<b>Arthur Andersen</b>	<b>Trading list:</b>	<b>Current</b>

**Management Board** (no participation in the company): Jonas Rimantas Kazlauskas (Chairman), Edmundas Srodomskas, Algis Mykolas Kregždė

**Managing Director** (participation in the company): Anzelmas Bačauskas (0.01%)

**Investment Relations:** Artūras Dainius, tel. (370-2) 724 185

## CORPORATE HISTORY

LIETUVOS ENERGIJA is a public limited company registered on 4 December 1995 as a successor of the former Energy and Electrification Board which was established in 1940 and subsequently reorganised into the Lithuanian State Power System in 1991. The Government owned 90.8% of the company and the remaining 9.2% were in the hands of public, mainly employees.

On 8 April 1997, the Parliament passed the law providing for the separation of the company's district heating business from its electricity business and the transfer of ownership of the heating sector to the city and regional municipalities by 1 July 1997. The heating system, Vilnius and Kaunas thermoelectric power stations were separated from LIETUVOS ENERGIJA. After the reorganisation, the company's authorised capital decreased from LTL 2,849m to LTL 1,836m, while the state interest diminished from 90.8% to 86.47 per cent.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The company chiefly engages in manufacture and distribution of thermal energy and electricity. LIETUVOS ENERGIJA thermoelectric and hydroelectric power stations together with Ignalina Nuclear Power Station are the main suppliers of energy in Lithuania. In 1997, Ignalina Nuclear Power Station produced 81% of the total energy, while LIETUVOS ENERGIJA electric power stations delivered 12.75 per cent (1893.7 kWh).

LIETUVOS ENERGIJA is a vertically integrated company generating, transmitting and supplying electricity that covers the whole territory of Lithuania. Major sources of energy are two thermal electric power stations (1994MW), utilising oil and natural gases, hydroelectric power station (100MW) and hydro-accumulation power station (600MW) which is still under construction. In addition, the company runs 7 electricity distribution units and 8 branches providing auxiliary services. The Lithuanian power system is interconnected with the power

systems in Latvia, (4 lines), Belarus (5 lines) and Kaliningrad (Russia) region (3 lines) via high voltage lines. The company purchases almost all of the electricity produced by Ignalina Nuclear Power Station which operates as a separate state-owned entity. LIETUVOS ENERGIJA is the main supplier of electricity in Lithuania. It provides electricity to 1.3m customers.

In 1997, LIETUVOS ENERGIJA realised 11m kWh of electric power, including 7248.4m kWh in the domestic market, i.e. 4% more than in 1996. The main consumers are industrial companies Mažeikių Nafta and Achema. The company provides electricity not only to the Lithuanian consumers, but also to foreign markets. Last year the company exported 688.1m kWh to Latvia, 2991.3m kWh to Belarus and 77.9m kWh to Russia.

Annual sales of the company in 1997 amounted to LTL 2.1 million. During 1997, the company allotted LTL 1.5m for investments, 85% of this amount were financed out of the company's means.

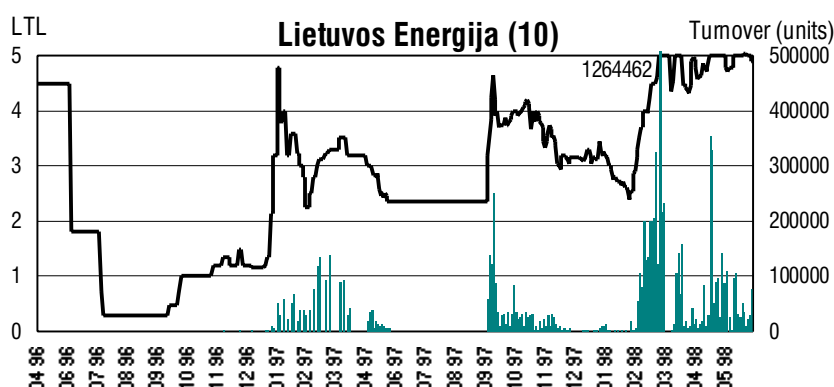
## PLANS, PROSPECTS FOR 1998

All Lithuanian power stations could annually produce 30000 GWh of electricity and export 13000-15000 GWh of it. Therefore, one of the principal aims of LIETUVOS ENERGIJA is to find new markets for its production in Western and Central Europe. According to the research carried out by Baltijos Žiedas possible linkage Kruonis HAE power station - Alytus - Elk (Poland) could be the first step in this direction. Yet, this project as well as the overall renovation of the Lithuanian energy system requires huge capital investments.

In 1998, the company raised share capital by LTL 329,510. New shares were subscribed by the state, shareholders were not be granted pre-emptive rights. With the registration of the issue, the state interest remained unchanged, i.e. 86.47 per cent.

## SUBSIDIARIES

LIETUVOS ENERGIJA has 2 thermal power stations, one hydroelectric station, one hydro-pumping power station, 7 electricity distribution units, 10 auxiliary service units.



BALANCE SHEET (LTL)	LAS (1996, 1997)	1996	1997	FINANCIAL RATIOS	1996	1997
<b>LONG TERM ASSETS</b>		3033287780	1986501830	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		1681678360	509045851	Current ratio	1.33	1.66
Stock		289357768	187059397	Quick ratio	1.10	1.09
Amounts receivable within one year		1343236076	244650217	Net working capital (LTL thou)	416886	214981
TRANSFER ACCOUNTS		6633357	29798964	Net working capital to total assets	0.09	0.09
<b>TOTAL ASSETS</b>		<b>4721599497</b>	<b>2525346645</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		2735033885	1620003866	Profit margin (%)	0.11	-0.04
Capital		2863481422	1836151050	Return on assets (%)	0.06	-0.03
Subscribed capital		2848626190	1836151050	Return on equity (%)	0.10	-0.05
Share premium account		2128	2128	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		7	670127	Total debt ratio	0.42	0.36
Reserves		3393489	0	Debt / equity ratio	0.73	0.56
Profit (loss) brought forward		-131843161	-216819439	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		715046204	580572515	Inventory turnover	8.70	8.23
Amounts payable within year and short-term liabilities		1249366803	315027830	Receivables turnover	2.42	2.59
ACCRUED CHARGES AND DEFERRED INCOME		22059160	8835964	Net working capital turnover	5.85	9.55
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4721599497</b>	<b>2525346645</b>	Long-term assets turnover	0.80	1.03
				Total assets turnover	0.52	0.81
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		2439499865	2052399812			
COST OF GOODS SOLD AND SERVICES RENDERED		2569926539	1960458320			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>261638403</b>	<b>-79199349</b>			

TRADING STATISTICS	1996	1997	1-2Q 1998	MARKET VALUE RATIOS	1996	1997
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	327592	578388
First	4.49	1.15	3.15	Share book value (LTL)	9.60	8.82
Max	4.49 (06.04)	1.15 (01.06)	5.02 (06 22)	Price / book value ratio [P/BV]	0.12	0.36
Min	0.29 (09.17)	4.77 (01.22)	2.40 (02 11)	Earnings per share (LTL)	0.92	-0.43
Last	1.15 (12.19)	3.15 (12.31)	4.90 (06 29)	Price / earnings ratio [P/E]	1.25	-
Change (%)	-74.39	173.91	55.56	Dividend per share (LTL)	0.00	0.00
				Dividend yield	-	-
Number of transactions (CM)	45	3915	6422	Dividend payout ratio	-	-
Turnover CM (units)	17527	3354857	7818886			
Turnover CM (LTL)	22191	12027432	36817351			
Turnover BT (units)	0	2315463	2578545			
Turnover BT (LTL)	0	7828782	11283073			
CM turnover as % in total	100.00	59.17	75.20			
Total turnover (units)	17527	5670320	10397431			
Total turnover (LTL)	22191	19856213	48100424			
Turnover ratio (%)	0.01	3.09	5.66			
As % in the total share turnover	0.01	2.07	10.47			

## SHARE STRUCTURE

Share capital: LTL 1,836,480,560

### Ordinary shares:

-183648056 registered shares at LTL 10 par (security code 11768) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 22.04.96)

## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 17,000.

Ministry of Economy 86.47%



## TRANSPORT

Transport has been of crucial importance to the economy of the newly restored state. The country's favourable geopolitical position offers great opportunities for the development of transport. To the East and South lie the huge emerging markets of Russia, Ukraine and Central Asia. To the West lies Poland, the fastest growing economy in Europe and the wealthy Nordic countries. Conveniently perched at a cross roads between the booming East and affluent West, Lithuania is set to resume its historic role as an economic gateway between the two. And its well-developed infrastructure, i.e., roads, railways, ports, energy sector and communications, gives it a decisive edge over its neighbours.

The independent transport system of Lithuania was re-established de facto in 1991, when sea, air and railway transport changed their subordination from the ministries of the former USSR to the Ministry of Transport of the Republic of Lithuania. For the recent five years the country's system of transport has been functioning reliably, it has satisfied consumers' needs for passenger and freight transport.

In 1996, in transport, storage and communication activity 94.8 thou of people were employed, constituting 5.7% of the entire employed population.

In 1995, the contribution of transport and storage to the gross domestic product reached 6.8%, and in 1996 and 1997 it amounted to 6.9% and 6.2% respectively.

Being convinced that the level of transport infrastructure development directly influences the growth of the country's economy, the government has recognised transport as a priority sector of the national economy. Early in 1994, the government of the Republic of Lithuania approved the National Transport Development Programme up to the year 2010, and later in the same year it approved the schedule for the implementation of its main steps for the period of 1995-1997. These strategic documents define the main aspects of the state transport policy: the integration of the Lithuanian transport system into the European transport network and transport service market, taking advantage of the country's favourable geopolitical location for international economic relations and tourism; active participation of the state in ensuring the stable functioning of strategic transport infrastructure objects, their reconstruction and modernisation, making the necessary investment for that purpose.

The policy also includes breaking up of state-owned monopolies and privatisation of the state transport sector providing commercial services; promotion of private investment in the transport sector. The list of strategic companies to be privatised by international tenders in 1998-1999 includes such transport companies as AB Klaipėdos Jūrų Krovinių Kompanija (KLASCO), AB Lietuvos Jūrų Laivininkystė (LISCO), AB Klaipėdos Smeltė, AB Lietuvos Avialinijos and AB Avialinijos Lietuva.

In March 1994, the 2nd Pan-European Transport Conference took place in Greece. At the conference nine main transport corridors for Central and Eastern Europe were approved. It is not incidental that the main infrastructure objects of Lithuanian transport are reflected in the corridors bearing numbers I and IX: Corridor I (North-South) Tallinn-Riga-Kaunas-Warsaw, with branch IA Riga-Kaliningrad-Gdansk; Corridor IX Plovdiv-Budapest-Kishinev-Kiev-Vitebsk-Pskov-St.Petersburg -Helsinki with branches in Lithuania (East-West) IXB Kiev-Minsk-Vilnius-Kaunas-Klaipėda, IXD Kaunas-Kaliningrad. The situation allows Lithuania to achieve its strategic goal to become a transit country.

Direct foreign investments into the transport sector in 1997 were insignificant and made up US\$144.2 million. The state, however, allotted a lot of funds for its restructuring. The total

amount of state investments into development of transport infrastructure amounted to US\$ 127.1m at the end of 1996. The implementation of the National Transport Development Programme demands huge financial resources (about US\$ 3bn in 1995-2010). On the other hand, more credits from international financial institutions, domestic and foreign private entities are anticipated.

The port of Klaipėda plays a dominant role in sea traffic and in the entire infrastructure of the Lithuanian transport system. The port of Klaipėda is the most northern ice-free port in the eastern part of the Baltic Sea. Klaipėda port is the main hub of multimodal transport on the international branch IXB, linking maritime and land routes along the East-West axis. Via regular shipping lines Klaipėda Port is linked to Germany, Sweden, Denmark, Holland, UK, Belgium, Russia, Poland, Ecuador, Costa Rica, Morocco, South Korea, USA, Canada. There are well-known lines to Kiel, Mukran, Copenhagen, Stockholm, Ahus, container lines.

Highway Klaipėda-Kaunas-Vilnius-Minsk-Moscow is a perfect way of communication between East and West and the highway Klaipėda-Ryga-Tallinn-St.Petersburg is a convenient way to reach other ports on the Baltic Sea.

For fifty years, the Lithuanian port of Klaipėda was one of the Soviet Union's primary windows to the West. Today, this ice-free port, which has a second tonnage handling capacity in the Baltic region, is rapidly becoming an important point of East-West trade. Since the Soviet Empire failed, Baltic ports are in stiff competition for a better position serving the East-West torrents of cargo. Currently Klaipėda Port is the third biggest port in the Baltic region in terms of the amount of goods handled. The largest flows through the port still remain transit cargo from the former Soviet Union directed to the West. For now 80% of traffic in all the Baltics are outbound goods shipped in bulk. But the flows should become more balanced as upswing in the Russian economy should bring a boom in imports of Western machinery and equipment to modernise its industry.

At present, Klaipėda port area covers 400 hectares of land and 600 hectares of sea. The port is able to receive ships up to 200 meters in length and with a draft width of 10.5 meters. Every year about 7000 ships enter the port from more than 50 foreign countries. Klaipėda Port is able to handle up to 21m tonnes of various cargo: metal, fuel oil, fertilisers, timber, frozen products, cement, grain, containers, trailers, railway cars, machinery, cotton, peat moss, etc.

When Lithuania regained its independence and recession hit most of the country, the port lost a lot of cargo volume as well as customers, however this situation did not last long. In 1995, a stable growth in cargo volumes began. In 1996, amount of goods transshipped in Klaipėda port increased by 16.6 per cent. In 1996, cargo turnover was 14.8m tonnes, in 1997, it amounted to approximately 16.1m tonnes.

Klaipėda port specialisation is reflected in cargo structure, where flows of various metals constitute 26%, crude oil and oil products 17%, chemical and mineral fertilisers 9 per cent. Trans-World Group (TWG), the largest metal producing and trading group in the world intends to double its export of metals through the Lithuanian port Klaipėda over the next two years. According to estimates 5m tonnes of metal could be shipped through Klaipėda in 1998. TWG exported 2.5m tonnes of metal from Russia and Kazakhstan to the West through the port of Klaipėda in 1996. In January 1997, TWG signed a letter of intent with the Klaipėda seaport administration and KLASCO. This letter foresees a significant increase in cargo shipments, especially metal, through the Lithuanian port.

There are 36 stevedoring companies in Klaipėda port, including the largest ones: KLASCO, AB Klaipėdos Smeltė, AB Klaipėdos Nafta, UAB Bega and UAB Klaipėdos Terminalas. In 1997, all the companies continued to augment volume of loads, with the exception of Klaipėdos Nafta.

KLASCO, the leading stevedoring company and the largest operator of Klaipėda port, handles over 7m tonnes of cargo per year. It handles dry bulk and general cargo (metal, timber, containers, etc.). Currently KLASCO's activity is directed to increase flows of various metals, scrap metals, building materials and containers (TEU). Metals make 50% of KLASCO's turnover.

AB Klaipėdos Smeltė handles about 7–8% of total cargo transhipped in Klaipėda port, with the largest flows of metals, timber and fertilisers and frozen products in its loads. The company also handles grain, diesel fuel, peat, etc. The total cargo throughput of the company has almost doubled: from 700,000t to 1,225,000t per annum. After the implementation of new cargo handling technologies and the reconstruction of the company's railway interface, the productivity of Klaipėdos Smeltė will grow up to 1.5m tonnes per annum.

Klaipėdos Terminalas is a private stevedoring company specialising in handling containerised cargo and ro-ro cargoes. Share of UAB Klaipėdos Terminalas in total loads is about 5 per cent. The main types of cargo handled at the terminal: timber, foodstuffs and scrap metal.

A stevedoring company UAB Bega is a private company specialising in handling fertilisers (liquid, bulk, bagged), cement and timber. The products are mainly of Lithuanian origin, produced in Jonava and Kėdainiai chemical plants and Akmenė cement plant AB Akmenės Cementas. UAB Bega's turnover makes 7% of total amount of goods loaded and unloaded.

AB Klaipėdos Nafta is an oil terminal, which provides storage and trans-shipment of petrochemicals and liquid fertilisers. Total trans-shipment capacity is 7.1m tonnes per annum. In 1997, cargo turnover of Klaipėdos Nafta was lower by 0.5m tonnes. Diminution in the company's loads is attributable to reconstruction works.

Klaipėda Port evaluation and development studies carried out by Western and Lithuanian experts predict further growth of demand for transporting of general cargoes, metal and bulk cargoes. That is why it is foreseen to reconstruct the infrastructure of the port by introducing new modern technologies for the transportation of the above mentioned cargoes.

Considering great importance of the port as a significant source of income, Lithuania is especially keen to maintain and improve its competitiveness. The Government of Republic of Lithuania approved the Construction of Infrastructure Objects and Reconstruction Programme of Klaipėda Seaport for the period 1994-2000. The implementation of the programme will require LTL 1,000m of financial means. After implementation of these projects the capacity of Klaipėda Port will grow up to 27-30m tonnes per annum. In 1996, US\$ 10m were invested in the port infrastructure, in 1997 US\$ 25m and projected investments for 1998 constitute US\$ 50 million.

There are two main Lithuanian shipping companies: AB Lietuvos Jūrų Laivininkystė (LISCO) and AB Klaipėdos Transporto Laivynas (Klaipėda Transport Fleet). Joint-stock company of special purposes AB Lietuvos Jūrų Laivininkystė is one of the biggest shipping companies in the Baltic States. LISCO is engaged in wide range of goods and passenger traffic by ships abroad. The Klaipėdos Transporto Laivynas refrigerator ships handle mostly frozen food products, and last year the company's ships transported about 350,000t of cargo.

Since LISCO and Klaipėdos Transporto Laivynas were reorganised into joint-stock companies in 1995, the majority of soviet ships were replaced with foreign ones. During the

transitional period, when the companies were renewing their shipping base, amount of cargo dropped from 5.8m tonnes in 1995 to 4.5m tonnes in 1997.

Lithuania has 2001.8 km of railway tracks, with 122 km of electrified lines. Density of railway lines per 1000 km<sup>2</sup> is 30.66 kilometres. While the country's 1520 mm gauge differs from the standard 1435 mm gauges used in Europe, it provides Lithuania with a rail link to the emerging markets of the former Soviet Union.

As a result of division of the property of the former Soviet Union in 1993, Lithuania received 341 passenger cars, 240 locomotives, 54 diesel and 13 electric trains, 13,140 freight wagons and 7,156 containers. All rolling stock was unbelievably old. At present, an operator of Lithuanian railways, joint-stock company of special purpose Lietuvos Geležinkeliai (Lithuanian Railways) possesses 407 locomotives, 336 passenger cars, 13,138 freight wagons. Lithuanian Railways transports freight and passengers by 88 inland and 14 international routes.

Goods loaded in railway stations in 1997 as compared to 1996 rose by 4.7 per cent. Transit goods made up the biggest part in rail freightage, i.e., 16m tonnes representing 52 per cent. International goods traffic makes the major part in total amount of goods carried by railway: in 1995, this part comprised 85%, in 1996, it constituted 79%, and in 1997 85 per cent.

The main flows of goods from Eastern (Northern) Europe to Western (Southern) Europe are formed in two directions:

- via Klaipėda seaport and international ferry Klaipėda - Mukran;

- via Šeštokai freight loading - unloading terminal, established on the border of Lithuania and Poland.

Via Klaipėda seaport goods are carried in various closed and open wagons, tans, containers, refrigerators from East to West and in reverse direction. From Šeštokai terminal freight is transported to Poland, Austria, Italy, Germany, Check Republic, other European countries, the CIS, Baltics and Scandinavia. Goods to European countries and the CIS are also being sent from Paneriai, Vaidotai, and Palemonas stations and from Šiauliai station directly to Latvia, Estonia and Scandinavia.

Multimodal traffic is considered to be very prospective, since ice-free Klaipėda seaport is connected with good motorways and railway lines, renewed according to European standards. German Consulting Company Uniconsult has carried out studies on the possibility of creation multimodal transport system in Crete transport corridor IXB. In the first stage a regular container and trailer traffic will be launched on the route Mukran-Klaipėda-Minsk-Moscow.

State enterprise Lietuvos Geležinkeliai (Lithuanian Railways) was established on January 1, 1992. Lithuanian Railways strive to the quickest integration into European railway system and conformity to the standards of the railway industry in these countries. This attempt is supported by Lithuanian Railways participation in major international organisations, such as: COTIF, OTIF, CIV, CIM.

Irish company Cie Consult has prepared a project for reorganisation of Lithuanian railways, which is being implemented at present. According to the project, all the railway economy will be divided into business subdivisions: rolling stock subdivision, passengers' transport and service subdivision, freight transport and commerce subdivision and infrastructure subdivision. In the future Lithuanian Railways will be disintegrated into two activity sections: infrastructure section (roads, automatics, real estate) and services section (goods and passengers transport, storing). Corresponding to the reorganisation project, infrastructure section will remain at the state's disposal, while services section will be privatised.





## KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA

STEVEDORING

<b>Address:</b>	J.Zauerveino g.18, 5813 Klaipėda	<b>Established:</b>	1991
<b>Phone:</b>	(370-6) 214594	<b>Privatised:</b>	1994-1995, 1996 and due in 1998
<b>Fax:</b>	(370-6) 255862	<b>Number of employees:</b>	2400
<b>Registration date:</b>	06/09/91	<b>Authorised capital (LTL m):</b>	128.9
<b>Registration code:</b>	4034626	<b>Capitalisation (LTL m) (01/07/98):</b>	170.3

<b>Auditor:</b>	<b>KPMG Lietuva</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Gintaras Asadauskas (0%), Paulius Kulikauskas (0%), Vytautas Pocius (0%), Darius Storpirštis (0%), Petras Stulga (0.016%)

**Management Board:** Benediktas Petrauskas (0.014%), Aldona Valasevičienė (0.018%), Algirdas Kateiva (0.018%), Alvydas Dirvonas (0.012%), Egidijus Dagilis (0%)

**Managing Director:** Benediktas Petrauskas

**Investment Relations:** Benediktas Petrauskas, tel. (370-6) 399 510

**CORPORATE HISTORY**

KLAIPĖDA STATE PORT, the company's legal predecessor, was incorporated in September 1991. However, Klaipėda port has been operating over seven centuries, at least as far back as historic sources note. Today, Klaipėda ice-free seaport has a second tonnage handling capacity in the Baltic region and is rapidly becoming an important point of East-West trade.

In June 1994, Transport Ministry decided to change the company's name into KLAIPĖDOS JŪRŲ KROVINIŲ KOMPANIJA (Klaipėda Stevedoring Company KLASCO) and to narrow its functions to loading/unloading of cargo and storing. In the meantime, KLASCO has become the leading stevedoring company and the largest operator of Klaipėda port. Now the company employs more than 2400 people.

In 1996, the company made a number of renovations: enlarged the territory used for loading, equipped warehouse and storing areas, erected and started using new metal warehouse, reconstructed building and water supply house. In the same year the company acquired new equipment: port crane Kondor of 40 tonnage handling capacity, 45t handling capacity loader Kalmar, two 25t and four 16t capacity automatic loaders Kalmar, two tugs Terberg.

In 1991, the company's authorised capital totalled LTL 67.5m, 3.4% out of which were private. In 1995, when KLASCO was registered as a joint stock company and a public offering of company's shares was carried out, the authorised capital amounted to LTL 88.5m, where LTL 6.8m (7.63%) were in private hands. In 1996, the capital was raised to LTL 129m out of revaluation reserves.

In October 1997, the Government of Lithuania signed an agreement with the German firm Rogge Marine Consulting GmbH regarding consultancy assistance with the privatisation of KLASCO. The Government intends to sell 90% of KLASCO shares to the strategic investor through direct negotiations. Privatisation should be completed by the end of 1998.

**BUSINESS ACTIVITY**

KLASCO main activities include loading and unloading of cargo at the port, accumulation of freight lots, warehousing and storing. Besides, the company, having auxiliary fleet at its disposal, provides various other services: assists ships while they are maneuvering in the port area, serves the crews, collects rubbish in the ships and on the surface of the water. KLASCO also supplies electricity, drinking water to the ships, provides them with communication means.

In 1997, transit cargo accounted for over 73% of cargo turnover. The bulk consisted of metals which made up 70.8% of

dry cargo turnover in 1997, 68.1% in 1996, 70.6% in 1995 and 59.7% in 1994. Metal cargo mainly includes steel coil, sheets, heavy alloys and different metal profiles.

The main trade routes heading Western Europe are served by gigantic containerships (16,000TEU). Klaipėda port can receive ships only of up to 8,000TEU, which are of average size according to world standards. Since 1994 KLASCO has increased handling of containers by 8.6 times (to 13,928TEU). It held 37.9% of the containers market in the port in 1997.

As the future operator of Container Terminal, the company is also interested in growth of cargo in containers, which was very significant in the recent three years. Ships loaded at Klaipėda port carry cargo to ports of all continents.

**DEVELOPMENTS IN 1997**

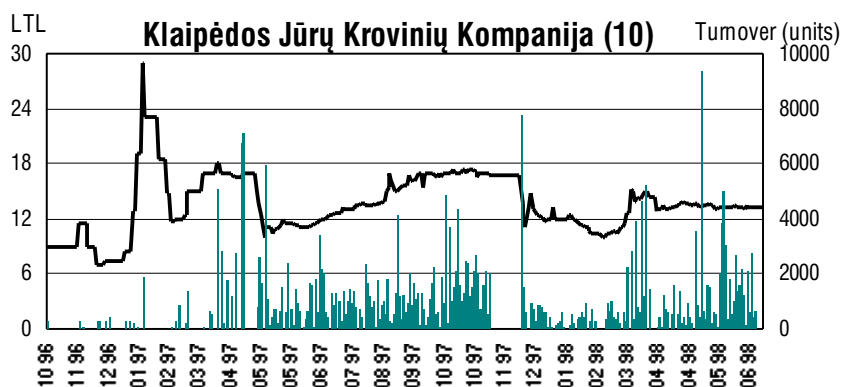
Turnover of loaded and unloaded cargo came to 8.84m tonnes, which demonstrates a 12% increase compared with 1996. These amounts are record-breaking since 1990 when Lithuania regained independence. The growth was stimulated by a considerable increase in the flow of metals. The company transshipped 4258.7t of metals, 371.4t of organic fertilizers, 384.1t of sugar, 385.3t of grain, 157.5t of perishables, 64.4t of scrap metal, 25.5t of timber, and 32.9t of building materials. Transit from Germany to Russia accounted for 77% of the handled cargo. Lithuanian exports and imports together made only 7% of the total KLASCO turnover. Tropical fruit and frozen fish are the main goods imported to Lithuania.

Despite the fact that total cargo turnover increased, sales dropped by 1.75% last year. The proceeds amounted to LTL 201.9m, expenses reached LTL 178.21m, and net profit came to LTL 20.59 million. The income and expenses increased compared with 1996 (20% and 28% accordingly), but expenditure grew much faster than revenue, so profits decreased. The main reasons for the fall in profits are growing depreciation costs and land lease price as well as the fixed Litas and US Dollar exchange rate.

Last year KLASCO signed the first agreement with Hermis Bank with regard to US\$ 1,875m loan.

**PLANS, PROSPECTS FOR 1998**

KLASCO will complete construction of Container Terminal and launch it into operation. The company's plans for 1999-2003 foresee capital investments of LTL 367 million. Funds will be channelled into reconstruction of buildings and pavement, electrical and engineering systems, erection of new terminals and warehouses, as well as modernisation of equipment and know-how.



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		215799801	236067314	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		118086636	106237633	Current ratio	9.33	13.22
Stock		28414841	29172282	Quick ratio	7.09	9.59
Amounts receivable within one year		51553044	41374807	Net working capital (LTL thou)	105436	98202
TRANSFER ACCOUNTS		0	0	Net working capital to total assets	0.32	0.29
<b>TOTAL ASSETS</b>		<b>333886437</b>	<b>342304947</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		321235427	326769091	Profit margin (%)	0.13	0.11
Capital		128988800	128988800	Return on assets (%)	0.07	0.06
Subscribed capital		128988800	128988800	Return on equity (%)	0.08	0.06
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		7430	7430	Total debt ratio	0.04	0.05
Reserves		182644577	183123151	Debt / equity ratio	0.04	0.05
Profit (loss) brought forward		9594620	14649710	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		0	7500000	Inventory turnover	5.58	5.44
Amounts payable within year and short-term liabilities		12651010	8035856	Receivables turnover	4.17	3.86
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	1.73	1.83
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>333886437</b>	<b>342304947</b>	Long-term assets turnover	0.85	0.76
				Total assets turnover	0.55	0.52
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		182908238	179437517			
COST OF GOODS SOLD AND SERVICES RENDERED		157395758	156497778			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>24357823</b>	<b>20586324</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	96742	154787
First	9.00	7.50	12.00	Share book value (LTL)	24.90	25.33
Max	11.50 (11.28)	7.50 (01.06)	15.13 (03 10)	Price / book value ratio [P/BV]	0.30	0.47
Min	7.00 (12.16)	28.84 (01.22)	9.98 (02 13)	Earnings per share (LTL)	1.89	1.60
Last	7.50 (12.17)	12.00 (12.31)	13.20 (06 23)	Price / earnings ratio [P/E]	3.97	7.52
Change (%)	-16.67	60.00	10.00	Dividend per share (LTL)	0.700	0.610
				Dividend yield	0.09	0.05
Number of transactions (CM)	20	1365	834	Dividend payout ratio	0.37	0.38
Turnover CM (units)	2153	206324	121839			
Turnover CM (LTL)	17935	3088876	1633297			
Turnover BT (units)	0	232572	113390			
Turnover BT (LTL)	0	3524596	1485540			
CM turnover as % in total	100.00	47.01	51.80			
Total turnover (units)	2153	438896	235229			
Total turnover (LTL)	17935	6613471	3118837			
Turnover ratio (%)	0.02	3.40	1.82			
As % in the total share turnover	0.01	0.69	0.68			

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 128,988,800

### Ordinary shares:

-12898880 registered shares at LTL 10 par (security code 11615) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 28.10.96)

## STRUCTURE OF OWNERSHIP

State	90.0%
Employees	4.76%
Other persons	5.24%



## KLAIPĖDOS NAFTA

## HANDLING OF OIL PRODUCTS

**Address:** Burių g. 19, 5799 Klaipėda  
**Phone:** (370-6) 391772, 391700  
**Fax:** (370-6) 311399  
**Registration date:** 27/09/94  
**Registration code:** 1064889

**Established:** 1994  
**Number of employees:** 398  
**Authorised capital (LTL m):** 100  
**Capitalisation (LTL m) (01/07/98):** 136

**Auditor:** J.Kabašinskas ir Partneriai TŪB,  
Arthur Andersen

**Trading list:** Current

**Management Board:** M.Gusiatinas, R.Jautžemis, Z.Damišienė, N.Kočergina, A.Mozeris, S.Vasiliauskas, J.Šabašov, S.Zmitrovič, B.Komogorcev, A.Didžiulis, S.Viničenko

**Managing Director:** Martinas Gusiatinas

**Investment Relations:** Jelena Černij, tel. (370-6) 391 665

## CORPORATE HISTORY

The company's legal predecessor, KLAIPĖDA STATE OIL TERMINAL, was established in 1959 and engaged in reloading of light fuel oil from railway cisterns into tankers. Several decades in operation, the old Klaipėda terminal wore out. The open system for handling oil products polluting air, water and soil raised serious concerns. Reservoirs and underground pipelines did not meet safety standards. The condition of anti-fire system and water cleaning equipment was inadequate.

After Lithuania regained independence, Lithuanian Government made a decision to reconstruct the company. Taking into consideration a complicated situation in the country's energy sector, the Government passed resolution regarding the Reconstruction of KLAIPĖDA STATE OIL ENTERPRISE and announced a closed tender for the best project in October 1993. In order to assure high technological standard of the reconstruction, the Government permitted KLAIPĖDA STATE OIL ENTERPRISE together with the US company Lancaster Steel Co. Inc. to establish a public limited company KLAIPĖDOS NAFTA which would finance and run the oil terminal. The company was set up in 1994 with 51% of the stock in the hands of Klaipėda State Oil Enterprise which was later reregistered as a public company Naftos Terminalas and 49% held by Lancaster Steel Co. Inc.

From 1 January 1997, KLAIPĖDOS NAFTA started to run the reconstructed terminal. The authorised capital was increased to LTL 80 million. In February 1998, the shareholders resolved to raise share capital by LTL 20 million. New shares were issued and distributed through a private placement at an issue price of LTL 100. Currently, the authorised capital amounts to LTL 100 million.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

Until 1997 KLAIPĖDOS NAFTA operated as a construction board that organised and carried out reconstruction. Since 1 January 1997, KLAIPĖDOS NAFTA took over part of Naftos Terminalas' assets (technological pipelines and reservoirs) as a

contribution in kind, rented the territory and engaged in oil terminal business.

KLAIPĖDOS NAFTA became the only oil terminal in the Baltics which specialises in transshipment of heavy fuel oils (HFO). Recently installed modern loading equipment serves all types of HFO throughout the year at any temperature. It uses advanced steamless heating of tank-cars which reduces amount of water in fuel oil.

In 1997, the company finished the first stage of terminal reconstruction. Now two tankers with up to 30 thou tonnes displacement could be served simultaneously. Completely reconstructed jetties have the total capacity of 4 thou tonnes of oil products per hour. In 1997, KLAIPĖDOS NAFTA reloaded 3.57m tonnes of oil products and liquid fertilisers.

In 1997, the company reported income of LTL 79.7m and net profit of LTL 43.2 million. The profit was allocated for reconstruction, debt repayment and interest payment. In order to assure steady profits, the company pays great attention to the market research and searches for new customers.

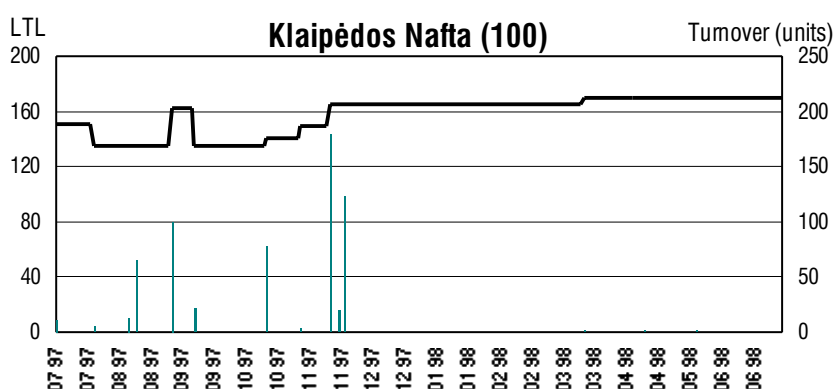
## PLANS, PROSPECTS FOR 1998

With the reconstruction of both wharves, the company plans to load two tankers with 60 thou tonnes displacement daily. Loading capacity reaches 4 thou cb. m of oil and oil products per hour. The company anticipates the total workload to amount to 7.1m tonnes per year. After the reconstruction is completed, the company will be able to reload crude oil with low sulphur content (transported by railway), different kinds of fuel oil, gasoline, diesel fuel and other oil products.

In 1998, KLAIPĖDOS NAFTA entered into the final stage of reconstruction. Out of the total amount of US\$ 120m allotted for the reconstruction programme, US\$ 100m or 83% have been invested. Reconstruction is being financed out of borrowed means. Part of the loans were backed up with the state guarantee, namely US\$ 50m granted by ABN AMRO and US\$ 7.5m loan extended by Distral S.A.

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Windaria Holding B.V.	1996	NLG 47 thou	100%



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		199221605	457889282	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		85355249	64065063	Current ratio	3.82	0.80
Stock		24224193	36280199	Quick ratio	2.74	0.35
Amounts receivable within one year		58493408	23691751	Net working capital (LTL thou)	63117	-16098
<b>TRANSFER ACCOUNTS</b>		133133	119819	Net working capital to total assets	0.22	-0.03
<b>TOTAL ASSETS</b>		<b>284709987</b>	<b>522074164</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		58255033	124007670	Profit margin (%)	1.10	0.57
Capital		56400000	80000000	Return on assets (%)	0.00	0.08
Subscribed capital		40000000	80000000	Return on equity (%)	0.00	0.35
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.80	0.76
Reserves		1853383	4208456	Debt / equity ratio	3.89	3.21
Profit (loss) brought forward		1650	39799214	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		204083373	316971796	Inventory turnover	0.00	0.92
Amounts payable within year and short-term liabilities		22371581	80282748	Receivables turnover	0.00	1.86
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	0	Net working capital turnover	0.00	-4.75
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>284709987</b>	<b>522074164</b>	Long-term assets turnover	0.00	0.17
				Total assets turnover	0.00	0.15
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		1501	76514358			
COST OF GOODS SOLD AND SERVICES RENDERED		0	27721998			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>1650</b>	<b>43288723</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>
<b>PRICE (LTL)</b>		
First	151.00	165.00
Max	135.00 (10.13)	170.00 (06 30)
Min	165.00 (12.22)	165.00 (01 28)
Last	165.00 (12.22)	170.00 (05 19)
Change (%)	9.27	3.03
Number of transactions (CM)	25	6
Turnover CM (units)	619	3
Turnover CM (LTL)	96550	510
Turnover BT (units)	115481	180
Turnover BT (LTL)	12213629	27000
CM turnover as % in total	0.53	1.64
Total turnover (units)	116100	183
Total turnover (LTL)	12310179	27510
Turnover ratio (%)	29.03	0.02
As % in the total share turnover	1.28	0.01

<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
Capitalisation (LTL thou)		66000
Share book value (LTL)	145.64	155.01
Price / book value ratio [P/BV]	-	1.06
Earnings per share (LTL)	0.00	54.11
Price / earnings ratio [P/E]	-	3.05
Dividend per share (LTL)	0.00	0.00
Dividend yield	-	-
Dividend payout ratio	-	-

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 80,000,000

### Ordinary shares:

-800000 registered shares at LTL 100 par (security code 11165) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 02.10.95)

## STRUCTURE OF OWNERSHIP

Naftos Terminalas AB	46%
Osman Trading AB	19.5%
Woodison Trading Ltd	12%
Duboil Ltd	12.2%

## LIETUVOS JŪRŲ LAIVININKYSTĖ

## SHIPPING OF PASSENGERS AND CARGO

<b>Address:</b>	J.Janonio g. 24, 5813 Klaipėda	<b>Established:</b>	1969
<b>Phone:</b>	(370-6) 393101, 393126	<b>Privatised:</b>	1995, due in 1998
<b>Fax:</b>	(370-6) 219829	<b>Number of employees:</b>	1770
<b>Registration date:</b>	10/09/91	<b>Authorised capital (LTL m):</b>	47.1
<b>Registration code:</b>	4035584	<b>Capitalisation (LTL m) (01/07/98):</b>	221.1

<b>Auditor:</b>	<b>Moore Stephens UAB</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): A.Šakalys, Chairman (0%), J.Darulis (0%), P.Kulikauskas (0%), V.Jasiūnas (0%), A.Mikalajūnas (0.01%)

**Management Board:** A.Anilionis, Chairman (0.02%), A.Stankus (0.01%), I.Šalajev (0.01%), A.Stropus (0.01%)

**Managing Director:** A.Gedgaudas (0.02%)

**Investment Relations:** S.Vindergauz, tel. (370-6) 393 111

## CORPORATE HISTORY

The company was established in 1969 and owned 16 bulk ships (dead-weight of 78 thous tonnes). In 1991, LIETUVOS JŪRŲ LAIVININKYSTĖ (Lithuanian Shipping Company, LISCO) became an independent company and was registered in the independent Republic of Lithuania. The company overcame all difficulties and consolidated in the world shipping market. The fleet has been expanded and renovated. In 1995, LISCO was reregistered as a public limited company.

In 1993, when the company owned 43 ships, it was the fourth largest in terms of the fleet size in the Baltic region. During the past years, 4 ships were sold, and 3 new ones were purchased. In 1997, there were 37 ships in LISCO's possession.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

LISCO's basic activity is transportation of cargo and passengers. LISCO is a monopolist in the local market, as it is the only company offering passenger and cargo transport services. The company ships 4m tonnes of cargo and carries 35 thous passengers annually. It has in its possession 33 bulk ships and 4 ferries with total dead-weight of 283,555 tonnes. All ships are owned by LISCO and sail under the Lithuanian flag.

LISCO's vessels ship general cargo and containers as well as wood to European and North African ports. Together with its partners in Germany, LISCO operates three ferries, both for passengers and cargoes, on the line Klaipėda-Mukran-Klaipėda and Klaipėda-Kiel-Klaipėda. One more ferry sails to Ahus (Sweden), and in June 1997, first passengers were carried to Sweden. These ferries carry ro-ro cargo, loaded railway trucks, cars and passengers. LISCO ferries earned about 50% of last

year's net profit. Further increase in the cargo amounts and consequently in demand for the company's services is expected.

The company lets about 85-90% of its fleet to foreign customers. So timecharter earnings make up approximately half of the net revenue. The Baltic sea, the Mediterranean Sea, the Red sea, ports in Eastern Europe, East and North America are the main working regions of LISCO fleet. In 1995, the company established rep offices in Moscow and St. Petersburg, the purpose of which is to increase the amount of cargo and passengers from that area. In 1996, rep office was opened in Spain in order to supervise shipbuilding.

In 1997, the company was in line with the budgeted figures and gained LTL 256m sales revenue, which makes it the 11th largest Lithuanian company by sales in 1997. The pre-tax profit amounted to LTL 50m, and after-tax profit constituted LTL 44.3 million.

## PLANS, PROSPECTS FOR 1998

LISCO plans to make investments into creation of new transport lines and into renovation of the fleet. Six ships from Spain, two of which are already in the company's possession, will considerably improve condition of the LISCO's fleet.

The enterprise is on the list of companies to be privatised in 1998. The company will be privatised by way of international tender. In the first stage, the Ministry of Transport intends to privatise up to 49% of its stake. The group of privatisation advisors includes Coopers & Lybrand, Eurogal, Baker & McKenzie, Tebodin, Bishop & Robertson Chalmers and Societe Generale.

## STRUCTURE OF OWNERSHIP

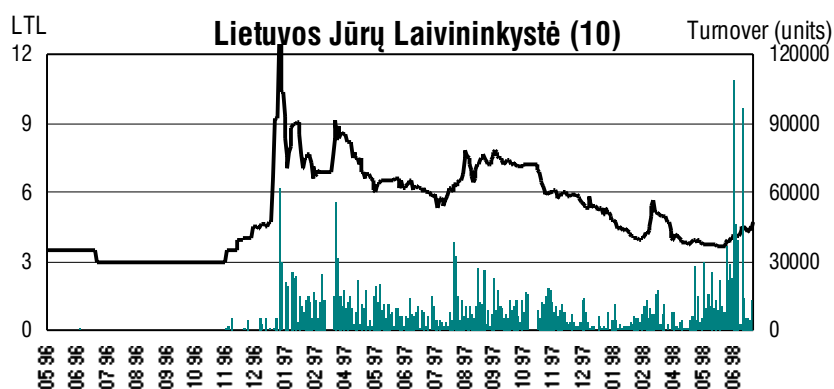
Ministry of Transport	80%
Natural and legal persons	20%

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 471,343,290

**Ordinary shares:**

-47134329 registered shares at LTL 10 par (security code 11627) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 01.01.96)



## BALANCE SHEET (LTL)

LAS (1996, 1997)

	1996	1997
<b>LONG TERM ASSETS</b>	571678983	617729840
<b>SHORT TERM ASSETS</b>	86315444	118905391
Stock	6617750	5802768
Amounts receivable within one year	3316285	6173282
<b>TRANSFER ACCOUNTS</b>	18698944	23473044
<b>TOTAL ASSETS</b>	<b>676693371</b>	<b>760108275</b>
<b>CAPITAL AND RESERVES</b>	641910055	646468557
Capital	471343290	471343290
Subscribed capital	471343290	471343290
Share premium account	0	0
Revaluation reserve	0	0
Reserves	170566765	175125267
Profit (loss) brought forward	0	0
Amounts payable after one year and long-term liabilities	17295000	83205703
Amounts payable within year and short-term liabilities	5730001	17580400
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>	11758315	12853615
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>676693371</b>	<b>760108275</b>

## PROFIT (LOSS) ACCOUNT (LTL)

SALES AND SERVICES	310538436	298306970
COST OF GOODS SOLD AND SERVICES RENDERED	250355947	256030821
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>	<b>45075127</b>	<b>44286894</b>

## FINANCIAL RATIOS

1996 1997

### LIQUIDITY RATIOS

Current ratio	6.00	4.68
Quick ratio	5.63	4.49
Net working capital (LTL thou)	87526	111944
Net working capital to total assets	0.13	0.15

### PROFITABILITY RATIOS

Profit margin (%)	0.15	0.15
Return on assets (%)	0.07	0.06
Return on equity (%)	0.07	0.07

### FINANCIAL LEVERAGE RATIOS

Total debt ratio	0.05	0.15
Debt / equity ratio	0.05	0.18

### ASSETS UTILISATION RATIOS

Inventory turnover	35.86	41.23
Receivables turnover	93.81	62.87
Net working capital turnover	3.55	2.66
Long-term assets turnover	0.54	0.48
Total assets turnover	0.46	0.39

## TRADING STATISTICS

	1996	1997	1-2Q 1998
<b>PRICE (LTL)</b>			
First	3.50	4.63	5.28
Max	4.63 (12.31)	4.51 (01.08)	5.65 (03 12)
Min	3.00 (11.19)	12.89 (01.22)	3.62 (05 26)
Last	4.63 (12.31)	5.28 (12.31)	4.69 (06 30)
Change (%)	32.29	14.04	-11.17
Number of transactions (CM)	86	3462	2514
Turnover CM (units)	22319	2072698	1207258
Turnover CM (LTL)	88209	15133300	5063619
Turnover BT (units)	0	1449353	631797
Turnover BT (LTL)	0	10041677	2762183
CM turnover as % in total	100.00	58.85	65.65
Total turnover (units)	22319	3522051	1839055
Total turnover (LTL)	88209	25174977	7825802
Turnover ratio (%)	0.05	7.47	3.90
As % in the total share turnover	0.05	2.63	1.70

## MARKET VALUE RATIOS

1996 1997

Capitalisation (LTL thou)	218232	248869
Share book value (LTL)	13.62	13.72
Price / book value ratio [P/BV]	0.34	0.38
Earnings per share (LTL)	0.96	0.94
Price / earnings ratio [P/E]	4.84	5.62
Dividend per share (LTL)	0.350	0.240
Dividend yield	0.08	0.05
Dividend payout ratio	0.37	0.26



## NAFTOTIEKIS

## TRANSPORT OF OIL AND OIL PRODUCTS VIA PIPELINES

<b>Address:</b>	Stačkūnų km., 5280 Biržų raj.	<b>Established:</b>	1992
<b>Phone:</b>	(370-20) 52501, 52703	<b>Privatised:</b>	(partially) 1995
<b>Fax:</b>	(370-20) 52501	<b>Number of employees:</b>	270
<b>Registration date:</b>	10/05/95	<b>Authorised capital (LTL m):</b>	80
<b>Registration code:</b>	5476065	<b>Capitalisation (LTL m) (01/07/98):</b>	231
<b>Auditor:</b>	<b>Auditas UAB</b>	<b>Trading list:</b>	<b>Current</b>

**Management Board** (participation in the company): Gediminas Miškinis, Chairman (0%), Algimantas Sapiega (0%), Ivan Dološickij (0.23%)

**Managing Director:** Ivan Dološickij

**Investment Relations:** Ona Slanienė, tel. (370-20) 52 82 5

## CORPORATE HISTORY

The construction of NAFTOTIEKIS pipelines commenced in 1966. In 1968, the pipeline Polockas-Ventspilis was launched into operation. In 1970, the oil-pumping station Biržai was built. The pipeline Polockas-Mažeikiai started to operate in 1980. Until 1992 the pump station Biržai belonged to the FSU Novopolock Oil Transport Board Družba. After Lithuania regained independence, Biržai station was separated from Družba and became a state oil transport company NAFTOTIEKIS. In 1995, NAFTOTIEKIS was reorganised into a specific purpose company, while in 1996, it became a joint stock company. NAFTOTIEKIS owns two oil pipelines and one pipeline for oil products, which are located in Lithuania. The total length of the pipelines is 400 kilometers.

The company started its business as a separate entity in July 1992 with the authorised capital of LTL 922 thousand. During the six years, NAFTOTIEKIS share capital increased from LTL 922 thou to LTL 80m out of the company's profit.

## BUSINESS ACTIVITY

The main activity of NAFTOTIEKIS is transportation of crude oil to Mažeikių Nafta AB via oil pipeline Polockas-Biržai-Mažeikiai and to Ventspilis seaport (Latvia) via pipeline Polockas-Ventspilis-Biržai. The company also transports diesel fuel to Ventspilis port by oil product pipeline Samara-Ventspilis.

The company transports 14.6m tonnes or 65% of oil to Ventspilis. Oil refinery Mažeikių Nafta absorbs 5m tonnes of oil transported via NAFTOTIEKIS pipelines. The company transports oil and oil products under agreements with the customers. Since the same pipeline crosses three states (Belarus, Lithuania and Latvia), companies conclude agreements with all the three pipeline operators. For the most part, oil is transported from Russia, thus Transneft (Moscow) makes schedules. Lukoil, Tatneft, Udmurtneft, Rosneftieimpeks, Jukos, Rosneft, Koneks, Slavneft are major clients of NAFTOTIEKIS.

## DEVELOPMENTS IN 1997

In 1997, the company generated LTL 84.8m income, including LTL 81.1m proceeds from transportation of oil and oil products, LTL 3.4m from sale of goods and assets and LTL 0.3m from financial activity. In comparison with 1996, the company's revenue increased by LTL 7.9 million. The company's pre-tax profit for the accountable year amounted to LTL 42.4m and resulted in LTL 31.8m after-tax profit, while its profit margin reached 50.07 per cent.

In order to ensure reliability of the oil pipelines, allowable operating conditions were introduced. The diagnostic test of the pipeline Ilukstė-Ventspilis required LTL 700 thousand. Additional LTL 400 thou was spent to eliminate the defects. The equipment bought from the US company CRC evens in 1995 was used to improve poor insulation of the pipeline Polockas-Biržai-Ventspilis. In 1997, the company spent LTL 900 thou on new insulation of the 10 km length section of the pipeline. In 1997, NAFTOTIEKIS invested LTL 16m into acquisition and renovation of the long-term assets.

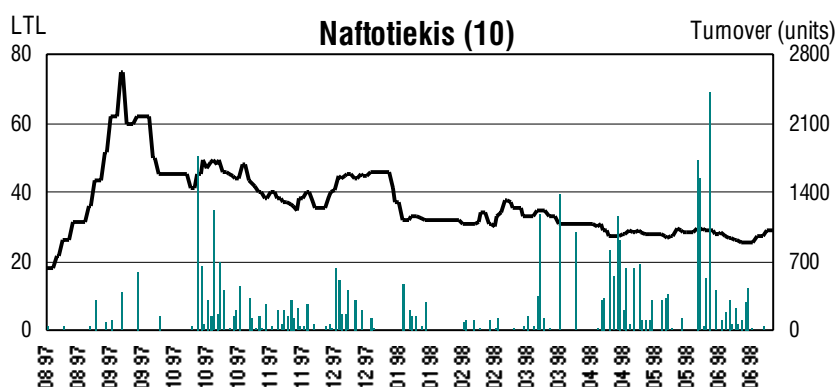
## PLANS, PROSPECTS FOR 1998

NAFTOTIEKIS intends to transport 23m tonnes of oil products: 15m tonnes of oil and 3m tonnes of oil products will go to Ventspilis and 5m tonnes to Mažeikiai. The company anticipates revenue of LTL 91.1 million. Profit is expected to remain on the same level as in 1997.

Maintenance and renovation of the pipelines and other equipment as well as acquisition of long-term assets for LTL 25m are the priority issues in 1998.

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Biržietiška Aibė UAB	1997	LTL 4.5m	100%



## BALANCE SHEET (LTL)

	LAS (1996, 1997)	1996	1997
<b>LONG TERM ASSETS</b>		84561958	85842315
<b>SHORT TERM ASSETS</b>		32040083	47031589
Stock		9880018	12767156
Amounts receivable within one year		13969216	11182480
<b>TRANSFER ACCOUNTS</b>		155328	466902
<b>TOTAL ASSETS</b>		<b>116757369</b>	<b>133340806</b>
<b>CAPITAL AND RESERVES</b>		101876303	126447547
Capital		63000000	61128650
Subscribed capital		63000000	61128650
Share premium account		0	0
Revaluation reserve		0	0
Reserves		38876303	33544725
Profit (loss) brought forward		0	31774172
Amounts payable after one year and long-term liabilities		0	0
Amounts payable within year and short-term liabilities		14881066	6893259
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	0
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>116757369</b>	<b>133340806</b>

## PROFIT (LOSS) ACCOUNT (LTL)

SALES AND SERVICES	76351837	84485119
COST OF GOODS SOLD AND SERVICES RENDERED	26498209	36823272
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>	<b>33554700</b>	<b>31774172</b>

## FINANCIAL RATIOS

	1996	1997
<b>LIQUIDITY RATIOS</b>		
Current ratio	2.16	2.51
Quick ratio	1.50	1.84
Net working capital (LTL thou)	17314	28605
Net working capital to total assets	0.15	0.21
<b>PROFITABILITY RATIOS</b>		
Profit margin (%)	0.44	0.38
Return on assets (%)	0.29	0.24
Return on equity (%)	0.33	0.28
<b>FINANCIAL LEVERAGE RATIOS</b>		
Total debt ratio	0.13	0.14
Debt / equity ratio	0.15	0.17
<b>ASSETS UTILISATION RATIOS</b>		
Inventory turnover	3.09	3.25
Receivables turnover	5.24	6.72
Net working capital turnover	4.41	2.95
Long-term assets turnover	0.90	0.98
Total assets turnover	0.65	0.63

## TRADING STATISTICS

	1997	1-2Q 1998
<b>PRICE (LTL)</b>		
First	18.00	45.95
Max	18.00 (08.11)	41.36 (01 10)
Min	74.64 (09.10)	25.25 (06 18)
Last	45.95 (12.31)	28.88 (06 26)
Change (%)	155.28	-37.15
Number of transactions (CM)	287	489
Turnover CM (units)	13280	24263
Turnover CM (LTL)	607357	709932
Turnover BT (units)	17193	16709
Turnover BT (LTL)	742223	561638
CM turnover as % in total	43.58	59.22
Total turnover (units)	30473	40972
Total turnover (LTL)	1349580	1271570
Turnover ratio (%)	0.50	0.51
As % in the total share turnover	0.14	0.28

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)		280886
Share book value (LTL)	16.17	18.72
Price / book value ratio [P/BV]	-	2.45
Earnings per share (LTL)	5.33	5.20
Price / earnings ratio [P/E]	-	8.84
Dividend per share (LTL)	1.500	1.500
Dividend yield	-	0.03
Dividend payout ratio	0.28	0.29

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 80,000,000

### Ordinary shares:

-8000000 registered shares at LTL 10 par (security code 11492) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 07.07.97)

## STRUCTURE OR OWNERSHIP

State 89.7%

## BANKING

### BANKING SYSTEM AND REGULATIONS

Presently a two-tiered banking system operates in Lithuania consisting of the central Bank of Lithuania as well as commercial banks, the Lithuanian Development Bank and the public company Turto Bankas (doubtful asset management company). Credit unions have recently begun to appear.

At the end of 1997, 11 commercial banks carried out banking operations in Lithuania. There are a few factors that determine the relatively small number of banks.

Learning the lessons of late 1995 banking crisis, the Bank of Lithuania has been making the requirements to commercial banks stricter and moving reporting standards and capital adequacy requirements in line with International Accounting Standards (IAS) and EU requirements, respectively. Starting year 1996, all banks are required to present annual statements prepared according to IAS and audited by one of the big six (five) international auditors. The Bank of Lithuania gradually increases the minimum authorised capital requirement: from January 1998, it is ECU 5 million. The increasing requirements and tough supervision had led to liquidation of some shady and weak banks, thus bringing more stability to the entire banking system.

The Bank of Lithuania changes the rules of calculation of mandatory reserves with the central bank. From April 1998, the deposits and loans received from outside Lithuania are also included into calculation of reserve basis. Current mandatory reserve rate is set to 10 per cent. This decision intended to equalize the possibilities of local and foreign depositors as well as reduce the current account deficit. Change of the rules will impact major banks that received a large amount of funds in the form of syndicated loans or deposits.

### PARTICIPANTS AND PERFORMANCE

The total number of commercial banks remained unchanged, but five banks successfully raised new capital, and at least four more new issues have been announced.

The qualitative changes are seen in asset allocation policies. An increasing competition and more stable economic outlook allows the banks issue more long term loans and be involved in various investment projects and site developments. After the Bank of Lithuania removed limitation of granting loans in foreign currency, the share of such loans increased by 24.6 per cent. The first housing credit programmes were launched in late 1997 starting a retail loan market, new in Lithuania.

The Bank of Lithuania announced its decision to introduce overnights, thus, together with reviving inter-bank market, supplement the market with a variety of short-term liquidity maintaining instruments.

Five banks ended the year with losses. Litimpeks and Ūkio banks still suffer from their mistakes in the past, it seems that even 1998 will not be the year of break point. Two state-owned banks are also at the end of the line. Lietuvos Žemės Ūkio Bankas is now under privatisation and huge losses are the result of cleaning the balance sheet from the non-performing assets.

The increasing number of representative offices and branches of foreign banks in Lithuania as well as started privatisation of the large state-owned banks indicate the forthcoming important changes within the sector.

Lithuania's banking sector is highly concentrated, with 4 banks (out of 11 operating) controlling 86% of the market. The latest data point to strengthening of this sector, accompanied by the expansion of assets and loan portfolios. By the end of 1997, assets of the 11 operating commercial banks had grown by 40%, reaching LTL 8.3 billion. Growth was mainly set in motion by the volume of deposits, which went up by 50% and amounted to LTL 5.9 billion. This points to the growing trustworthiness of the sector, lost during the banking crisis of 1995, inducing private individuals to place their savings with the banks. The total loan portfolio has grown as well, showing a rather moderate 18% rise and reaching LTL 4bn by the end of December. On the other hand, the earnings figures were far less optimistic, as the net result turned out to be negative, with banks incurring a net loss of LTL 67.4 million. However, this was mainly due to the poor performance of the state-owned banks that accounted for 78% of the losses. State owned banks were the major under-performers in the sector, and one of them, State Commercial Bank, has recently been liquidated, with assets and liabilities being transferred to Lietuvos Taupomasis Bankas. The situation should radically change with the upcoming privatisation of the first and third largest banks in Lithuania.

Vilniaus Bankas and Bankas Hermis are the largest private banks in Lithuania and clear market leaders in terms of earnings, innovation and growth. The sector showed 40% growth in 1997, with Bankas Hermis at the top demonstrating a more than 100% growth rate. The bank was closely followed by its main competitor Vilniaus Bankas, which is the leading (in terms of size and profitability) private bank in the market. Vilniaus Bankas concluded a co-operation agreement with Ūhispank (Estonia) and Unibanka (Latvia). The recent hostile takeover bid made by Vilniaus Bankas for Hermis, supported by its partners, has been put on hold by the Central Bank of Lithuania.

## KEY DATA AND STATISTICS ABOUT THE BANKS OPERATING IN LITHUANIA ARE SUMMARISED IN THE TABLE BELOW:

PRIVATE BANKS	STRATEGY	STATUS	Number of branches	Assets (LTL m)	Earnings (LTL m)
<b>Vilniaus Bankas</b>	Universal bank, servicing corporate clients and wealthy individuals	Cooperation agreement with Ūhispank and Unibanka; takeover of Hermis put on hold by the Central Bank	15	451	12
<b>Bankas Hermis</b>	Universal bank with emphasis on corporate banking	Takeover plan by the largest private bank in Lithuania, Vilnius Bank, put on hold by the Central Bank; no new shares in 1998	17	288	7
<b>Bankas Snoras</b>	Development of a modern retail banking network in the domestic market and expansion into Eastern markets; main ATM service provider	Share capital increase is planned and new shareholders will most likely be admitted; intentions to acquire a stake in Latvia's Tridzniecibas Banka (Latvia)	9	149	0.3
<b>Ūkio Bankas</b>	Ūkio Bankas expects to expand into Eastern markets and to become an intermediary for local and Western corporate clients interested or doing business in the East	The bank suffered from negative trends on the market; it developed a reorganization plan and is currently in the process of becoming a modern commercial bank	17	59	-7
<b>Litimpeks Bankas</b>	Conservative lending strategy with main focus on big corporate clients; strengthening of subsidiaries	The company is 80% owned by foreign investors who approved a new strategy; troubles with the distribution of a new stock issue	10	55	-0.8
<b>Šiaulių Bankas</b>	Expansion and improvement of its branch network; bank is increasing its presence in the northwest region of Lithuania and is closely involved in the development of the free economic zones there	With a lack of effective management and new services it becomes hard to compete	6	32	0.5
<b>Industrijos Bankas</b>	To gain stronger position in the corporate banking market	Still highly fragile in facing intensifying competition; dependent on one major shareholder	4	18	-0.3
<b>Medicinos Bankas</b>	Conservative lending policy; as most of the shareholders are involved in the health care business the bank focuses on that as well	Tallinna Pank changed its intention to acquire MB; the bank is currently seeking new investors	6	17	-0.1
<b>STATE-OWNED BANKS</b>					
<b>Lietuvos Taupomasis Bankas</b>	To be the leading retail banking service provider, optimal use of its wide infrastructure and improvement of retail service	Placed on privatization lists; no other bank has such a strong physical presence in the market; assets and liabilities of the liquidated State Commercial Bank were transferred to LTB	44 + ~400 sub-branches	460	1.3
<b>Lietuvos Žemės Ūkio Bankas</b>	Universal bank with strong focus on agriculture; strengthening of subsidiaries and improvement of the branch network	To be privatised this year; will be sold to a strategic investor	46	365	-8.2





## BANKAS HERMIS

## BANKING

<b>Address:</b>	Jogailos g. 9/1, 2001 Vilnius	<b>Established:</b>	1991
<b>Phone:</b>	(370-2) 226165	<b>Number of employees:</b>	791
<b>Fax:</b>	(370-2) 261210	<b>Authorised capital (LTL m):</b>	90
<b>Registration date:</b>	17/12/91	<b>Capitalisation (LTL m) (01/07/98):</b>	224
<b>Registration code:</b>	1202343		

<b>Auditor:</b>	Price Waterhouse	<b>Trading List:</b>	Official
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**Supervisory Board** (participation in the company): Jonas Karčiauskas, Chairman (1.02%), Leonas Jankus (0.34%), Roberto Marzanati (0%), Petras Ardavičius (0.015%), Nijolė Dumbliauskienė (0%), James V. Fuller (0.08%), Romualdas Jadenkus (0.31%), Juozas Macevičius (0.099%), Julius Novickas (2.06%), Antanas Šležas (0.11%)

**Management Board:** Nadiežda Novickienė, Chairperson (1.19%), Steponas Vytautas Jurna (0.16%), Algirdas Motulas (0.019%), Vytautas Polujanskas (0.002%), Vytautas Dinda (0.14%), Andrius Ignotas (0.004%)

**Investment Relations:** Rima Larionovaitė, tel. (370-2) 226 335

## BANKING HISTORY

BANKAS HERMIS was established in October 1991 and became one of the first private banks to be operating in Lithuania. BANKAS HERMIS has accumulated immense banking experience, trained a number of highly-qualified staff and has rapidly developed into a reliable financial institution renowned for the excellence of its services. Bank's primary objectives are to support private business, to contribute to the economic development of Lithuania, as well as to strengthen its positions in the domestic and foreign financial markets.

## BUSINESS ACTIVITY

The bank provides over 200 banking and financial services including opening of current, savings accounts and time deposits, foreign exchange trading, loans for legal entities and individuals, safekeeping services, encashment and selling of travellers' cheques, VISA and AMERICAN EXPRESS cards, securities services, financial and legal consultancy, etc.

## DEVELOPMENTS IN 1997

The sixth year of the bank's operations was successful. During the year, a business plan and a strategy for 1997-2001 have been elaborated, share capital and equity increased, and the bank's position strengthened: market share of assets grew from 8.9% to 13.8%, of loans from 6.6% to 13.8%, of deposits from 10.3% to 13.5%, and of capital from 22.2% to 30.2 per cent.

In 1997, HERMIS was recognised as the most rapidly developing Lithuanian bank. During last year the bank's assets, portfolio of loans, number of clients and amounts deposited all doubled. At the year end, the bank's assets amounted to LTL 1,152.4 million.

Lending operations, customarily, made up the greatest share of assets that compared to the previous year increased from 43% to 48 per cent. At the end of 1997, the loan portfolio amounted to LTL 552.3 million. Special provisions in excess of LTL 39.8m were made in respect of the balance.

During 1997, investments into securities increased by LTL 90.7m, i.e., by almost 80 per cent. Last year their share within total assets amounted to 18% or LTL 205.8 million. Last year the bank invested into the equities of local financial institutions. HERMIS acquired 9.6% of the Lietuvos Žemės Ūkio Bankas stock and increased its stake in the share capital of Šiaulių Bankas up

to 22 per cent. The bank was one of the founders of the Lithuanian Export and Import Insurance Company by acquiring 24% of the stock. At the beginning of 1997, HERMIS established a subsidiary HERMIS Lizingas (leasing) and invested LTL 0.5m into its share capital.

During 1997, the bank's capital more than doubled. The shareholders' equity increased due to a successful distribution of shares for the total nominal value of LTL 23 million. One third of the issue was very successfully distributed in the form of GDRs to foreign investors in Western financial markets. Thus the stake held by foreign investors increased from 74% to 79 per cent. The bank's share capital augmented from LTL 67m to LTL 90 million. The issue price of new shares was three times higher than the nominal value, hence shareholders' equity increased to LTL 162 million.

In 1997, HERMIS generated LTL 27.4m of net profit. The group's net profit amounted to LTL 27.5 million. The bank's ratio - net earnings per share - is 20.32, while the same of the group is 20.35.

Last year BANKAS HERMIS achieved the strategic objective of having the bank's branches in all regional centres of Lithuania. At present, the network consists of 17 branches and 2 agencies. In 1997 the branches earned 40% of the total income.

In 1997, HERMIS banking activities were evaluated by two international rating agencies - Thompson BankWatch-Bree (TBWB) and IBCA. In general, the ratings assigned by both the agencies do not differ: the long-term rating BB corresponds to the analogous Lithuanian senior debt rating, and the short-term national currency debt ratings LC-2 by TBWB and B by IBCA are among the highest speculative ratings in the scale.

In the middle of 1997, HERMIS was the first bank in the Lithuanian banking history to be granted a syndicated loan by foreign financial institutions without the government guarantee. The loan of US\$ 10m for 1 year was arranged by the Austrian Bank Raiffeisen Zentralbank Osterreich AG. At the end of the year, mediated by Societe Generale, BG International and Dresdner banks, HERMIS was granted a loan of US\$ 20m for 3 weeks with a favourable interest rate of LIBOR +0.55 per cent.

From the very outset of the banking operations, HERMIS has been actively supporting the development of private business in Lithuania and credited small and medium-sized enterprises, participated in the special EU PHARE programme.

BANKAS HERMIS is a universal bank, thus it is expanding several fields of activities. One of these is retail banking. The bank is implementing the Housing Crediting programme and actively participates in the Building Renovation programme, thus helping citizens solve their housing problems. HERMIS is also developing financing of durable goods through hire purchase contracts. Last year the bank started distributing VISA GOLD and VISA ELECTRON cards.

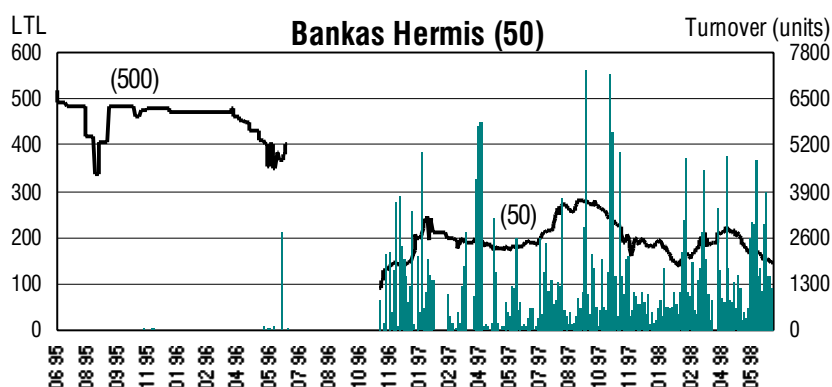
In order to develop new investment banking services in the Lithuanian market, HERMIS established new investment banking units - the Corporate Finance Department, the Assets Management Department and the Investment Research Department. HERMIS bank was the first underwriter of corporate convertible bonds in the Baltic states.

In 1997, HERMIS completed one of the biggest projects - introduced electronic on-line banking system EOS which links the head office with all the seventeen branches. This system ensures automated accounting, loan management, permits to develop electronic banking services.

## PLANS, PROSPECTS FOR 1998

BANKAS HERMIS will follow the strategic plan developed for the period until 2001 that sets the bank's objectives, priorities and outlines measures to achieve them. The bank intends to expand its share in the Lithuanian banking market, to maintain high profit margin and sufficient return on shareholders' equity. In the nearest future the bank will channel major part of investments into new technologies: development of EOS, expansion of the local network, acquisition of hardware and software. Priority will be given to distribution of payment cards, widening their choice, as well as to the implementation of the Housing Crediting programme.

In 1998, BANKAS HERMIS will establish two more subsidiaries: HERMIS Finansai (finance) and HERMIS Asmens Draudimas (personal insurance). The other two subsidiaries HERMIS Lizingas (leasing) and HERMIS Draudimas (insurance) will widen the range of non-banking services. With the top quality services, HERMIS expects to grow rapidly and be known as a competitive, profitable and favoured bank.



## TRADING STATISTICS

	1996	1997	1-2Q 1998
<b>PRICE (LTL)</b>			
First	91.00	206.40	190.00
Max	206.40 (12.31)	282.00 (09.05)	225.71 (04.20)
Min	91.00 (11.05)	158.80 (11.21)	139.00 (02.05)
Last	206.40 (12.31)	190.00 (12.31)	144.77 (06.30)
Change (%)	126.81	-7.95	-23.81
Number of transactions (CM)	346	2724	3549
Turnover CM (units)	-	192076	133932
Turnover CM (LTL)	6043672	42039133	23833804
Turnover BT (units)	-	668309	420607
Turnover BT (LTL)	13842641	134825272	73942191
CM turnover as % in total	30.39	22.32	24.15
Total turnover (units)	-	860385	554539
Total turnover (LTL)	19886 313	176864405	97775996
Turnover ratio (%)	-	79.13	35.84
As % in the total share turnover	10.53	18.44	21.281

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)	106468	206596
Share book value (LTL)	54.86	96.01
Price / book value ratio [P/BV]	3.76	1.98
Earnings per share (LTL)	24.06	16.92
Price / earnings ratio [P/E]	8.56	11.2
Price / loan portfolio	1.39	0.66
Price / deposits	0.70	0.41

\*Face value since 05/11/96 - LTL 50

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 90,000,000

### Ordinary shares:

- 1547350 registered shares at LTL 50 par (security code 10057) accounting for 85.96% of the auth. capital (admitted to trading at the NSEL on 23.11.93, listed on the Official List on 07.04.97)

## STRUCTURE OF OWNERSHIP

EBRD	14.19%
Bank of New York	10.30%
Swedfund Financial Markets	8.96%
Eesti Uhispank	8.34%
Unibanka	8.56%
Vilniaus Bankas	4.95%

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
HERMIS Lizingas (leasing)	1997	LTL 1m	50%
HERMIS Draudimas (insurance)	1992	LTL 3.13m	30%

## BANKAS HERMIS

	IAS (1996,1997)	Group 1997	Bank 1997	Bank 1996
<b>BALANCE SHEET (LTL thou)</b>				
<b>ASSETS</b>				
Cash, precious metals and other valuables		37407	37407	37151
Placements with central banks		104408	104408	39876
Placements with credit and financial institutions		177683	177683	72026
Net loans to credit and financial institutions		8800	8800	10000
Short term treasury bills		163664	163664	113051
Net loans granted		502459	512464	198445
Finance lease receivable		6205	-	-
Debt securities		6007	6007	-
Equity investments		35697	36197	2080
Intangible assets (less amortisation)		94	91	719
Tangible fixed assets (less depreciation)		72520	71338	42973
Accrued income and deferred expenses		6856	7166	11852
Other assets		30148	27231	5454
<b>TOTAL ASSETS</b>		<b>1151948</b>	<b>1152456</b>	<b>533627</b>
<b>LIABILITIES</b>				
Liabilities to central banks		4845	4845	4859
Amounts due to credit and financial institutions		2000	2000	1618
Liabilities to credit and financial institutions		137190	137190	52614
Deposits and letters of credit		768063	770005	364795
Special and lending funds		64338	64338	30293
Accrued expenses and deferred income		5232	5232	2333
Other liabilities		7240	6395	3562
Total liabilities		988908	990005	460074
Minority interests		544	-	-
<b>SHAREHOLDERS' EQUITY</b>				
<b>Capital and reserves</b>				
registered share capital		88400	88400	67000
share premium		43479	43479	206
revaluation reserve		(1019)	(1019)	(2351)
retained earnings		961	961	(21900)
current year profit		27497	27452	27421
other capital and reserves		3178	3178	3177
<b>Total shareholders' equity</b>		<b>162496</b>	<b>162451</b>	<b>73553</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1151948</b>	<b>1152456</b>	<b>533627</b>
<b>INCOME STATEMENT (LTL thou)</b>				
Interest income		73368	72995	61020
Interest expenses		23156	23173	17599
<b>Net interest income</b>		<b>50212</b>	<b>49822</b>	<b>43421</b>
Expenses for provisions		10366	10366	9408
<b>Net interest income after specific provisions</b>		<b>39846</b>	<b>39456</b>	<b>34013</b>
Service fees and commission income		30677	30538	19103
Service fees and commission expenses		4715	4715	1468
<b>Net interest, service fees and commission income</b>		<b>65808</b>	<b>65279</b>	<b>51648</b>
Income on equity investments		67	67	-
Profit from operations in foreign currency		10124	10042	12738
Profit from operations in securities and financial instruments		88	88	82
<b>Net result from primary activities</b>		<b>76087</b>	<b>75476</b>	<b>64468</b>
Operating expenses		45911	45444	32560
Depreciation and amortisation		2980	2959	2737
Expenses for other specific provisions		(120)	(120)	878
<b>Net result from ordinary activities</b>		<b>27316</b>	<b>27193</b>	<b>28293</b>
Net result from extraordinary activities		270	259	(345)
<b>Profit before taxes</b>		<b>27586</b>	<b>27452</b>	<b>27948</b>
<b>Profit tax</b>		<b>45</b>	<b>-</b>	<b>527</b>
<b>Net profit</b>		<b>27541</b>	<b>27452</b>	<b>27421</b>
<b>CASH FLOW STATEMENT (LTL thou)</b>				
<b>Operating activities</b>				
Operating result		33205	32822	25518
Change in short term assets		(513593)	(514933)	(94410)
Change in liabilities		521847	522944	146980
Payment of profit tax		(45)	-	(527)
Net cash flow from operating activities after taxes		41414	40833	77561
<b>Investing activities</b>				
(Purchase) and sale of tangible fixed and intangible assets		(24627)	(23421)	(16495)
(Investments) in and sale of securities		(38622)	(39122)	(47830)
Interest received		11633	11633	12614
Net cash flow from investing activities		(51616)	(50910)	(51711)
<b>Financing activities</b>				
Issue of shares		67009	66884	41087
Purchase of own shares		(7300)	(7300)	-
Dividends paid		(3471)	(3471)	(2618)
Net cash flow from financing activities		56238	56113	38469
<b>Increase (decrease) in cash</b>				
Cash as at 31 December		163089	163089	117053
Cash as at 1 January		117053	117053	52734



## LIETUVOS TAUPOMASIS BANKAS

## BANKING

<b>Address:</b>	Savanorių pr. 19, 2015 Vilnius	<b>Established:</b>	1919
<b>Phone:</b>	(370-2) 232372, 232370	<b>Privatised:</b>	1992
<b>Fax:</b>	(370-2) 232324	<b>Number of employees:</b>	3500
<b>Registration date:</b>	28/12/93	<b>Authorised capital (LTL m):</b>	82.3
<b>Registration code:</b>	1202965	<b>Capitalisation (LTL m) (01/07/98):</b>	74.1
<b>Auditor:</b>	Price Waterhouse	<b>Trading List:</b>	Current

**Supervisory Board** (participation in the company): Rimas Survila, Chairman (0%), Giedrius Rimša (0%), Robertas Martinkus (0.0004%), Steponas Vaičiškuskas (0.595%), Stasys Vaitkevičius (0%)

**Management Board:** Romualdas Visokavičius, Chairman (0%), Povilas Milašauskas (0%), Algirdas Skripėta (0%), Janina Akstinienė (0%)

**Investment Relations:** Vytenis Jurkus, tel. (370-2) 233 279

## CORPORATE HISTORY

LIETUVOS TAUPOMASIS BANKAS (Lithuanian Savings Bank, LTB) has gradually emerged out of state savings departments, the first of which was established in 1919. State savings departments operated during all occupations, however, their functions at transition periods were limited. In 1986, when the Soviet Bank System was undergoing reorganisation, Lithuanian savings departments were integrated into the Savings and Citizens' Crediting Bank of the USSR. After the independence was restored in 1990, the bank was transformed into the LTB. In October of the same year, it was granted the status of the state bank. In 1993, the bank was registered as a state public bank with the share capital in excess of LTL 10 million. In 1995, the bank's share capital doubled, in 1996, it was again raised by LTL 20m and totalled LTL 40 million. After a new share issue in 1996, the state interest in the bank came to 74.25 per cent.

With the placement of LTL 2.2m ordinary shares in 1997, the authorised capital of the bank reached LTL 82.3 million.

## BUSINESS ACTIVITY, DEVELOPMENTS IN 1997

LTB is a universal retail bank that renders services to mainly individuals, representatives of small and medium-scale business and state institutions. LTB is often referred to as "Nations bank" - 2.5m accounts are held with the bank, while individual deposits amount to LTL 1.3 billion. LTB holds a 57% share of the individual deposits market. LTB uses the largest network in the country: it operates 44 departments and over 400 branches.

LTB is the largest Lithuanian bank in terms of assets. During 1997, assets grew by 60% and totalled LTL 1.8bn, including LTL 1391m of assets generating income. During last year, more than 5 thou new accounts of legal entities were opened. The bank's loan portfolio increased by LTL 89.07m or by 17.63 per cent. Assets profitability stood at 0.36% and assets reached 12.05 per cent.

In June of 1997, the bank's Supervisory Board appointed a new Management Board. Following Western experience and recommendations, bank's management structure underwent considerable changes: a new management structure was introduced with the focus on regional management across the country; Assets and Liabilities Management Committee, as well as LTB Automation and Policy departments started their operations, new regulations were enforced in order to stimulate activities of the Credit Department and Loan Committee. The bank paid exceptional attention to the improvement of loan portfolio and introduction of new credit products. Last year LTB opened new Risk Management, Doubtful Assets, Asset Management and Vindication departments. In mid-1997, the bank established its leasing subsidiary LTB Lizingas.

Last year bank's Specialised Financial Brokerage Division was more active on the Lithuanian securities market both as a

broker and dealer. LTB SFBD focused on the Lithuanian Government T-bills and did almost 15% of all trading in T-bills on the National Stock Exchange of Lithuania.

In 1997, LTB concentrated on modernising the bank's information technology. Modern communication networked the whole bank into a single information system. The bank announced a public tender to purchase banking information system and short-listed six vendors. Installation of Reuters information and trading system facilitated trading on the foreign exchange market.

During 1997, number of MASTER and GLOBUS payment cards issued by the bank increased fourfold and closed the year with 12.8 thou in number. As a result, LTB held 16% of the Lithuanian payment cards market, while according to their turnover (over LTL 40m) it was bank number three.

LTB was the first company in Lithuania to issue subscription rights and have them traded on the National Stock Exchange of Lithuania in October-November 1997.

Year 1997 brought LTL 5.2m of net profit to the LIETUVOS TAUPOMASIS BANKAS.

## PLANS, PROSPECTS FOR 1998

LTB aims to keep position of the retail banking leader. The bank plans to increase its loan portfolio by LTL 350m or 66.4 per cent. Taking into account overall macroeconomic development, further drop in lending interest rates is expected (average 11% is foreseen).

LTB intends to grant loans to citizens and building organisations on the Housing programme and to credit purchase of durable consumer goods. With the adoption of law on Mortgage, the bank will extend mortgage loans.

LTB will introduce and develop new products and services, such as Telebank, electronic banking, transfer of deposits by fax, payment for public utilities with the help of Globus card. It will extend overdraft facilities to include citizens, issue CIRCUS/MAESTRO cards, also distribute more Globus and EC/MC payment cards. In the nearest future, the bank plans to invest into development of specialised business, namely leasing, insurance and stock dealing.

The bank was forced to make serious adjustments in its business strategy due to the Government decision as of 26 March 1998 according to which LTB takes over performing assets and liabilities of the Lithuanian State Commercial Bank.

Following the bank's business plan for 1998, LTB intends to augment its assets by 33 per cent. The bank foresees that the amount of loans and deposits will increase by LTL 365m and LTL 505m, accordingly. In 1998 LTB anticipates profit of LTL 7-10 million.





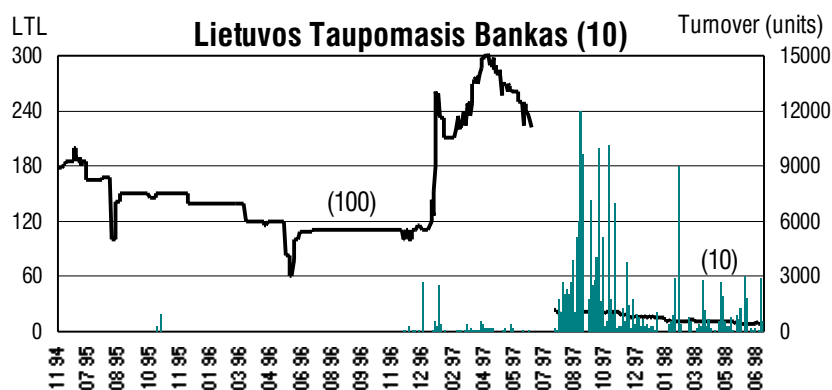
## LIETUVOS TAUPOMASIS BANKAS

CONSOLIDATED BALANCE SHEET (LTL thou)	IAS (1996,1997)	Group 1997	Bank 1997	Bank 1996
<b>ASSETS</b>				
Cash, precious metals and other valuables		51065	51065	53306
Placements with central banks		127421	127421	112175
Placements with credit and financial institutions		113217	113217	18104
Net loans to credit and financial institutions		-	2976	32383
Short term treasury bills		503690	503690	244678
Net loans granted		591116	591116	465885
Leasing		3285	-	-
Government securities for restructuring of banks		107820	107820	38700
Debt securities		105649	105649	6
Equity investment		5645	6845	2409
Intangible assets		605	599	1029
Tangible fixed assets		207792	207674	136067
Accrued income and deferred expenses		22708	22704	16899
Other assets		25251	24823	79285
<b>TOTAL ASSETS</b>		<b>1838426</b>	<b>1838761</b>	<b>1150394</b>
<b>LIABILITIES</b>				
Amounts due to credit and financial institutions		27	27	31
Liabilities to credit and financial institutions		2993	2993	709
Deposits and letters of credit		1536047	1536371	1031813
Special and lending funds		127158	127158	11277
Accrued expenses and deferred income		897	897	447
Other liabilities		96286	96154	53220
Total liabilities		1763408	1763600	1097497
<b>SHAREHOLDERS' EQUITY</b>				
Capital and reserves				
authorised share capital		60000	60000	40000
revaluation reserve		8425	8425	8551
retained earnings		28	28	(25.703)
current year profit		5063	5206	30032
other capital and reserves		1502	1502	17
Total shareholders' equity		75018	75161	52897
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1838426</b>	<b>1838761</b>	<b>1150394</b>
<b>OFF BALANCE SHEET ITEMS</b>				
Guarantees issued		1148	1148	3229
Commitments to issue letters of credit		1274	1274	156
Commitments to issue loans and credit lines		19817	19817	9423
Total commitments and contingencies		22239	22239	12808
Forward commitments				
Commitments to sell currency		22304	22304	-
Commitments to buy currency		22296	22296	-
<b>CONSOLIDATED INCOME STATEMENT (LTL thou)</b>				
Interest income		109559	109514	114570
Interest expenses		45141	45145	53114
<b>Net interest income</b>		<b>64418</b>	<b>64369</b>	<b>61456</b>
Expenses for provisions		(3054)	(3054)	(17297)
<b>Net interest income after provisions</b>		<b>67472</b>	<b>67423</b>	<b>78753</b>
Service fees and commission income		44797	44754	28466
Service fees and commission expenses		1757	1757	2185
<b>Net interest, service fees and commission income</b>		<b>110512</b>	<b>110420</b>	<b>105034</b>
Income on equity investments		19	19	-
Profit (loss) from operations in foreign currency		10445	10446	11952
Profit (loss) from operations from securities		329	334	193
<b>Net result from primary activities</b>		<b>121305</b>	<b>121219</b>	<b>117179</b>
<b>Operating expenses</b>		<b>99519</b>	<b>99344</b>	<b>83244</b>
Depreciation and amortisation				
depreciation of tangible fixed assets		6767	6765	8533
amortisation of intangible assets		825	824	838
Total		7592	7589	9371
<b>TOTAL</b>		<b>6982</b>	<b>6931</b>	<b>-</b>
Net result from ordinary activities		7212	7355	24564
Net result from extraordinary activities		(2149)	(2149)	5513
Profit before taxes		5063	5206	30077
Profit tax				
Net profit		5063	5206	30032
Earnings per share		0.96	0.98	13.08
Earnings per LTL 1 of share		0.096	0.098	1.308

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
LTB Lizingas (leasing)	1997	LTL 1m	100%

	Group	Bank	Bank
<b>CONSOLIDATED CASH FLOW STATEMENT (LTL thou)</b>			
<b>Operating activities</b>			
Income (expenses)			
Interest income	72870	72831	118556
Interest expenses	(44117)	(44113)	(35819)
Collected perviously written-off loans	399	399	156
Net income from operations in foreign currency	10414	10414	11980
Net income from operations in securities	334	334	193
Net income from service fees and commissions	44152	44108	28078
Salaries and related expenses	(63009)	(62869)	(63235)
Other income (expenses)	(40526)	(40497)	(22800)
Operating result	(19483)	(19393)	37109
(Increase) decrease in short term assets	(489482)	(489894)	(169272)
(Increase) decrease in liabilities	640119	640324	136445
Net cash flow from operating activities before taxes	131154	131037	4282
<b>Profit tax paid</b>			
Net cash flow from operating activities after taxes	131154	131037	4282
<b>Investing activities</b>			
(Purchase) and sale of tangible and intangible fixed assets	(31438)	(31311)	1290
(Investments) into securities and sale thereof	(107707)	(107707)	(1130)
Dividends received	19	19	-
Interest received	31131	31115	-
Cash flow from other investing activities	(894)	(888)	-
Net cash flow from financing activities	(108889)	(108772)	160
<b>Financing activities</b>			
Issue of shares	5265	5265	20000
Dividends paid	(2800)	(2800)	-
Cash flow from financing activities	-	-	19200
Net cash flow from financing activities	2465	2465	39200
Increase (decrease) in cash	24730	24730	43642
Cash as at 1 January (Note 24)	163324	163324	119682
Cash as at 31 December (Note 24)	188054	188054	163324



## TRADING STATISTICS

	1996	1997	1-2Q 1998
<b>PRICE (LTL)</b>			
First	140.00	110.00	15.50
Max	140.00 (03.14)	25.00 (07.29)	16.99 (01.05)
Min	61.00 (05.30)	14.60 (11.25)	8.01 (05.20)
Last	110.00 (12.23)	15.50 (12.31)	9.00 (06.29)
Change (%)	-21.43	-38.00	-41.94
Number of transactions (CM)	108	2045	297
Turnover CM (units)	3923	-	53000
Turnover CM (LTL)	427234	6368389	545290
Turnover BT (units)	0	-	189088
Turnover BT (LTL)	0	16948441	2016815
CM turnover as % in total	100.00	27.31	21.89
Total turnover (units)	3923	-	242088
Total turnover (LTL)	427234	23316830	2562104
Turnover ratio (%)	1.96	-	2.94
As % in the total share turnover	0.23	2.43	0.56

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)	22000	93000
Share book value (LTL)	132.24	12.53
Price / book value ratio [P/BV]	0.83	1.24
Earnings per share (LTL)	75.08	0.87
Price / earnings ratio [P/E]	1.47	17.86
Price / loan portfolio	0.10	0.16
Price / deposits	0.04	0.06

\*Face value since 29/07/97 - LTL 10

## STRUCTURE OF SHARE CAPITAL

Authorised capital: LTL 82,332,320

### Ordinary shares:

- 8233232 registered shares at LTL 10 par (security code 10062) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 02.11.93)

## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 4128.

Government	- 81.16%
EL SIS UAB	- 2.33%

## LIETUVOS ŽEMĖS ŪKIO BANKAS

BANKING

<b>Address:</b>	J. Basnavičiaus g. 26, 2600 Vilnius	<b>Established:</b>	1987
<b>Phone:</b>	(370-2) 239060, 239095	<b>Privatised:</b>	due in 1998
<b>Fax:</b>	(370-2) 239057, 239056	<b>Number of employees:</b>	2383
<b>Registration date:</b>	13/09/93	<b>Authorised capital (LTL m):</b>	170.8
<b>Registration code:</b>	1202927	<b>Capitalisation (LTL m) (01/07/98):</b>	198.7

<b>Auditor:</b>	<b>Deloitte &amp; Touche</b>	<b>Trading List:</b>	<b>Current</b>
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**Supervisory Board** (no participation in the company): Jonas Lionginas (Chairman), Laima Urbšienė, Andrius Ignotas, Jonas Oišauskas, Lina Skorochodovaitė

**Management Board** (no participation in the company): Jonas Dieninis (Chairman), Sigutė Dindaitė, Stasys Vėlyvis, Vaidotas Aleksius, Robert Anuškevič, Antanas Malikėnas

**Investment Relations:** Nikolajus Masejevas, tel. (370-2) 239 065

## CORPORATE HISTORY

The establishment of LIETUVOS ŽEMĖS ŪKIO BANKAS (Agricultural Bank of Lithuania, LŽŪB) was based on the reorganisation of the former USSR Agriindustry Bank's branch in Lithuania. This branch, as well as the majority of other former USSR banking institutions in Lithuania, after restoration of Lithuania's independence in 1990, was taken under direct control of the Republic of Lithuania. The Agricultural Bank was granted status of the state bank. During the banking reform in Lithuania in 1993, the bank was reorganised into the state public bank. The registered share capital of the bank was LTL 20m, 51% of which were owned by the Ministry of Finance of Lithuania.

Up to 1998, the share capital of the bank was raised three times. After the revaluation of long term assets in the beginning of 1996, the share capital of the bank increased to LTL 35 million. In July 1996, the share capital was raised to LTL 128.02m out of supplementary contributions. With a new issue, Ministry of Finance participation increased up to 86.4 per cent. Finally, the share capital of the bank was raised in December 1997. After a new issue out of supplementary contributions saw light, the share capital of the bank totalled LTL 170.9 million. The general shareholders' meeting approved size of the share capital and decided to increase the share capital once again up to LTL 194.2 million. The new issue was registered with the Securities Commission at the beginning of April 1998.

Privatisation of LŽŪB is anticipated to commence in the second half of 1998. The advisor for preparation and implementation of the privatisation program is an international consortium headed by Deloitte & Touche (other members of the consortium being the international finance company Nomura International and the Lithuanian brokerage company Vilfima).

## BUSINESS ACTIVITY

LŽŪB is one of the largest banks in the country. Its assets at the end of 1997 amounted to LTL 1.4bn and accounted for more than 20% of all assets of the Lithuanian banks. There are 46 branches of LŽŪB all over the country.

Chiefly, the bank is engaged in crediting of the agricultural and processing industry. Credits granted to these sectors account for about 50% of the whole bank's loan portfolio.

The bank is a member of GLOBUS organisation and has an exclusive right to distribute ETN discount cards in Lithuania. The bank signed agreements with 700 institutions which accept cards GLOBUS and EUROCARD/MASTERCARD to pay for goods and services. 17 ATMs of LŽŪB were functioning at the end of 1997 and 9000 clients were using this service.

The bank actively participates in the money market. Bank's dealers use Reuters "Money 2000" information system that gives immediate updates of the currency prices. Foreign exchange

and money market deals are concluded with about 50 foreign banks and financial institutions. The bank maintains correspondent relations with 42 foreign banks. The majority of settlements are carried out through the Republic National Bank of New York, Credit Swiss First Boston, American Express Bank, Deutsche Bank and Dresdner Bank. The SWIFT communication system allows the bank to effectively execute different types of settlements.

LŽŪB takes part in the Lithuanian securities market. The bank's brokers execute transactions with securities on behalf of their clients as well as on behalf of the bank. Since 1995, when the Specialised Financial Brokerage Division was established, brokers were mostly involved in trading Lithuanian Government Treasury Bills. At the end of 1997, the bank was one of the leaders on the T-bills market. In the mid-1997, the bank started investing in the stock market. The bank's share portfolio constituted about LTL 2m, while T-bills portfolio amounted to LTL 263.3m by the end of the year.

LŽŪB fulfills its vision and goals through successful Twinning Project with Rabobank, Netherlands. Besides LŽŪB has a Bad Loan Work out Project drawn up in co-operation with Credit Agricole and Arthur Andersen.

## DEVELOPMENTS IN 1997

In 1997, LŽŪB successfully expanded. The share capital was raised by issuing LTL 42.8m shares out of supplementary contributions. The bank's assets increased from LTL 1.2bn to LTL 1.46bn or by 14.4 per cent.

During 1997, the bank enlarged the scope of its activities. New services were launched: insurance services were offered to the public through an insurance subsidiary - closed joint stock company Lithuanian Agriculture Insurance; the bank started accepting payments for public utilities, etc.

Revenue from the interest rate totalled LTL 129.7m and constituted 68.6% of the total income. 15.7% of revenue (LTL 28m) were generated from the services provided and commissions. Bank's profit for the year 1997 without special provisions for bad debts amounted to LTL 24.6 million.

However, in order to reduce assets risk, the bank introduced strict crediting policy and reduced the bank's branches competence for issuing loans. At the end of the year, special provisions for bad or doubtful assets increased by LTL 57.5m and the final loss in 1997 was LTL 32.8 million. The bulk of the special provisions fell on the loans granted during 1993-1996.

Due to the bank's problems, some changes were made in the management. The Management Board was dismissed in November and the overall organisational structure of the bank was changed.

At the end of May 1997, the list of 10 major banks of the Baltic states was announced - LŽŪB ranked in the 7th position.

Last year the bank participated by US\$ 2m in granting a syndicated loan to the Russian Bank Sberbank.

## PLANS, PROSPECTS FOR 1998

Privatisation of LŽŪB remains the first issue of importance. In March of 1997, the Parliament of the Republic of Lithuania passed the law on Privatisation of the Lithuanian State Commercial Bank and the Agricultural Bank of Lithuania. The privatisation strategy was approved in February 1998. In the nearest future the Government will determine privatisation terms and the bank is expected to be privatised by the way of public tender by the end of 1998.

Taking into consideration the present state of the financial market as well as risk, LŽŪB will pursue a conservative but flexible policy of interest rates and loan granting. The bank's goal for the coming year is to increase loan portfolio by 20 per cent. The bank will aim to attract new clients not only from the agriculture sector, but from others too, offering new credit products.

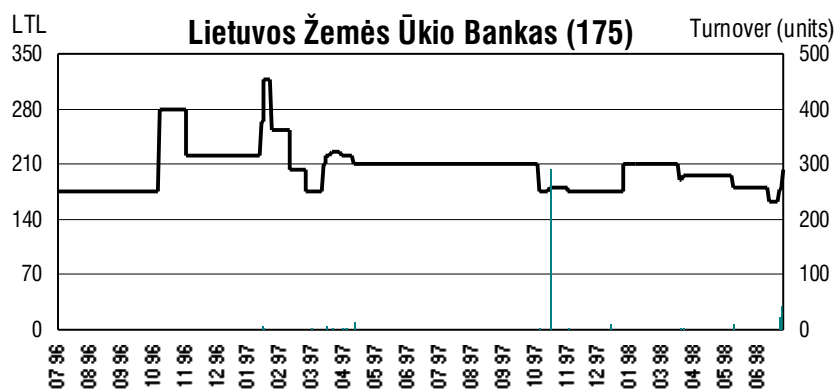
Some changes are anticipated in the bank's business. The

bank will pay more attention to the improvement of the internal management procedures. It should help the bank reduce risks as well as handle risk management in a better way. In order to accomplish this goal, bank's organisational structure will be enhanced, closer notice will be taken of restructuring and management of the branch offices across the country. The administration expenses will be reduced with the introduction of a new banking information system in the branch offices.

Taking into consideration the forthcoming privatisation, in 1998, LŽŪB will aim at obtaining an international rating, establishing new relations in the international markets and retaining the greatest values of the bank - customers and sound reputation.

With expansion of the scope of services, the bank intends to offer new products such as leasing and insurance through its leasing and insurance subsidiaries.

The bank pursues to become a truly universal bank. LŽŪB focuses on the international banking management principles, strong financial position of the bank, long-term relationship with the customers, high quality, attractive and affordable products and services for corporations and the public.



## TRADING STATISTICS

	1996	1997	1-2Q 1998
<b>PRICE (LTL)</b>			
First	175.00	220.00	175.00
Max	280.00 (11.07)	175.00 (12.31)	210.00 (03.18)
Min	175.00 (07.09)	316.00 (02.05)	162.00 (06.24)
Last	220.00 (11.12)	175.00 (12.30)	203.46 (06.30)
Change (%)	25.71	-20.45	16.26
Number of transactions (CM)	4	47	44
Turnover CM (units)	2	345	195
Turnover CM (LTL)	395	64024	37475
Turnover BT (units)	0	89413	255
Turnover BT (LTL)	0	15647275	8555
CM turnover as % in total	100.00	0.38	43.33
Total turnover (units)	2	89758	450
Total turnover (LTL)	395	15711299	46030
Turnover ratio (%)	0.00	12.27	0.05
As % in the total share turnover	0.00	1.64	0.01

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)	44000	128020
Share book value (LTL)	92.24	79.40
Price / book value ratio [P/BV]	2.39	2.20
Earnings per share (LTL)	34.89	-33.63
Price / earnings ratio [P/E]	6.31	-
Price / loan portfolio	0.18	0.22
Price / deposits	0.15	0.13

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 170,895,550

### Ordinary shares:

- 976546 registered shares at LTL 175 par (security code 10017) accounting for 100% of the auth. capital (admitted to trading at NSEL on 28.08.95)

## STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 2587.

Ministry of Finance	86.04%
Hermis Bank	9.99%
Brokerage Ringlitas	1.50%
Farmacija	0.51%
Leovila Ltd	0.65%

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
LŽŪB Draudimas (insurance)	1997	LTL 2m	100%
LŽŪB Lizingas (leasing)	1998	LTL 2m	100%



## LIETUVOS ŽEMĖS ŪKIO BANKAS

BALANCE SHEET (LTL thou)	IAS (1996, 1997)	1997	1996
<b>ASSETS</b>			
Cash and cash equivalents		216248	61058
Due from Bank of Lithuania		35138	127079
Loans and advances to customers, net		753038	916443
Investments		270708	17790
Other assets, net		78613	67428
Fixed assets, net		96608	85012
<b>TOTAL ASSETS</b>		<b>1450353</b>	<b>1274810</b>
<b>LIABILITIES</b>			
Due to Bank of Lithuania		29913	68276
Due to other banks		16908	6365
Amounts due to Lithuanian Government		402180	355104
Current and term deposit accounts		904619	765540
Other liabilities		19195	12045
<b>Total liabilities</b>		<b>1372815</b>	<b>1207330</b>
<b>SHARE CAPITAL, RESERVES AND DEFICIT</b>			
Share capital		170896	128021
Legal reserve		24944	24944
Revaluation reserve		5821	5798
Accumulated deficit		(124123)	(91283)
Total share capital, reserves and deficit		77538	67480
<b>TOTAL LIABILITIES, SHARE CAPITAL AND RESERVES</b>		<b>1450353</b>	<b>1274810</b>
<b>PROFIT AND LOSS ACCOUNTS (LTL thou)</b>			
		<b>1997</b>	<b>1996</b>
Interest income		118324	165296
Interest expenses		41963	57817
<b>Net interest income</b>		<b>76361</b>	<b>107479</b>
Fees and commission income, net		17562	17250
Foreign exchange profit, net		7412	8231
Income from investment activities		10168	3050
Other operating income		12912	24864
<b>Total income</b>		<b>124415</b>	<b>160874</b>
Provision for loan losses		50813	35635
Provision for other assets losses		5424	-
Provision for correspondent losses		361	-
Provision for guarantee losses		926	-
Net income after provision		66891	125239
Salaries and related social expenses		55899	46429
Depreciation expenses		12407	6489
Other administrative expenses		32027	21936
Net adjustment for foreclosed assets held for resale		(602)	19627
<b>(Loss) Profit before taxation</b>		<b>(32840)</b>	<b>30758</b>
<b>Taxation</b>		<b>-</b>	<b>5235</b>
<b>Net (loss) profit</b>		<b>(32840)</b>	<b>25523</b>
<b>STATEMENT OF CASH FLOW (LTL thou)</b>			
		<b>1997</b>	<b>1996</b>
<b>Cash flows from operating activities</b>			
Interest and commissions receipts		146406	181256
Interest payments		(41963)	(57817)
Cash payments to employees and suppliers		(80710)	(75519)
Income tax payments		(248)	(5235)
Operating profit before changes in operating assets		23485	42685
<b>Changes in operating assets and liabilities</b>			
Due from Bank of Lithuania		91941	(70927)
Funds advanced to customers, net of repayments		109319	(46806)
Other assets		(11185)	(6069)
Due to other banks		(27820)	13012
Deposits from customers		139079	68142
Other liabilities		7150	16854
Net cash from operating activities		331969	16891
<b>Cash flows from investment activities</b>			
Interest received		10168	3050
Net change in investments		(252918)	(6933)
Purchases of fixed assets		(23980)	(6963)
Net cash from investment activities		(266730)	(10846)
<b>Cash flows from financing activities</b>			
Increase in share capital		42875	721
Increase in amounts due to government		47076	13427
Net cash from financing activities		89951	14148
<b>Net increase in cash</b>		<b>155190</b>	<b>20193</b>
Cash and cash equivalents at beginning of the period		61058	40865
Cash and cash equivalents at end of the period		216248	61058

## LITIMPEKS BANKAS

## BANKING

<b>Address:</b>	Vilniaus g. 28, 2600 Vilnius	<b>Established:</b>	1991
<b>Phone:</b>	(370-2) 220369, 223458	<b>Number of employees:</b>	501
<b>Fax:</b>	(370-2) 221144	<b>Authorised capital (LTL m):</b>	64
<b>Registration date:</b>	10/06/91	<b>Capitalisation (LTL m) (01/07/98):</b>	60.9
<b>Registration code:</b>	1202233		
<b>Auditor:</b>	<b>Coopers &amp; Lybrand</b>	<b>Trading List:</b>	<b>Current</b>

**Supervisory Board** (participation in the company): Kęstutis Šumacheris, Chairman (0.19%), Christian Eyvind Kjølaas (0%), Virgilijus Arlauskas (0%), Bjorn Knappskog (0%), John Patrick Love (0%), Sverre Walter Rostoft (0%), Juri Tšalei (0.31%)  
**Management Board:** Gintautas Preidys, Chairman (0.11%), Remigijus Bagdonas (0%), Eugenijus Čerškus (0%), Jonas Bobelis (0%)  
**Investment Relations:** Augustinas Deksnys, tel.: (370-2) 221 089, 221 304

### CORPORATE HISTORY

The bank started the year 1997 with the stock capital in excess of LTL 41.1 million. In 1997, the international audit firm KPMG carried out audit of the LITIMPEKS annual accounts in accordance with international accounting standards. KPMG reported that due to special provisions for bad and doubtful debts (LTL 40.4m) bank's equity as of 31 December 1996 became negative. Consequently, the general shareholders' meeting held in March 1997 resolved to annul 14037 ordinary shares for LTL 140,370, to reduce the share capital tenfold, i.e. from LTL 40.96m to LTL 4.1m, and to change face value per ordinary share from LTL 10 to LTL 1. In addition, the GSM decided to issue new shares in order to raise LTL 60m and to make basis for the bank's profitable activity. The face value and issue price of one share equalled LTL 1. The new issue was successfully placed, and in July 1997, the Bank of Lithuania registered LITIMPEKS share capital of LTL 64 million.

In November 1997, the shareholders made a decision to raise share capital up to LTL 214m and issue 149.9m ordinary shares at LTL 1 par. Issue price was set at LTL 1.1. Placement of the new issue is due June 1998.

### BUSINESS ACTIVITY

The bank performs all banking and financial operations established in the laws and regulations of the Republic of Lithuania. Chiefly, LITIMPEKS is engaged in accepting time and other deposits, extending loans, executing operations with securities and foreign currency.

On 31 December 1997, the bank held 29 thou accounts. Turnover of the bank's customers funds augmented from LTL 35m at the beginning of 1997 to LTL 50m at the end of the year.

LITIMPEKS has correspondent relations with 51 banks in 29 countries.

### DEVELOPMENTS IN 1997

Increase of the share capital to LTL 64m was a turning point in the bank's activity. Equity was restored to reach LTL 16.3 million. The bank's assets augmented by LTL 51m or 30 per cent. It allowed the bank to restore customers' reliance, to develop international relations and expand banking operations. The credit lines for foreign trade financing were reopened. LITIMPEKS expanded its activity in interbank market. Number of international payment orders as well as forex transactions rose approximately by 80 per cent.

In August 1997, new shareholders of the bank, 80% out of which are foreign investors, approved the bank's business strategy for the period until 2000. The plan has foreseen to raise the share capital, reorganise organisational and regional structure, increase share of assets that generate revenues. Following this strategy, LITIMPEKS focused on the efficiency of regional branches, closed down 6 unprofitable ones, reduced number of employees, etc.

Last year the bank developed new information technologies (programme EKAS LITIMPEKS) designed to provide electronic banking services to over 100 remote clients out of the bank's reach. A new information system, due to be installed in the first half of 1998, will enable the whole bank, including central and regional offices, to communicate in real time. In the nearest future, Internet facilities will be employed to offer more services to customers.

On 31 December 1997, the bank's assets constituted 2.61% of the total commercial banks' assets in Lithuania, deposits and loans made up 2.88% and 2.42%, accordingly. The bank completed the year with LTL 3.4m loss.

### PLANS, PROSPECTS FOR 1998

LITIMPEKS future plans include:

- increase of the share capital out of new funds (by LTL 150m);
- increase of the bank's assets and improvement of their structure;
- higher than required liquidity ratio (no less than 40-45%);
- focus on corporate clients: corporate loans, customised corporate services and consultations;
- full scope of brokerage services related to accounting, underwriting, acquisition and sale of securities;
- creation and introduction of new technologies to serve customers;
- expansion of electronic services in regions where the bank is absent;
- development of payment cards services;
- acquisition of liquid equities in fast - growing companies and funds;
- investments to others financial institutions.

LITIMPEKS anticipates to earn LTL 10.5m profit in 1998.



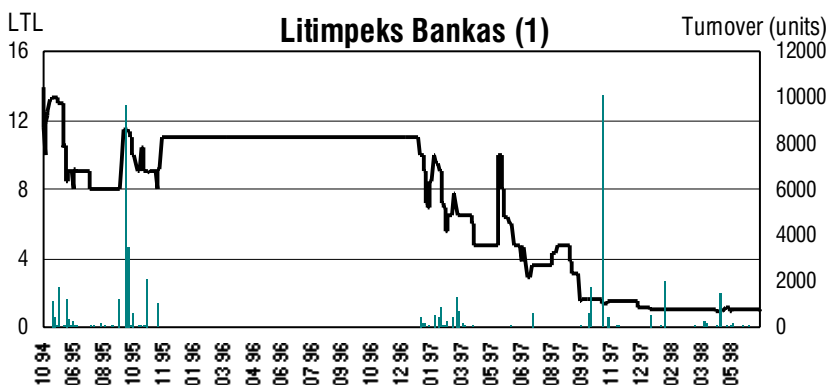
## LITIMPEKS BANKAS

BALANCE SHEET (LTL thou)	IAS (1996, 1997)	1997	1996
<b>ASSETS</b>			
Cash, precious metals and other valuables		11408	8204
Claims on central banks		20157	18620
Claims on credit institutions and financial institutions		21377	6115
Net value of loans to credit and financial institutions		3148	4000
Short-term government securities		3213	1308
Net value of granted loans		72720	58099
granted loans		100271	133448
(provisions)		(27551)	(75349)
Equity investments		1259	35
Intangible assets (less amortisation)		22	4
Tangible fixed assets (less depreciation)		63491	63599
Accrued income and deferred expenses		2162	1322
Other assets		15698	2355
<b>TOTAL ASSETS</b>		<b>214655</b>	<b>163661</b>
<b>LIABILITIES</b>			
Liabilities to central banks		2210	10964
Funds of credit institutions and financial institutions		89	
Liabilities to credit and financial institutions		6144	19218
Deposits and letters of credit		171222	165020
Accrued expenses and deferred income		4033	244
Other liabilities		14701	8571
Total liabilities		198399	204017
<b>EQUITY</b>			
Capital and reserves		16256	(40356)
registered share capital		64091	41101
share premium		160	3550
revaluation reserve		0	20353
retained earnings (loss)		(44612)	(98990)
profit (loss) of current financial year		(3383)	(6370)
other capitals and reserves		0	
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>		<b>214655000</b>	<b>163661</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
Issued guarantees		7270	3834
Commitments to issue letters of credit		9155	53
Commitments to purchase (sell) currency		14045	
Other off-balance sheet items		1398	
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>31868</b>	<b>3887</b>
<b>PROFIT AND LOSS STATEMENT (LTL thou)</b>			
Interest income		9412	16010
Interest expenses		9122	6386
<b>Net interest income</b>		<b>290</b>	<b>9624</b>
Expenses for provisions		(6561)	1969
specific provisions for loans		(6561)	12
specific provisions for guarantees			1957
provisions for general risks of loan portfolio			
<b>Net interest income after forming provisions</b>		<b>6851</b>	<b>7655</b>
Income from services and commission		4985	4057
Expenses on services and commission		1828	444
<b>Net income from interest and services and commission</b>		<b>10008</b>	<b>11268</b>
Income from equity investment		1	0
Profit (loss) from operations with foreign currency		5432	3165
realised profit (loss) from operations with foreign currency		5248	3284
unrealised profit (loss) from operations with foreign currency		184	(119)
Profit (loss) from operations with securities and financial instruments		180	164
Result of primary activities		15621	14597
Operating expenses		16382	17605
Depreciation and amortisation		2786	2863
depreciation of tangible assets		2735	2823
amortisation of intangible assets		51	40
Expenses for other specific provisions		168	1435
<b>Result of ordinary bank activities</b>		<b>(3715)</b>	<b>(7306)</b>
Result of exceptional and extraordinary activities (profit (loss))		332	936
<b>Profit (loss) before taxes</b>		<b>(3383)</b>	<b>(6370)</b>
Profit tax			
<b>Net profit (loss)</b>		<b>(3383)</b>	<b>(6370)</b>

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Litimpeks Lizingas (leasing)	1997	LTL 2.5m	59.5%

CASH FLOW STATEMENT (LTL thou)	1997	1996
<b>Cash flows from banking activities</b>		
Income (expenses)		
Interest income	7758	12393
Interest expenses	(9387)	(6386)
Recovering of loans previously written-off	1116	53
Net income from operations with foreign currency	5252	3165
Net income from operations with securities	762	3781
Net income for services and fees	4583	2756
Expenses associated with payment of salaries	(11026)	(12255)
Other income (expenses)*	(4844)	(10310)
Result of activities	(5786)	(6803)
(Increase) decrease in short-term assets	(3672)	47228
Increase (decrease) in liabilities	3059	(73316)
Net cash flows from bank activities before taxes	(36399)	(32891)
Profits tax		
Net cash flows from bank activities after taxes	(36399)	(32891)
<b>Cash flows from investing activities</b>		
(Acquisition) sales of tangible long-term and intangible assets	577	10649
(Investment) into securities and sales thereof	(984)	(1470)
Dividends received	1	
Income received		1796
Cash flows from other investment activities		
Net cash flows from investment activities	(406)	10975
<b>Cash flows from financing activities</b>		
Issue of own securities/only paid up part	50325	26408
(Purchase) of own securities	(5)	
Dividends paid		
Interest paid		
Cash flows from other financial activities	(240)	
Net cash flows from investment activities	50080	26408
<b>Increase (decrease) in cash</b>	13275	4492
Cash as of December 31 of the current financial year	29640	16365
Cash as of January 1 of the current financial year	16365	11873



## TRADING STATISTICS

	1996	1997	1-2Q 1998
<b>PRICE (LTL)</b>			
First	11.00	11.00	1.16
Max	11.00 (12.31)	1.16 (12.31)	1.16 (01 07)
Min	11.00 (12.31)	11.00 (01.08)	0.90 (05 04)
Last	11.00 (12.31)	1.16 (12.18)	0.95 (06 30)
Change (%)	-	-89.45	-18.10
Number of transactions (CM)	2	141	42
Turnover CM (units)	10	19617	5340
Turnover CM (LTL)	110	68298	5436
Turnover BT (units)	500	5984264	7182520
Turnover BT (LTL)	500	9557763	8437321
CM turnover as % in total	1.96	0.33	0.07
Total turnover (units)	510	6003881	7187860
Total turnover (LTL)	610	9626061	8442757
Turnover ratio (%)	0.01	9.37	11.21
As % in the total share turnover	0.00	1.00	1.84

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 64,095,779

### Ordinary shares:

- 64095779 registered shares at 1 LTL par (security code 10065) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 26.10.93)

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)	43446	74351
Share book value (LTL)	-	0.25
Price / book value ratio [P/BV]	-	4.57
Earnings per share (LTL)	-1.55	-0.05
Price / earnings ratio [P/E]	-	-
Price / loan portfolio	0.78	1.02
Price / deposits	0.29	0.43

\*Face value since 13/05/97 - LTL 1

## STRUCTURE OF OWNERSHIP

Uebersee Bank	9.99%
Kingpin Commodities Inc	9.99%
AS Andreas Ugland and Sons	9.36%
AS Skeiegruppen	9.36%
Codan Insurance Ltd	7.80%
National Co. Incorporated	6.60%
Lietuvos Geležinkeliai	6.24%
AS Baltic Holding	6.24%
AS Norwegian Oil Trading	5.62%



## BANKAS SNORAS

## BANKING

<b>Address:</b>	A.Vivulskio g. 7, 2600 Vilnius	<b>Established:</b>	1992
<b>Phone:</b>	(370-2) 262771, 231156	<b>Number of employees:</b>	974
<b>Fax:</b>	(370-2) 652832	<b>Authorised capital (LTL m):</b>	27
<b>Registration date:</b>	30/01/93	<b>Capitalisation (LTL m) (01/07/98):</b>	50.8
<b>Registration code:</b>	1202597		

**Auditor:** Arthur Andersen **Trading List:** Current

**Supervisory Board** (participation in the company): Sergej Klimuk, Chairman (23.24%), Gevork Kremer (22.94%), Vasilij Kislych (23.23%), Reda Jakštienė (0%)

**Management Board:** Raimondas Baranauskas (Chairman), Aleksandr Černov, Vitalij Rancev, Jelena Vasiljeva, Danutė Griezienė

**Investment Relations:** Olga Jarema, tel. (3702) 262 759

## CORPORATE HISTORY

BANKAS SNORAS commenced its operations on 17 March 1992. The bank's headquarters are located in Vilnius, while nine branch offices are scattered all over Lithuania.

Since its establishment, the main principles of the bank's activity have been reliability in concluding transactions and high quality services, factors that helped build customers' confidence in the bank. The main sources of the bank's income were and remain treasury bills, currency exchange operations, commissions for services rendered, new services, as well as interbank loans. The bank is proud of its six-year history of profitable activity.

In September 1996, SNORAS became a full member of the S.W.I.F.T. organisation. This fact enabled the bank to reduce operating costs and increase reliability of transmission and reception of messages.

In June 1997, the general shareholders' meeting resolved to raise share capital to LTL 27m and issue 700,000 ordinary registered shares.

## BUSINESS ACTIVITY

The bank is in the business of accepting deposits from the public and granting loans, as well as making transfer payments, issuing and servicing debit cards and exchanging currencies both for its clients and for speculative purposes. In March 1996, SNORAS acquired and installed Reuters Dealing 2000 international trading system. It enables the bank to trade in the world forex, money and securities markets with greater efficiency and reliability.

Earlier the bank's business was oriented towards the CIS markets, in particular Russia, Belarus and Ukraine. However, in recent years bank's exposure to the CIS markets decreases, while funds with the Western banks are growing. These trends prove that SNORAS now positions itself as both East and West-oriented bank. The new strategy reduces risks and increases bank's stability and reliability.

The bank actively develops interbank relations. It cooperates with Western as well as Eastern banks, and has correspondent relationships with 124 banks in 30 countries. SNORAS major partners are internationally recognized banks such as the Bank of New York, Barclays Bank, Deutsche Bank, Svenska Handelsbanken, UBS, Banque Nationale de Paris, Inkombank and others. Forty-six banks from 11 countries have opened their accounts with the bank.

Increasing scope of SNORAS services owes a great deal to the partnership with Thomas Cook Travellers Cheques Ltd. A wide network of sales points started working towards solid sales of travellers cheques.

## DEVELOPMENTS IN 1997

In 1997, BANKAS SNORAS focused on the development of retail banking. Therefore, major investments were channelled into expansion of the bank's network and implementation of modern know-how. It contributed to shareholders' value, simultaneously minimising risks. At present, SNORAS has one of the largest and the most modern network of banking services. In 1997, SNORAS Bank opened two branch offices in Utena and Tauragė and now has representation in all 9 regional centres.

Since 1995, the bank has been issuing VISA, STB and Union payment cards. The bank also distributes its own (smart) IMPAR cards. Wide retail network enabled SNORAS to successfully distribute payment cards. In total, the bank has issued over 35 thou IMPAR cards. Eighteen bank outlets equipped with ATMs, serving payment cards and providing all other bank services, are operating in Vilnius.

In 1997, SNORAS offered new services, including consumer crediting programme Plus. The bank credits employees of its clients within the amount of one to three monthly salaries. Several Lithuanian companies have already enrolled in the programme.

In 1997, SNORAS asked international bank credit rating agency Thomson BankWatch to evaluate its activity and assign rating. In March 1998, the agency completed its examination and granted long-term debt rating BB-. Bank's short-term debt in domestic currency was rated LC-2, while SNORAS as an issuer was evaluated at IC-C/D.

The bank pursued conservative crediting policy. The amount of loans extended to residents did not change. With improving microeconomic situation in the country, more and more fast growing companies need long-term project financing. Thus the heading of "long-term loans" in the bank's balance sheet is growing with every year.

Value of deposits increased to LTL 477m over 1997. Total assets in comparison with 1996 more than tripled and amounted to LTL 594m, while loans constituted LTL 35.4 million. The bank's assets accounted for 7%, loans for 1%, deposits for 8% of the total Lithuanian banks assets, loans and deposits, respectively. Since SNORAS has always been one of the leaders in currency exchange, no wonder, profit from operations with currencies increased by 40% compared with 1996.

Due to extensive investment in the development of the bank's infrastructure, net profit decreased to LTL 1.1 million.

## PLANS, PROSPECTS FOR 1998

In 1998, the bank intends to continue expansion of the retail network and anticipates to open its branches in Moscow, Kiev and Alma-Ata. In addition, license was received from the Bank of Lithuania permitting to open branch offices in St. Petersburg and Prague.

<b>BALANCE SHEET (LTL thou)</b>	<b>IAS (1996, 1997)</b>	<b>1997</b>	<b>1996</b>
<b>ASSETS</b>			
Cash, precious metals and other valuables		45459	29474
Claims on central banks		12955	8012
Claims on credit institutions and financial institutions		364050	210508
Net value of loans to credit and financial institutions			2839
Short-term government securities		43525	148178
Net value of granted loans		35445	113164
granted loans		39678	116949
(provisions)		4233	(3785)
Treasury bonds for restructuring bad assets		539	
Equity investments		2215	19
Intangible assets (less amortization)		535	305
Tangible fixed assets (less depreciation)		80013	22772
Accrued income and deferred expenses		4017	4716
Other assets		5454	11784
<b>TOTAL ASSETS</b>		<b>594207</b>	<b>551861</b>
<b>LIABILITIES</b>			
Liabilities to central banks			
Funds of credit institutions and financial institutions		6892	
Liabilities to credit and financial institutions		36293	220048
Deposits and letters of credit		477173	285025
Accrued expenses and deferred income		3278	3867
Other liabilities		41224	10753
<b>Total liabilities</b>		<b>564860</b>	<b>519693</b>
<b>EQUITY</b>			
Capital and reserves		29347	32168
registered share capital		26788	20000
share premium		452	452
profit (loss) of current financial year		1088	11267
other capitals and reserves		1019	449
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>594207</b>	<b>551861</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
Issued guarantees		266588	619
Commitments to issue letters of credit		3258	619
Commitments to purchase (sell) currency		1151	
Other off-balance sheet items		238126	
		24053	
<b>PROFIT AND LOSS STATEMENT (LTL thou)</b>			
Interest income		41523	40737
Interest expenses		26769	19117
<b>Net interest income</b>		<b>14754</b>	<b>21620</b>
Expenses for provisions		(372)	4252
specific provisions for loans		(341)	4252
provisions for general risks of loan portfolio		(31)	
<b>Net interest income after forming provisions</b>		<b>15126</b>	<b>17368</b>
Income from services and commission		17438	12653
Expenses on services and commission		9022	11218
<b>Net income from interest and services and commission</b>		<b>23542</b>	<b>18803</b>
Profit (loss) from operations with foreign currency		20289	12911
realised profit (loss) from operations with foreign currency		25251	18024
unrealised profit (loss) from operations with foreign currency		(4962)	(5113)
Profit (loss) from operations with securities and financial instruments		8427	20027
<b>Result of primary activities</b>		<b>52258</b>	<b>51741</b>
Operating expenses		44335	38577
Depreciation and amortisation		3642	699
depreciation of tangible assets		2995	648
amortisation of intangible assets		647	51
Expenses for other specific provisions		680	
<b>Result of ordinary bank activities</b>		<b>3601</b>	<b>12465</b>
Result of exceptional and extraordinary activities (profit (loss))		(1193)	1206
<b>Profit (loss) before taxes</b>		<b>2408</b>	<b>13671</b>
<b>Profit tax</b>		<b>1320</b>	<b>996</b>
<b>Net profit (loss)</b>		<b>1088</b>	<b>12675</b>
Net profit per LTL 1 of a share		0.04	0.63

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 27,000,000

### Ordinary shares:

- 2700000 registered shares at LTL 10 par (security code 10192) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 25.01.94)

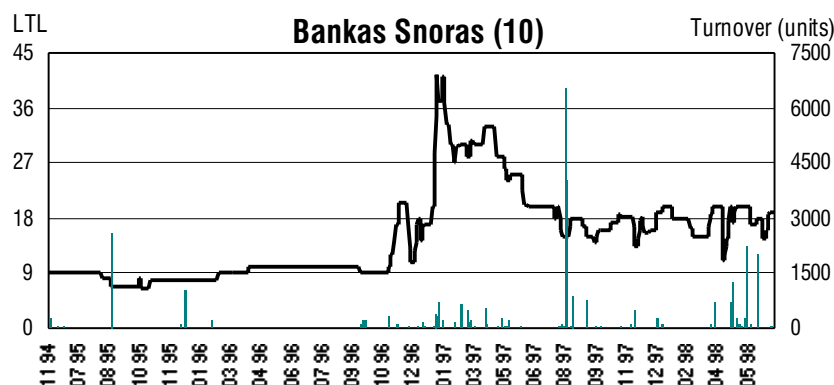
## STRUCTURE OF OWNERSHIP

Kislych Vasilij	23.23%
Klimuk Sergej	23.24%
Kremer Gevork	22.94%
Kazann International	9.38%



## BANKAS SNORAS

CASH FLOW STATEMENT (LTL thou)	1997	1996
<b>Cash flows from banking activities</b>		
Income (expenses)		
Interest income	44922	40739
Interest expenses	(27018)	(16456)
Recovering of loans previously written-off	8	85
Net income from operations with foreign currency	25251	18024
Net income from operations with securities	8232	20027
Net income for services and fees	8416	1435
Expenses associated with payment of salaries	(24901)	(8350)
Other income (expenses)*	(19135)	(28384)
Result of activities	15775	27120
(Increase) decrease in short-term assets	183008	(161990)
Increase (decrease) in liabilities	40031	342984
Net cash flows from bank activities before taxes	238814	208114
Profits tax	(1320)	(996)
Net cash flows from bank activities after taxes	237494	207118
<b>Cash flows from investing activities</b>		
(Acquisition) sales of tangible long-term and intangible assets	(61302)	(15584)
(Investment) into securities and sales thereof	(3415)	
Net cash flows from investment activities	64717	15584
<b>Cash flows from financing activities</b>		
Issue of own securities /only paid up part/	7000	9963
(Purchase) of own securities	(503)	
Dividends paid	(10675)	(1438)
Net cash flows from investment activities	(4178)	8525
<b>Increase (decrease) in cash</b>	168599	200059
Cash as of December 31 of the current financial year	413932	245333
Cash as of January 1 of the current financial year	245333	45274



## TRADING STATISTICS

## PRICE (LTL)

	1996	1997	1-2Q 1998
First	7.70	17.00	19.00
Max	20.41 (12.02)	13.35 (11.26)	20.00 (05 22)
Min	7.70 (02.08)	41.47 (01.21)	11.00 (04 14)
Last	17.00 (12.31)	19.00 (12.29)	18.80 (06 24)
Change (%)	120.78	11.76	-1.05

Number of transactions (CM)	56	153	116
Turnover CM (units)	1553	18544	8493
Turnover CM (LTL)	17557	360813	162828
Turnover BT (units)	147219	10827	7738
Turnover BT (LTL)	1476497	248581	150973
CM turnover as % in total	1.04	63.14	52.33
Total turnover (units)	148772	29371	16231
Total turnover (LTL)	1494054	609395	313801
Turnover ratio (%)	14.82	1.47	0.60
As % in the total share turnover	0.79	0.06	0.07

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)	170634	38000
Share book value (LTL)	16.08	10.96
Price / book value ratio [P/BV]	1.06	1.73
Earnings per share (LTL)	6.34	0.41
Price / earnings ratio [P/E]	2.68	46.80
Price / loan portfolio	0.29	1.44
Price / deposits	0.12	0.11



# ŠIAULIŲ BANKAS

## BANKING

<b>Address:</b>	Tilžės g. 149, 5400 Šiauliai	<b>Established:</b>	1991
<b>Phone:</b>	(370-1) 433442, 423437	<b>Number of employees:</b>	120
<b>Fax:</b>	(370-1) 430774	<b>Authorised capital (LTL m):</b>	34
<b>Registration date:</b>	04/02/92	<b>Capitalisation (LTL m) (01/07/98):</b>	51
<b>Registration code:</b>	1202525		
<b>Auditor:</b>	Price Waterhouse	<b>Trading List:</b>	Current

**Supervisory Board:** Algirdas Butkus (Chairman), Justinas Startauskas, Arvydas Salda, Augustinas Radavičius, Sigitas Baguckas, Kastytis Jonas Vyšniauskas, Ričardas Valskis, Nadežda Novickienė, Liudas Navickas, Hamid Ladjevardi, Abdulaziz A.M. Al-Brahim, Ričardas Valskis, Vytautas Junevičius

**Management Board:** Zenonas Sabalys (Chairman), Donatas Savickas, Rima Griškišenė

**Investment Relations:** Roma Venckuvienė, tel. (370-1) 422 906

### CORPORATE HISTORY

On 6 November 1991, 95 legal entities and individuals signed an agreement according to which the existing Šiauliai Industry Department of the Bank of Lithuania was to be reorganised into a private company ŠIAULIŲ BANKAS. The new bank was registered with the Bank of Lithuania on 4 February 1992 with the share capital of Rbl 16 million (LTL 160 thou). The bank started operating on 17 February 1992, after the Bank of Lithuania had liquidated the Šiauliai Industry Department by transferring its clients and services to the newly established bank. Since the establishment of the bank, its share capital has been increased 8 times. Initially, private capital made up 51%, now it is as high as 92 per cent. During the six years, the bank has expanded its operations and has become stronger - new branches have been founded in Šiauliai region, Vilnius and Klaipėda, new services have been introduced and their quality improved.

### BUSINESS ACTIVITY

ŠIAULIŲ BANKAS is one of the most stable banks in Lithuania, the growth of which continues in the same pace year by year. The bank is one of the three banks that fully comply with the performance standards set by the Bank of Lithuania.

The bank offers its customers all major banking services. The clients may access bank either through its central office in Šiauliai or its five branches. ŠIAULIŲ BANKAS makes advantage of being a medium size mobile bank. It can be flexible with regard to each customer's individual needs and make quick solutions. As a result, the clientele has been constantly growing and exceeded 5000 last year. The bank has established good links with correspondent banks in 16 foreign countries.

The bank's Brokerage Department with its three licenced stockbrokers offers its customers securities purchase and sale services, helps prepare share issue prospectuses and provides consultations on a wide range of investment issues.

The dealers of the Foreign Exchange Department have modern Dow Jones equipment which enables them to follow the fluctuations of exchange rates on the world markets.

The bank has installed a special banking information system which makes it possible for the bank's customers to manage their accounts without physical presence in the bank.

### DEVELOPMENTS IN 1997

One of the most important events in bank's activity last year was increase of the bank's share capital by LTL 14 million.

In July 1997, the authorised capital of LTL 34m was registered with the Bank of Lithuania. Thus, the minimum required capital of ECU 5m was exceeded. The share of private capital in the bank reached 92 per cent.

At the beginning of the year, Klaipėda branch was established and started its successful activity in western Lithuania. All other branches also operated profitably.

Assets of the bank increased by 1.8 times during the year, the loan portfolio multiplied by 1.4, while the amount of deposits almost doubled. In March 1997, the bank paid its full annual deposit insurance premium and acquired the right to deposit insurance compensation for citizens. Last year ŠIAULIŲ BANKAS organised the first ever syndicated loan in the Lithuanian banking history of LTL 26 million.

The bank engaged in long-term and short-term investment activities. The bulk was invested into the companies Šiaulių Skrydis Ltd (Lithuanian-US) and Klaipėdos Vystymo Grupė Ltd. Both enterprises were approved by the Lithuanian Government as management companies for Šiauliai and Klaipėda free economic zones.

Last year the bank was constantly improving customer services, especially account management by electronic means (remote banking) and operations with letters of credit. The operations with foreign currency were expanded. The bank received additional lending funds from the PHARE programme of EU, which were granted to Lithuanian small and medium enterprises. Only three Lithuanian banks were entitled to manage foreign loans received under government guarantee and ŠIAULIŲ BANKAS was among those compliant with all the requirements set by the Bank of Lithuania.

The bank also serviced credit lines received from international organisations, such as International Monetary Fund, Swedish AB Svensk Eksportkredit, etc.

ŠIAULIŲ BANKAS completed the year with LTL 2m net profit.

### PLANS, PROSPECTS FOR 1998

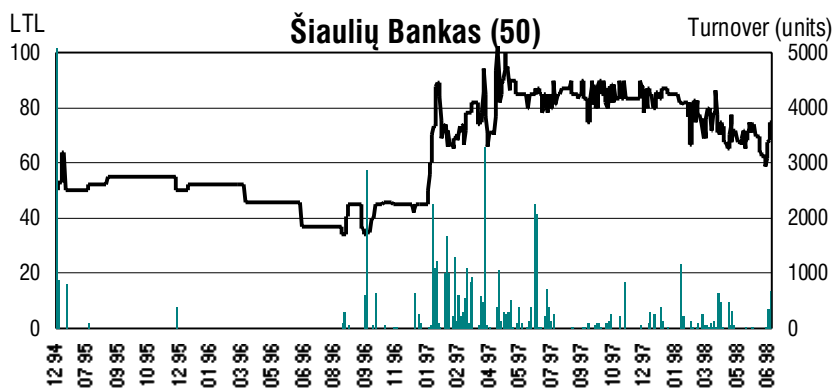
In the future the bank intends to pay more attention to development of the branch network in order to expand its influence in the northwestern region of Lithuania. The bank will improve efficiency of the bank's branches and develop the Accounting and Information Management system of the bank. It will help implement modern and more efficient management.





## ŠIAULIŲ BANKAS

<b>BALANCE SHEET (LTL thou)</b>	<b>IAS (1996, 1997)</b>	<b>1997</b>	<b>1996</b>
<b>ASSETS</b>			
Cash		9747	6232
Placements with central banks		12446	3893
Placements with credit and financial institutions		12755	6122
Short term treasury bills		15153	3884
Net loans granted		53929	37272
Equity investments		2494	354
Tangible fixed assets (less depreciation)		7162	6784
Accrued income and deferred expenses		1778	413
Other assets		12939	5720
<b>TOTAL ASSETS</b>		<b>128400</b>	<b>70674</b>
<b>LIABILITIES</b>			
Liabilities to central banks		7857	5643
Amounts due to credit and financial institutions		7586	-
Liabilities to credit and financial institutions		8395	11244
Deposits and letters of credit		66747	31017
Accrued expenses and deferred income		402	208
Other liabilities		1188	1302
Total liabilities		92175	49414
<b>SHAREHOLDERS' EQUITY</b>			
Capital and reserves			
registered share capital (less own shares)		32972	19938
revaluation reserve		574	578
retained earnings		(2603)	(4536)
current year profit		1956	3933
other capital and reserves		3326	1347
<b>Total shareholders' equity</b>		<b>36225</b>	<b>21260</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>128400</b>	<b>70674</b>
<b>OFF BALANCE SHEET ITEMS</b>			
<b>Contingent liabilities</b>			
Guarantees issued		5070	1629
Commitments to issue letters of credit		84	-
Other contingent liabilities		2700	-
Total contingent liabilities		7854	1629
<b>INCOME STATEMENT (LTL thou)</b>			
Interest income		<b>1997</b>	<b>1996</b>
Interest expenses		<b>9392</b>	<b>7231</b>
<b>Net interest income</b>		<b>3821</b>	<b>3646</b>
Expenses for provisions specific provisions on loans		5571	3585
Net interest income after specific provisions		(691)	(1893)
Service fees and commission income		6262	5478
Service fees and commission expenses		2350	1819
Net interest, service fees and commission income		1827	1403
Income on equity investments		6785	5894
Profit (loss) from operations in foreign currency		21	-
Profit (loss) from operations in securities and financial instruments		1503	1464
<b>Net result from primary activities</b>		<b>(563)</b>	<b>69</b>
Operating expenses		7746	7427
Depreciation and amortisation depreciation of tangible fixed assets		<b>4339</b>	<b>2984</b>
Expenses for other specific provisions		458	405
<b>Profit before tax</b>		<b>993</b>	<b>-</b>
<b>Profit tax</b>		<b>1956</b>	<b>4038</b>
<b>Net profit</b>		<b>-</b>	<b>105</b>
Net profit per LTL 1 of shares (in LTL)		1956	3933
Earnings per share (in LTL)		0.07	0.36
		3.74	17.83



<b>CASH FLOW STATEMENT (LTL thou)</b>	<b>1997</b>	<b>1996</b>
<b>Income (expenses)</b>		
Interest income	8901	7826
Interest expenses	(3740)	(3601)
Collected previously written-off loans	1	4
Net income from operations in foreign currency	1576	1464
Net income from operations in securities	74	69
Net income from service fees and commissions	530	416
Salaries and related expenses	(3032)	(2156)
Other income (expenses)	(1987)	(1104)
<b>Operating result</b>	<b>2323</b>	<b>2918</b>
<b>(Increase) decrease in short term assets</b>	<b>(41336)</b>	<b>(9327)</b>
<b>(Increase) decrease in liabilities</b>	<b>43380</b>	<b>6273</b>
<b>Net cash flow from operating activities before taxes</b>	<b>4367</b>	<b>(136)</b>
Payment of profit tax	(730)	(105)
<b>Net cash flow from operating activities after taxes</b>	<b>3637</b>	<b>(241)</b>
Investing activities		
(Purchase) and sale of tangible fixed assets	(844)	(1615)
(Investment) in and sale of securities	(2757)	(290)
Dividends received	4	-
<b>Net cash flow from investing activities</b>	<b>(3597)</b>	<b>(1905)</b>
Financing activities		
Issue of shares	14000	10021
Purchase of own shares	(1779)	575
<b>Net cash flow from investing activities</b>	<b>12221</b>	<b>10596</b>
Increase (decrease) in cash	12261	8450
Cash at 31 December (Note 21)	26395	14134
Cash at 1 January (Note 21)	14134	5684

## TRADING STATISTICS

	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>
<b>PRICE (LTL)</b>			
First	52.00	45.00	85.50
Max	52.00 (03.19)	45.00 (01.03)	87.00 (01.15)
Min	34.00 (09.24)	102.40 (04.24)	59.00 (06.22)
Last	45.00 (12.12)	85.50 (12.29)	74.99 (06.30)
Change (%)	-13.46	90.00	-12.29
Number of transactions (CM)	47	517	318
Turnover CM (units)	6297	39334	9080
Turnover CM (LTL)	240349	3182812	680407
Turnover BT (units)	29402	155355	102788
Turnover BT (LTL)	1211077	12542688	8731873
CM turnover as % in total	17.64	20.20	8.12
Total turnover (units)	35699	194689	111868
Total turnover (LTL)	1451426	15725500	9412280
Turnover ratio (%)	17.85	48.62	16.44
As % in the total share turnover	0.77	1.64	2.05

## MARKET VALUE RATIOS

	<b>1996</b>	<b>1997</b>
Capitalisation (LTL thou)	9000	34236
Share book value (LTL)	53.32	54.93
Price / book value ratio [P/BV]	0.84	1.56
Earnings per share (LTL)	9.86	2.97
Price / earnings ratio [P/E]	4.56	28.83
Price / loan portfolio	0.48	1.04
Price / deposits	0.58	0.76

## STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 34,021,000

### Ordinary shares:

- 680420 registered shares at LTL 50 par (security code 10225) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 29.11.94)

## STRUCTURE OF OWNERSHIP

Bankas Hermis	22.32%
Sheikh Majid Bin Ibrahim Al Ibrahim	14.08%
Baltic Fund Securities	6.73%
Ministry of Finance	4.27%
Lietuvos Taupomasis Bankas	3.45%
Bankas Snoras	3.41%
Alita	3.09%
Joniškio Grūdai	2.52%
Ateities Dizainas	2.50%
Namų Statyba	2.11%

## ŪKIO BANKAS

## BANKING

<b>Address:</b>	J.Gruodžio g. 9, 3000 Kaunas	<b>Established:</b>	1989
<b>Phone:</b>	(370-7) 204586	<b>Number of employees:</b>	480
<b>Fax:</b>	(370-7) 204376	<b>Authorised capital (LTL m) :</b>	60
<b>Registration date:</b>	19/11/92	<b>Capitalisation (LTL m) (01/07/98):</b>	13.1
<b>Registration code:</b>	1202013		

<b>Auditor:</b>	<b>KPMG</b>	<b>Trading List:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Liutauras Varanavičius, Chairman (0.0027%), Giedrius Pukas (0%), Olga Gončaruk (0.0053%), Song In Hwan (0.0025%), Lowenhaf Ulf (0%), Kim Byung Ho (0%), Gražina Jakavičienė (0.006%), Stevan Belogrlic (2.1083%), Ala Kurauskienė (0.005%)

**Management Board:** Juozas Lukauskas, Chairman (0%), Gintaras Radavičius (0%), Jonas Saulėnas (0%), Jonas Minginas (0.0136%), Jurgis Mockevičius (0.1182%)

**Investment Relations:** Vidmantas Kniūkšta, tel. (370-7) 209 115

**CORPORATE HISTORY**

ŪKIO BANKAS was established as a new commercial bank in June 1989, when Lithuania was still part of the Soviet economic bloc. Local business together with some state enterprises took advantage of new opportunities under Perestroika to create their own private sector bank with capital of RBL 5 million. When full independence from the USSR was won in 1992, the shareholders of ŪKIO BANKAS registered their ownership with the new central Bank of Lithuania. ŪKIO BANKAS was the first bank entered on the register and one of the first two banks to be granted licence by the Bank of Lithuania to carry out international banking activities in Lithuania in addition to its domestic banking operations. These included foreign currency lending, international operations and correspondence banking.

Since December 1995, the bank has been engaged in a twinning arrangement under the Phare programme with ING of the Netherlands and Unibank of Denmark. Projects undertaken as a result of the twinning programme have included strategic planning review, improvement of assets/liability management systems, internal audit and credit monitoring.

**BUSINESS ACTIVITY**

In 1997, the bank successfully completed a two-year Twin Banks programme and implemented its projects with the assistance of experts from ING Bank and Unibank.

A general meeting of shareholders of ŪKIO BANKAS which was held on 29 March 1997 resolved to increase the bank's share capital up to LTL 60m by issuing 1.5m ordinary shares with a nominal value of LTL 12. The bank decided to set an issue price of LTL 24, i.e. twice as high as the nominal value.

In 1997, the bank successfully implemented reform of assets and liability management and established the Asset and Liability

Management Committee. Management of bad loans was restructured and a more efficient system of bad loans management and control was established.

Last year the bank introduced two new bank products: Globus payment cards and leasing service through a newly set up company, ŪKIO BANKO Leasing.

In 1997, revenues from international money transfers were 30.89% higher than in 1995 and slightly (1.07%) higher than in 1996. Compared with 1996, there was a significant increase in export letter of credit and import documentary collection services. Import documentary collection and export letter of credit services grew in number 2 and 1.2 times respectively, and 2.7 and 1.6 times in Litas terms. Export letters constituted 85% of all documentary payment transactions. The volumes of import letters of credit and guarantees did not grow in 1997.

ŪKIO BANKAS reported its last year loss at LTL 27.8 million. LTL 18.8m special risk provisions for doubtful loans accounted for the bulk of ŪKIO BANKAS loss. The bank also suffered LTL 12m operating loss last year.

**PLANS, PROSPECTS FOR 1998**

In order to become a modern commercial bank, ŪKIO BANKAS is expanding its participation in many important import and export sectors. One of the bank's priorities in 1997 - development of international relations - will be in focus in the future, too. The bank also plans to open its branch offices in Sweden and Estonia, establish closer relationship with Russia, Ukraine and Norway.

The bank intends to launch new products, improve quality of the services rendered, and start investment banking activities.

**SUBSIDIARIES**

	<b>Date of establishment</b>	<b>Authorised capital</b>	<b>Share interest</b>
ŪKIO BANKO Leasing	1997	LTL 1m	100%

<b>BALANCE SHEET (LTL thou)</b>	<b>IAS (1996, 1997)</b>	<b>Bank 1997</b>	<b>Group 1997</b>	<b>Bank 1996</b>
<b>ASSETS</b>				
Cash, precious metals etc.		12392	12392	17156
Funds in central banks		30043	30043	19405
Funds in credit institutions		23491	23491	14326
Loans to credit institutions etc., net				161
Short term treasury bonds		7184	7184	3373
Issued loans, net		85854	85854	108896
Issued loans		131257	131257	152596
(Special provisions)		(45403)	(45403)	(43700)
Investment securities		1502	1492	77
Intangible fixed assets		82	82	4
Tangible fixed assets		21977	21977	23913
Accrued income and deferred expenses		1107	1107	984
Other assets		26804	26804	9036
<b>TOTAL ASSETS</b>		<b>210436</b>	<b>210426</b>	<b>197331</b>
<b>LIABILITIES</b>				
Due to central banks		5582	5582	6371
Due to credit & financial institutions		14083	14083	19936
Deposits and letters of credit		156934	156934	145184
Special and lending funds				963
Accrued expenses & deferred income		1775	1775	1100
Other liabilities		4651	4651	2315
<b>Total Liabilities</b>		<b>183025</b>	<b>183025</b>	<b>175869</b>
<b>EQUITY</b>				
<b>Capital and reserves</b>				
Registered share capital		27411	27401	21462
Share premium		60000	60000	42000
Revaluation reserve		18747	18747	1110
Non allocated profit (loss)		(4427)	(4427)	(2577)
Profit (loss) of current financial year		(19071)	(19071)	(11325)
		(27838)	(27848)	(7746)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>210436</b>	<b>210426</b>	<b>197331</b>
Off balance sheet items				
Issued guaranties		5203	5203	13416
letters of credit		3434	3434	843
exchange obligations		5379	5379	
other off balance items		97	97	911
Total off balance sheet items		14113	14113	15170
<b>PROFIT AND LOSS ACCOUNT (LTL thou)</b>				
Interest income		13284	13284	25939
Interest expenses		11246	11246	16008
<b>Interest income, net</b>		<b>2038</b>	<b>2038</b>	<b>9931</b>
Special provisions		18905	18905	11982
Provision for bad loans		18952	18952	14032
Provisions for guaranties		(47)	(47)	(2050)
<b>Interest income, net after provisions</b>		<b>(16867)</b>	<b>(16867)</b>	<b>(2051)</b>
Commission fees and income from services		6949	6949	7294
Cost of commission fees and cost of services		901	901	
<b>Interest, services and commission income, net</b>		<b>(10819)</b>	<b>(10819)</b>	<b>5243</b>
Income from investment securities		0	(10)	
Profit (loss) from currency exchange operations		5532	5532	5863
Realised currency exchange loss (gain)		5837	5837	6011
Nonrealised currency exchange loss (gain)		(305)	(305)	(148)
<b>Result on main activity</b>		<b>(5287)</b>	<b>(5297)</b>	<b>11106</b>
Operation expenses		17685	17685	15534
Amortization and depreciation		1929	1929	1828
Depreciation of tangible fixed assets		1890	1890	1771
Amortization of intangible fixed assets		39	39	57
Other special provision expenses		(63)	(63)	187
Result on ordinary activity of the bank		(24838)	(24848)	(6443)
Extraordinary result (gain (loss))		(3000)	(3000)	(935)
<b>Profit / loss before taxation</b>		<b>(27838)</b>	<b>(27848)</b>	<b>(7378)</b>
<b>Tax on profit</b>		<b>0</b>	<b>0</b>	<b>368</b>
Net profit / loss		(27838)	(27848)	(7746)

## STRUCTURE OF SHARE CAPITAL

Share capital: LTL 60,000,000

### Ordinary shares:

- 5000000 registered shares at LTL 12 par (security code 10235) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 02.08.94)

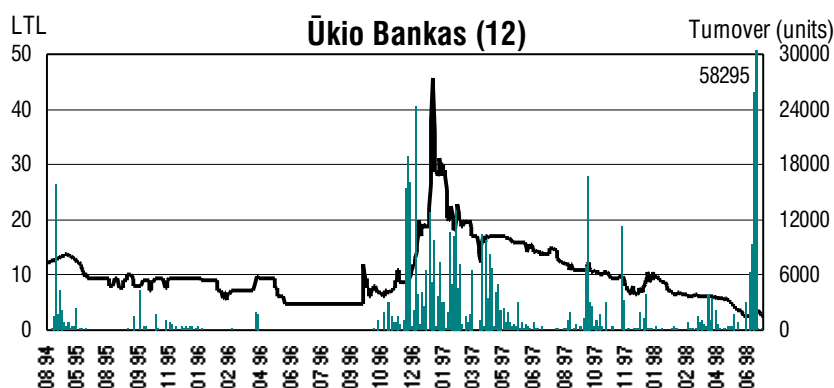
## STRUCTURE OF OWNERSHIP

Niaf Investments Ltd	10.00%
Plough Investments Ltd	9.80%
Tusklane Ltd	9.80%
Dirbtinis Pluoštas AB	9.71%
Bank of Bermuda	6.10%
Swedfund Financial Markets	6.67%
Holding Textiles Corporation	5.39%
Logista Ltd	5.20%



## ŪKIO BANKAS

	Bank 1997	Bank 1996
<b>CASH FLOW STATEMENT (LTL thou)</b>		
<b>Cash flow from banking activities</b>		
<b>Income (expenses)</b>		
Interest income	12606	25756
Interest expenses	(11246)	(16008)
Return of previously written off loans	50	37
Net income from foreign curr. exchange operations	5532	5863
Net income from operations with securities	678	183
Net income from provided services, commission fees	5951	6591
Labour expenses etc.	(9431)	(8018)
Other income (expenses)	(11217)	(6799)
Result on activity	(7077)	7605
Increase / decrease of current assets	(19812)	33820
Increase / decrease of liabilities	7203	(51555)
Net cash flow banking activities	(19686)	(10130)
Tax on profit	0	(368)
Net cash flow banking activities after taxes	(19686)	(10498)
<b>Cash flow from investment activities</b>		
Acquisition/disposals of tangible & intang. fixed assets	(3285)	(58)
Investment into securities and sale of securities	(1870)	(523)
<b>Cash flow from financial activities</b>		
Own securities issued, the paid in part	27120	18000
Cash flow from other financial activity	(363)	(1053)
Net cash flow from financial activities	26757	16947
Cash flow surplus / deficit	3786	6391
Cash as at 31 December of current year	36654	32868
Cash as at 1 January of current year	32868	26477



## TRADING STATISTICS

## PRICE (LTL)

	1996	1997	1-2Q 1998
First	9.55	19.01	9.39
Max	20.00 (12.21)	6.38 (12.03)	10.50 (01 06)
Min	4.88 (07.04)	45.61 (01.16)	2.40 (06 08)
Last	19.01 (12.31)	9.39 (12.31)	2.61 (06 30)
Change (%)	99.06	-50.60	-72.20

Number of transactions (CM)	308	1353	552
Turnover CM (units)	144064	334559	152502
Turnover CM (LTL)	1580374	6381244	626629
Turnover BT (units)	209025	1456855	139037
Turnover BT (LTL)	2257646	19364338	1032673
CM turnover as % in total	40.80	18.68	52.31
Total turnover (units)	353089	1791414	291539
Total turnover (LTL)	3838020	25745582	1659301
Turnover ratio (%)	17.65	51.18	5.83
As % in the total share turnover	2.03	2.68	0.36

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)	38020	32865
Share book value (LTL)	6.13	5.48
Price / book value ratio [P/BV]	3.10	1.71
Earnings per share (LTL)	-2.21	-5.57
Price / earnings ratio [P/E]	-	-
Price / loan portfolio	0.61	0.55
Price / deposits	0.46	0.30

## VILNIAUS BANKAS

## BANKING

<b>Address:</b>	Gedimino pr. 12, 2600 Vilnius	<b>Established:</b>	1990
<b>Phone:</b>	(370-2) 610910, 610723	<b>Number of employees:</b>	871
<b>Fax:</b>	(370-2) 626557	<b>Authorised capital (LTL m):</b>	102
<b>Registration date:</b>	25/02/94	<b>Capitalisation (LTL m) (01/07/98):</b>	387.7
<b>Registration code:</b>	1202123		
<b>Auditor:</b>	Arthur Andersen	<b>Trading List:</b>	Official

**Supervisory Board** (participation in the company): Albertas Sinevičius, Chairman (0.10%), Algimantas Kazlauciūnas (0%), Henrick S. L. Beuth (0.30%), Hamid Ladjevardi (0%), Tord Martin Olofsson (0%), Andreas Zaisler (0%)

**Management Board:** Julius Niedvaras, Chairman (0.71%), Gintautas Bareika (0.02%), Raimondas Kutra (0.01%), Raimondas Kvedaras (0.16%), Marijonas Misiukonis (0%), Virginija Skuncikienė (0.001%), Vanda Palienė (0.02%)

**Investment Relations:** Raimondas Kvedaras, tel. (370-2) 227 465

## BANKING HISTORY

In 1991, VILNIAUS BANKAS joined the international VISA system. In 1993, the bank became a member of S.W.I.F.T. VILNIAUS BANKAS was the first among Lithuanian banks to receive credit lines from Western banks. In the third quarter of 1995, the bank established the first leasing subsidiary in Lithuania Vilniaus Lizingas. At the end of 1995, leading investment funds from Germany, Great Britain, Sweden and the USA acquired the bank's shares. During 1996, VILNIAUS BANKAS distributed the issue of Global Depository Receipts (GDRs) for the total amount of US\$ 17.1m in the international financial markets.

The general shareholders' meeting held on 31 March 1998 decided to uniform the par value of all VILNIAUS BANKAS shares and to convert ordinary registered shares with LTL 50 par into ordinary registered shares with LTL 10 par at the rate of 1 to 5.

## BUSINESS ACTIVITY

VILNIAUS BANKAS is engaged in accepting deposits and other repayable funds and extending loans, and carries out other operations established in the Law on Commercial Banks of the Republic of Lithuania. The bank undertakes all risks and obligations arising from this activity. VILNIAUS BANKAS distributes VISA payment cards: VISA BUSINESS, VISA CLASSIC, VISA ELECTRON.

## DEVELOPMENTS IN 1997

1997 was an outstanding year for VILNIAUS BANKAS. The bank generated profit in excess of LTL 47.58m which is almost twice as much as in 1996. Return on share capital topped 46.65% compared with 39.4% recorded in 1996.

VILNIAUS BANKAS was successfully pursuing its strategic goals, mainly seeking to capture a significant share of the local market. The assets of the Lithuanian banking sector controlled by VILNIAUS BANKAS increased by 6.6% during the year and reached 21.6 per cent.

VB Lizingas (leasing) - the largest subsidiary of VILNIAUS BANKAS - continued to expand its activities. Currently, the company controls over 60% of the Lithuanian leasing market. At the end of 1997, leasing portfolio reached LTL 115m and the company earned LTL 885 thou of profit.

On 15 September 1997, VILNIAUS BANKAS signed an agreement regarding establishment of a new company - Lithuanian Export and Import Insurance. The main goal of the company is to encourage Lithuanian export to risky Eastern markets. The five founders became shareholders, the company's

stock in excess of LTL 19.6m was divided into 1960 shares at LTL 10 thou par. VILNIAUS BANKAS holds 479 shares. The new company will insure credits with the total value of up to LTL 120m extended to Lithuanian entrepreneurs.

On 16 September 1997, VILNIAUS BANKAS acquired a Latvian financial firm Latvijas KIF Grupa and established its first foreign subsidiary VB Financial Markets. Besides brokerage operations, the company will engage in custody and bookkeeping of securities, Latvian market research, corporate finance projects and client portfolio management. The company will also search for VILNIAUS BANKAS business partners and try to meet their needs, it will also credit Latvian trade and industrial enterprises, prepare and carry out their restructuring.

In search for a cheap source of foreign financing in the form of a syndicated loan, supply of funds exceeded VILNIAUS BANKAS expectations. On 28 October 1997, an agreement on a US\$ 50m multi-currency revolving three-year syndicated loan to VILNIAUS BANKAS was signed in Vilnius. The loan was arranged by Bankegesellschaft Berlin Group from Germany with participation of twenty banks from twenty countries. It bears LIBOR plus 0.55% annual interest.

While expanding its investment activity, VILNIAUS BANKAS faced a need to make certain organisational changes. In October 1997, Investment Department was reorganised into Investment and Structured Finance Department, Assets Management Department transferred into a subsidiary VB Turto Valdymas (asset management). On 19 December 1997, the Securities Commission issued a license to VB Turto Valdymas to engage in investment management company activities. The company will actively invest into capital development projects, also manage corporate and individual investment portfolios. VB Turto Valdymas together with a strategic partner from Sweden invested LTL 2.5m into Jūrės Medis - the largest glued timber company in the Baltics - and acquired the whole new issue.

In December 1997, international credit rating agency Thompson BankWatch affirmed its ratings on intra-country issuer IC-B, short-term (local currency) LC-1 and senior debt (long-term) BB with a positive outlook.

In 1997, VILNIAUS BANKAS continued development of its commercial activities. Customers were offered a number of new products - mortgage loans, overdrafts and a wider range of deposit products. In October 1997, the bank started issuing VISA GOLD cards and at the year end became a member of EUROPAY.

## VILNIAUS BANKAS

### INVESTMENT POLICY

VILNIAUS BANKAS currently holds one S.W.I.F.T. share at LTL 4.3 thou, one share of the National Stock Exchange of Lithuania at LTL 5 thou, AB Banko Kortelių Centras (bank cards) share at LTL 50 thou, and Lithuanian Export and Import Insurance Company shares for the total amount of LTL 4.79 million.

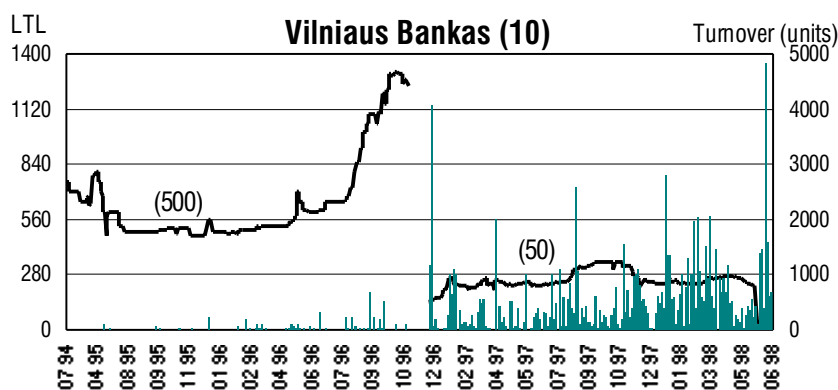
VILNIAUS BANKAS invested LTL 1m to establish a leasing subsidiary VB Lizingas Ltd. During 1997, the bank founded two wholly-owned subsidiaries: A/S VB Financial Markets (in Latvia) and Turto Valdymas Ltd. (asset management). In 1998, VILNIAUS BANKAS acquired one of the top Lithuanian brokerage houses Vilfima.

### PLANS, PROSPECTS FOR 1998

With the membership in the international payment cards organisation EUROPAY INTERNATIONAL, VILNIAUS BANKAS intends to increase sales of payment cards fourfold.

In order to comply with year 2000 date requirements for the IT systems, VILNIAUS BANKAS will prepare a plan for dealing with the millennium computer problem. By September the bank will detail the extent of computer system, software and other applications and systems exposure to potential problems. Then a strategy for solving year 2000 problem by replacing the relevant software will be developed.

VILNIAUS BANKAS plans to be an active player of the banking sector: develop its subsidiaries, diversify activity, expand the range of services in the fields of leasing, housing crediting, insurance, asset management, broking-dealing, consulting and mediating.



### TRADING STATISTICS

#### PRICE (LTL)

	1996	1997	1-2Q 1998
First	140.00	165.00	43.67 (06 03)
Max	165.00 (12.24)	349.00 (09.17)	44.59 (06 08)
Min	140.00 (12.11)	165.00 (01.03)	37.00 (06 29)
Last	165.00 (12.31)	229.00 (12.31)	38.01 (06 30)
Change (%)	17.86	38.79	-12.96

	1996	1997	1-2Q 1998
Number of transactions (CM)	417	1862	2405
Turnover CM (units)	-	55319	-
Turnover CM (LTL)	4887073	14745496	13544011.29
Turnover BT (units)	-	112816	-
Turnover BT (LTL)	18299626	28699001	25888437.3
CM turnover as % in total	21.08	32.90	34.35
Total turnover (units)	-	168135	-
Total turnover (LTL)	23186699	43444497	39432448.59
Turnover ratio (%)	-	8.25	-
As % in the total share turnover	12.27	4.53	8.582

### MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)	134970	466702
Share book value (LTL)	57.48	80.71
Price / book value ratio [P/BV]	2.87	2.84
Earnings per share (LTL)	12.02	23.32
Price / earnings ratio [P/E]	13.72	9.80
Price / loan portfolio	0.94	0.50
Price / deposits	0.57	0.40

\*Face value since 11/12/96 - LTL 50, since 03/06/98 - LTL 10

### STRUCTURE OF THE SHARE CAPITAL

Authorised capital: LTL 102,000,000

#### Ordinary shares:

-10200000 registered shares at LTL 10 par (security code 10134) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 04.01.94, listed on the Official List on 07.04.1997)

### STRUCTURE OF OWNERSHIP

Bankers Trust Company	53.1%
Swedfund Financial Markets	9.67%
Bank of Bermuda	7.75%

### SUBSIDIARIES

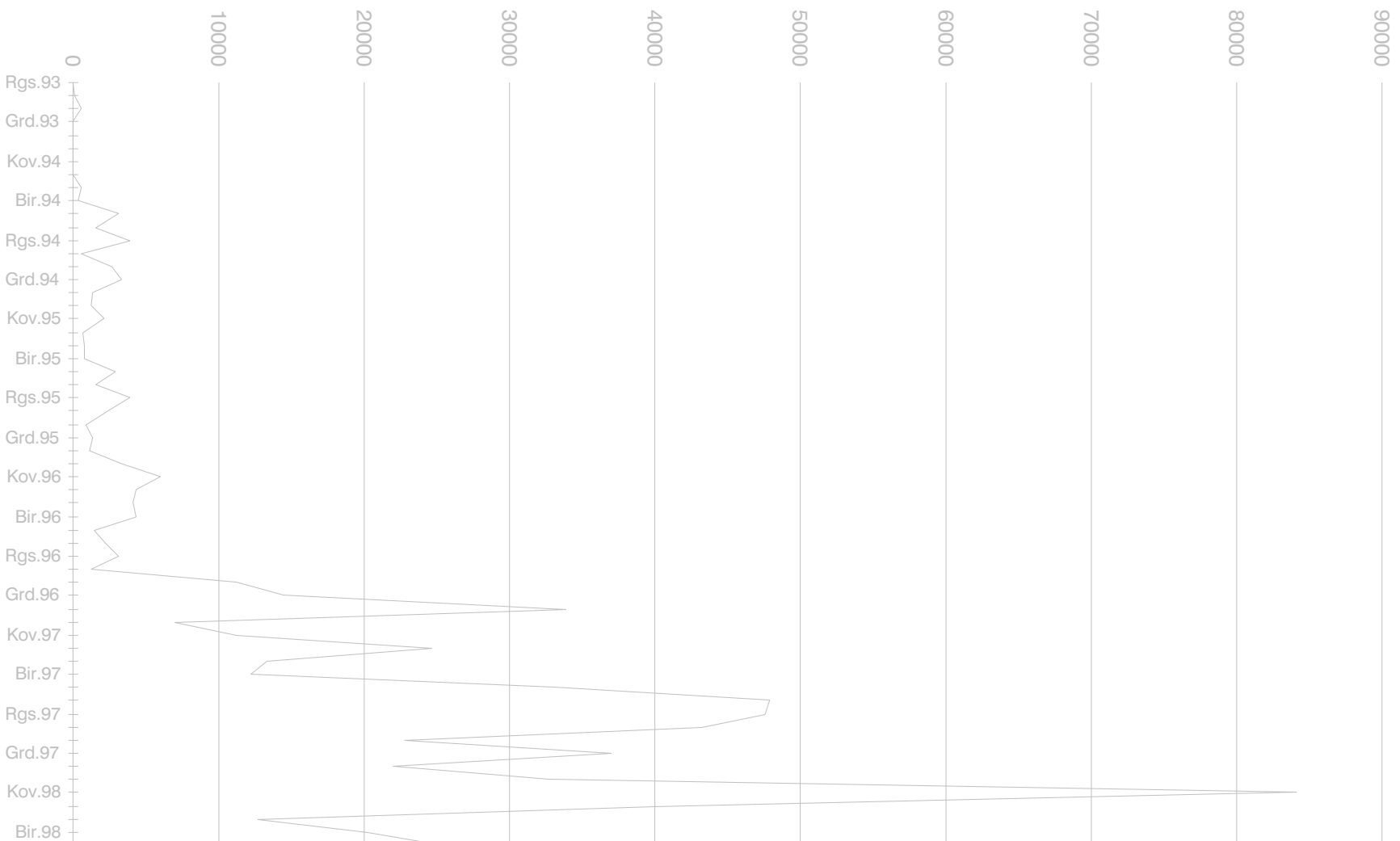
	Date of establishment	Authorised capital	Share interest
VB Lizingas (leasing)	1995	LTL 10m	100%
A/S VB Financial Markets	1997	LTL 2.58m	100%
VB Turto Valdymas (asset management)	1997	LTL 20m	100%





# LITHUANIAN COMPANIES

TURNOVER OF BANK SHARES (LTL thou), 1993-1998



## INSURANCE

More than two thirds of the gross premiums collected in Lithuania come from non-life insurance lines with property, motor and surety insurance comprising the majority. During 1997 local companies collected LTL 195m in non-life and LTL 58m in life insurance premiums, making a total of LTL 253 million.

The Lithuanian insurance market is still in a phase of development, with main prospects for expansion being ahead of it. Compared to the insurance markets of its Baltic neighbours, the domestic market still lags behind in terms of total premiums collected. Even though the country is the largest in the Baltics in terms of economic size and population, premium figures are almost two times lower than in Latvia and approx. 20% less than in Estonia. The size of the country is one of the reasons for the Lithuanian insurance market being viewed as highly attractive for local and foreign insurers to capitalize on a wider customer base.

Due to the comparatively low amounts of premiums collected the differences in per capita numbers are even more obvious: US\$ 17 in Lithuania against US\$ 52 in Estonia. Moreover, the total premiums collected account for just 0.66% of the country's GDP against 1.75% in Latvia, 1.51% in Estonia and 5-6% in the EU countries.

There is still no compulsory motor third party liability insurance in Lithuania, but a draft of the law has been recently delivered to the Government. According to the draft, the law will come into force on 1 September 1998. Drivers will be obligated to purchase insurance contracts from 1 May 1999 until 1 December 1999. Furthermore, starting from 1 July 1999 all incoming transport vehicles from outside the country will have the compulsory TPL insurance. According to statistical data, currently there are around 1m transport vehicles. Thus, assuming the annual payment per one vehicle be around LTL 400, this yields LTL 400m of additional premium income per annum and more than a 100% boost to the local insurance market.

Taking into account the mentioned LTL 400m boost, in general market will expand by ~120% in 1999. Furthermore, in the distant future drivers for growth will be the development of regular and new insurance lines, as they have substantial potential for further improvement and expansion.

Upcoming social security and pension reform is expected to give yet another boost to the insurance industry. To date, there is only a state-run social security fund, which applies the funds raised through a 30% social security tax to provide state pensions. However, changes in the current system are anticipated, as the government is developing a new social security system in compliance with EU social policy requirements. The reform plans include setting up a voluntary pension system by creating a legislative framework for pension funds and pension insurance. Currently, social security reform is still in its preliminary stages, and the draft of law on pension funds has been recently prepared, although the government has not yet clearly expressed its position towards it nor outlined the deadline when the law would be passed.

Presently, there are over thirty insurance companies in Lithuania, and competition is becoming very intense. Nevertheless, the local market still remains highly concentrated, with the top three companies holding about two thirds of the total. Lietuvos Draudimas controls 55.2% of the market, while its closest competitors, Drauda and Ūkio Draudimas, hold only 6.9% and 5.5%, respectively. Lietuvos Draudimas is also the largest in the Baltics, with a solid 13.7% market share.

Lithuanian banks have discovered the insurance business recently. Several banks have established their own insurance companies. Hermis and Snoras are going to enter the insurance market in 1998.

Last year was marked by the foreign capital inflows into Lithuanian insurance companies. Foreign know-how and standards intensified the competition on the market. There are 5 companies on the Lithuanian insurance market that have foreign capital. Foreign capital in these companies originates from Germany, Switzerland, Russia and Estonia. Some more well known worldwide insurance companies and Baltic neighbours are expected to enter the market in 1998. The international and local mergers could be foreseen as well.

Lietuvos Draudimas is currently the only insurance company listed on the Lithuanian stock market. Due to outstanding growth projections and company's position in the market, Lietuvos Draudimas stock was the best performer on the stock exchange in 1997 and continues to be such in 1998.



## LIETUVOS DRAUDIMAS

## INSURANCE

<b>Address:</b>	J. Basanavičiaus g. 12, 2600 Vilnius	<b>Established:</b>	1921
<b>Phone:</b>	(370-2) 618233	<b>Privatised:</b>	1996 (partial)
<b>Fax:</b>	(370-2) 617668	<b>Number of employees:</b>	1990
<b>Registration date:</b>	10/12/96	<b>Authorised capital (LTL m):</b>	14
<b>Registration code:</b>	1005183	<b>Capitalisation (LTL m) (01/07/98):</b>	85.4
<b>Auditor:</b>	Price Waterhouse	<b>Trading list:</b>	Current

**Supervisory Board** (participation in the company): Valentina Paleckienė, Chairwoman (0%), Vidas Jelinskas (0.01%), Vanda Albrechtaitytė (0%)

**Management Board:** Kęstutis Šerpytis, Chairman (4.9%), Roma Brūzgienė (0.8%), Gintaras Markevičius (0%), Darius Kamuntavičius (0%), Stasys Jakeliūnas (0%), Algimantas Rinkevičius (0.5%), Dalia Savickienė (0.01%)

**Managing Director:** Kęstutis Šerpytis

**Investment Relations:** Kęstutis Šerpytis, tel. (370-2) 616 711

## CORPORATE HISTORY

On 21 December 1920, the Lithuanian Parliament approved Articles of Association of the STATE INSURANCE ENTERPRISE. The Articles were officially published on 4 February 1921, which is considered as the day of LIETUVOS DRAUDIMAS establishment.

During 1939 the Enterprise collected about LTL 4m in premiums and had over 76 thousand insurance contracts, including: 95% insurance of property against fire, 3.5% marine and cargo insurance, while other insurance products accounted for mere 1.5 per cent. From the day of its inception, the Enterprise was led by a famous statesman Gustavas Feterauskas.

In 1940, when Lithuania was incorporated into the Soviet Union, private insurance companies and their capital were nationalised. The STATE INSURANCE ENTERPRISE became an integral part of the Gosstrach monopoly.

After Lithuania regained independence in 1990, the Lithuanian Government approved Articles of Association of the STATE INSURANCE ENTERPRISE. It was registered with the Ministry of Economics in March 1991. Since then it has been an independent insurance organisation - the largest not just in Lithuania, but also in the Baltics. In December 1996, the state enterprise was transformed into a joint stock company LIETUVOS DRAUDIMAS. 70% of the stock were retained by the state, while 30% were acquired by natural and legal persons.

The Government included LIETUVOS DRAUDIMAS into the list of companies to be privatised in the coming years, but a final decision has not been reached yet. However, the company's privatisation is anticipated to start in 1999 with most shares to be offered to a strategic investor.

On 17 January 1997, the general shareholders' meeting decided to raise capital out of the company's reserves and to increase the share face value from LTL 10 to LTL 35. At present, LIETUVOS DRAUDIMAS stock capital totals LTL 14 million.

## BUSINESS ACTIVITY

The company operates as both a life- and non-life insurance provider. It boasts an outstanding market share both in the Lithuanian (55%) and the Baltic insurance market (14%). In 1997, LIETUVOS DRAUDIMAS was a clear market leader in Lithuania with about 90% of the life insurance and 60% of the non-life insurance market. Considering market share in the specific subclasses of non-life insurance, the company leads in property, motor vehicle, voluntary motor third party liability (TPL), accident and credit insurance. In addition to general insurance, LIETUVOS DRAUDIMAS has a firm position in marine and aircraft insurance. In 1996, LIETUVOS DRAUDIMAS became the managing company of the Baltic Aviation pool with 23% participation.

The company's main life insurance lines contain whole life insurance, endowment insurance, health and marriage insurance.

Most of the LIETUVOS DRAUDIMAS' exposure is reinsured with well-established Western reinsurers. Risks below LTL 2m are not reinsured. The company also acts as a reinsurer for some Russian, Belarus, Latvian and Estonian insurance companies, primarily reinsuring aviation, marine and property risks.

The company owns an extensive sales network that consists of 51 branches and over 2,000 broker-agents.

## DEVELOPMENTS IN 1997

In compliance with the existing EU standards, the Lithuanian Government passed a new Law on Insurance in 1997, which requires the companies to separate their life- and non-life insurance lines. In reaction to the new regulation, LIETUVOS DRAUDIMAS acquired two companies: Draudimo Fondas and Vaidra. The first one was renamed LD Gyvybės Draudimas to provide life insurance, the latter was called LD Kredito Draudimas and will focus on credit insurance.

The company now offers more customer-tailored services. LIETUVOS DRAUDIMAS started offering medical insurance and loan insurance, and improved its civil liability and property insurance lines. Farmers are now offered a full range of services, namely insurance of buildings, livestock, land, machinery and other property.

During 1997 the company collected LTL 104.6m in premiums, a 32.8% increase against the past year. Non-life and life insurance line generated 64% and 36% of the total premiums, accordingly. New product lines generated LTL 10m in premiums, including LTL 8.9m derived from insurance of ships. Technical provisions of LTL 148.5m are an object of the company's investment portfolio. The bulk is invested into Lithuanian short-term treasury bills, the remainder is channelled to equities. Revenue from investment activities in 1997 saw a 55.7% decline compared with 1996, mainly due to falling interest rates.

LIETUVOS DRAUDIMAS reported a LTL 7.36m net profit for 1997.

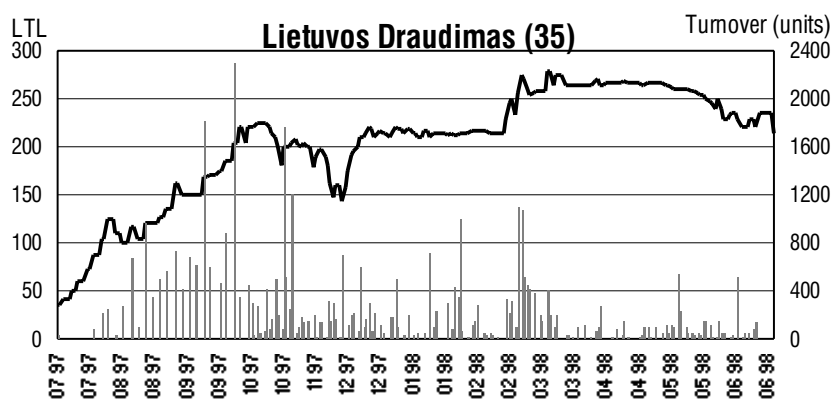
## PLANS, PROSPECTS FOR 1998

LIETUVOS DRAUDIMAS will be preparing for the compulsory motor third party liability insurance in Lithuanian. The relevant law is pending and expected to come into force in the second half of 1998. Since there are over 1m drivers in Lithuania and LIETUVOS DRAUDIMAS is leading in TPL insurance, the company anticipates to increase its premium collections to LTL 165 million. Sales are expected to grow by LTL 25 million.

The company will raise LD Gyvybės Draudimas stock capital up to LTL 4 million. 30,000 ordinary shares at LTL 100 will be issued and acquired by LIETUVOS DRAUDIMAS at par value.

In dealing with the 2000 Year date problem, the company has introduced some modifications to its software. Providers of the operation systems, SCO UNIX and HEWLETT PACKARD, have elucidated the problem and assured proper safeguards.





BALANCE SHEET (LTL)	IAS (1996, 1997)	1996	1997
<b>LONG TERM ASSETS</b>		34633947	42839197
<b>SHORT TERM ASSETS</b>		110248064	129826146
Stock		1282291	1027038
Amounts receivable within one year		2434389	4100075
TRANSFER ACCOUNTS		2015531	6135733
<b>TOTAL ASSETS</b>		<b>146897542</b>	<b>178801076</b>
<b>CAPITAL AND RESERVES</b>		17520687	24439173
Capital		3987600	13956600
Subscribed capital		3987600	13956600
Share premium account		0	0
Revaluation reserve		3250257	0
Reserves		7157062	766209
Profit (loss) brought forward		3125768	9716364
Amounts payable after one year and long-term liabilities		0	0
Amounts payable within year and short-term liabilities		4015688	4434862
ACCRUED CHARGES AND DEFERRED INCOME		25576875	1375765
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>146897542</b>	<b>178801076</b>
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>			
SALES AND SERVICES		110340904	126229721
COST OF GOODS SOLD AND SERVICES RENDERED		112874972	131072847
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>19202317</b>	<b>7356806</b>

### STRUCTURE OF SHARE CAPITAL

Share capital: LTL 13,956,600

#### Ordinary shares:

-398760 registered shares at LTL 35 par (security code 12194) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 14.07.97)

### STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to 608.

State	70%
Merita Bank (Finland)	6%
Management and employees	9.6%

TRADING STATISTICS	1997	1-2Q 1998
<b>PRICE (LTL)</b>		
First	35.00	219.00
Max	35.00 (07.16)	280.00 (03 13)
Min	226.00 (10.20)	210.00 (01 13)
Last	219.00 (12.31)	214.14 (06 30)
Change (%)	525.71	-2.22
Number of transactions (CM)	791	567
Turnover CM (units)	25443	16990
Turnover CM (LTL)	4577116	4126908
Turnover BT (units)	46788	62612
Turnover BT (LTL)	7986733	15799285
CM turnover as % in total	35.22	21.34
Total turnover (units)	72231	79602
Total turnover (LTL)	12563849	19926193
Turnover ratio (%)	18.11	19.96
As % in the total share turnover	1.31	4.34

MARKET VALUE RATIOS	1996	1997
Capitalisation (LTL thou)		87328
Share book value (LTL)	43.94	61.29
Price / book value ratio [P/BV]	-	3.57
Earnings per share (LTL)	48.16	18.45
Price / earnings ratio [P/E]	-	11.87
Dividend per share (LTL)	1.000	3.500
Dividend yield	-	0.02
Dividend payout ratio	0.02	0.19

### SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
Lietuvos Draudimo Gyvybės Draudimas UAB	1997	LTL 1m	100%
Lietuvos Draudimo Kreditų Draudimas UAB	1997	LTL 1m	100%



## INVALDA

## HOLDING

<b>Address:</b>	A. Juozapavičiaus g. 6/2, 2600 Vilnius	<b>Established:</b>	1991
<b>Phone:</b>	(370-2) 727922	<b>Number of employees:</b>	27
<b>Fax:</b>	(370-7) 725685	<b>Authorised capital (LTL m):</b>	38
<b>Registration date:</b>	20/03/91		
<b>Registration code:</b>	2130434		

<b>Auditor:</b>	<b>Auditas UAB</b>	<b>Trading list:</b>	<b>Current</b>
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**Management Board** (participation in the company): Alfonsas Rimkus, Chairman (5.70%), Alvydas Banys (4.08%), Algirdas Bučas (6.10%), Dailius Juozapas Mišeikis (6.96%), Petras Povilas Čėsna (0%)

**Managing Director:** Algirdas Bučas

**Investment Relations:** Alvydas Banys, tel. (370-2) 721 292

### CORPORATE HISTORY

Initially, INVALDA was established as an investment stock company. Pursuant to the Law on Investment Companies, INVALDA was reregistered into a holding company in December 1997. The new entity took over all rights and obligations and continued activities of investment stock company Invalda.

After the initial public offering in 1993, the company's share capital equalled LTL 8 million. In April 1995, INVALDA's shareholders resolved to raise share capital by LTL 1.5 million. In August 1996, stock capital was increased by LTL 28.5m out of revaluation reserve. Newly issued shares were distributed free of charge among the shareholders in proportion to their holdings.

The company has been paying dividends since 1995: 10% of the share face value in the first year, 1% in 1996 and 3% in 1997.

### BUSINESS ACTIVITY, LATEST DEVELOPMENTS

The main activity of the company is investment, reinvestment and trading in securities. INVALDA has invested into 42 entities, including 2 companies listed on the National Stock Exchange of Lithuania, namely Baltijos Laivų Statykla (shipyard, 0.13% of the votes) and Lietkabelis (cables and wires, 10.6%). In the group of unlisted companies, INVALDA is substantially invested in Stadvu UAB (56.4%), Ažuolas AB (furniture, 58.1%), Klijai AB (glue, 70.4%), Vilniaus Baldų Kombinatą AB (furniture, 61.7%), Liejiniai AB (aluminium cast, 76.8%), Jonavos Agroservisas AB (agriculture, 50.0%). In 1997, 7.9% of the company's net assets were invested in the Lithuanian government securities.

During last financial year (01.04.1997-31.03.1998) INVALDA generated LTL 17m revenue from investment activity, which accounted for 90.2% of the total income. The pre-tax profit for the accountable period constituted LTL 7.4m and resulted in LTL 5.4m of net profit.

### STRUCTURE OF OWNERSHIP

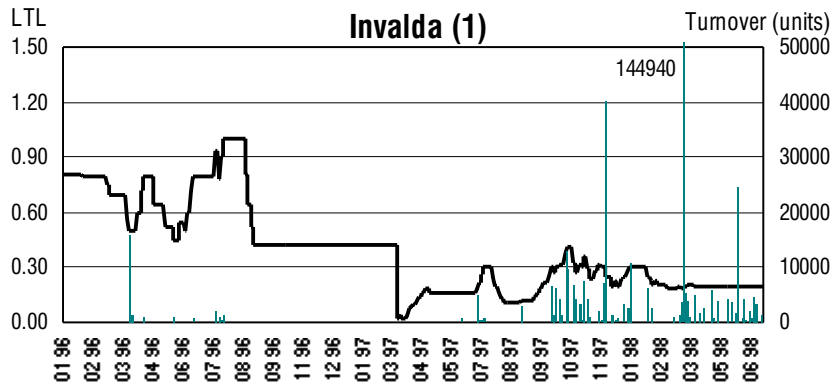
Total number of shareholders amounts to 16414.  
Management and employees hold 22.95% of the stock.

Medienos Plaušas AB	7.67%
Dailius Juozapas Mišeikis	6.96%
Algirdas Bučas	6.10%
Alfonsas Rimkus	5.70%

### STRUCTURE OF SHARE CAPITAL

**Share capital:** LTL 38,000,000

**Ordinary shares:**  
-38000000 registered shares at LTL 1 par (security code 10227) accounting for 100% of the auth. capital (admitted to the trading at the NSEL on 18.12.95)



### BALANCE SHEET (LTL)

	1996	1997
<b>LONG TERM ASSETS</b>	49088918	47951513
<b>SHORT TERM ASSETS</b>	1231856	3751892
Stock	1423	3091
Amounts receivable within one year	1068702	269042
TRANSFER ACCOUNTS	0	9262
<b>TOTAL ASSETS</b>	<b>50320774</b>	<b>51712667</b>
<b>CAPITAL AND RESERVES</b>	50171323	50866921
Capital	38000000	38000000
Subscribed capital	38000000	38000000
Share premium account	542669	542669
Revaluation reserve	1132185	11324185
Reserves	213423	225985
Profit (loss) brought forward	91046	774082
Amounts payable after one year and long-term liabilities	0	0
Amounts payable within year and short-term liabilities	149451	845746
ACCRUED CHARGES AND DEFERRED INCOME	0	0
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>50320774</b>	<b>51712667</b>

### PROFIT (LOSS) ACCOUNT (LTL)

SALES AND SERVICES	6689460	4360522
COST OF GOODS SOLD AND SERVICES RENDERED	6076129	2462873
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>	<b>-107042</b>	<b>767312</b>

### TRADING STATISTICS

	1996	1997	1-2Q 1998
<b>PRICE (LTL)</b>			
First	0.80	0.42	0.25
Max	1.00 (08.22)	0.02 (03.24)	0.30 (01.28)
Min	0.42 (09.05)	0.42 (03.12)	0.18 (03.17)
Last	0.42 (12.31)	0.25 (12.30)	0.20 (06.26)
Change (%)	-47.5	-40.48	-20.00
<b>Number of transactions (CM)</b>	53	121	115
Turnover CM (units)	24931	137936	261715.00
Turnover CM (LTL)	14973.22	40340	53933.02
Turnover BT (units)	20	1965856	4806188.00
Turnover BT (LTL)	15.4	410996	1270573.60
CM turnover as % in total	99.92	6.56	5.16
Total turnover (units)	24951	2103792	5067903.00
Total turnover (LTL)	14988.62	451335	1324506.62
Turnover ratio (%)	0.07	5.54	13.34
As % in the total share turnover	0.008	0.05	0.29

## NAFTOS TERMINALAS

**HOLDING**

<b>Address:</b>	Burių g. 19, 5799 Klaipėda	<b>Established:</b>	1959
<b>Phone:</b>	(370-6) 212506, 391779	<b>Number of employees:</b>	150
<b>Fax:</b>	(370-6) 211428	<b>Authorised capital (LTL m):</b>	13.1
<b>Registration date:</b>	16/11/90	<b>Capitalisation (LTL m) (01/07/98):</b>	30.71
<b>Registration code:</b>	4002602		

<b>Auditor:</b>	<b>J.Kabašinskas ir Partneriai TŪB</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): G.Glinskienė, Chairwoman (0%), A.Drazdauskas (0%), M. Gusiatis (1.37%), J.Dūdienė (0%), D.Jasadavičiūtė (291 shares)

**Managing Director:** Rimantas Jautžemis

**Investment Relations:** Rimantas Jautžemis, tel. (370-6) 391 779

### CORPORATE HISTORY

The company was established in 1959. It performed export and import of oil products and fulfilled other state tasks. Following instructions, the company accumulated, maintained and traded state reserves of oil products. In addition, NAFTOS TERMINALAS carried out liquidation of accidents and localisation of forces majeure consequences.

The sales of oil products varied year after year (from LTL 7m to LTL 5.5 million). This volatility was effected by fluctuating oil prices in world markets, decisions of the Russian government regarding oil export, transportation costs, climatic conditions and other factors.

On 28 March 1995, NAFTOS TERMINALAS was registered as a public enterprise with the authorised capital of LTL 56.76 million. After revaluation of long-term assets, the authorised capital augmented to LTL 157.99 million. With transfer of some assets to the state, the authorised capital decreased to LTL 131.63 million.

### BUSINESS ACTIVITY, LATEST DEVELOPMENTS

After the transfer of the main functions (handling of oil products)-to the Lithuanian-USA company Klaipėdos Nafta in the beginning of 1997, the company for the most part engaged in financial and investment activities, managed investment portfolios. In addition, it carried out some auxiliary activities: production and sale of wood products and furniture, public catering, leasing of long-term and short-term property, design and construction works, hotel services, etc.

Within 1991-1996, the company made investments into a number of companies and currently holds 59.5% of Girių Bizonas AB (wood fibre board), 46% of Klaipėdos Nafta AB (export/import of oil products), 34% of Krovinių Terminalas UAB (cargo terminal), 49% of Žavesys UAB, 33% of Žiburiai UAB and 23.2% of Skinija AB. NAFTOS TERMINALAS also has minority holdings in banks Vilniaus Bankas and Litimpeks Bankas.

The bulk of revenues in the amount of LTL 27m was generated from provided services, investment activity brought LTL 11.7m and sold goods contributed LTL 5.28 million. The pre-tax profit of the accountable year constituted LTL 2.8m, the after-tax profit totalled LTL 2.7 million.

### PLANS, PROSPECTS FOR 1998

Reorganisation of the company is expected. Wood-processing section will be separated from NAFTOS TERMINALAS. Activities of the thermal unit will be suspended, since the main consumer of the thermal energy, Lithuanian-USA company Klaipėdos Nafta launches its own boiler-house into operation. Therefore, NAFTOS TERMINALAS will perform functions of an asset manager.

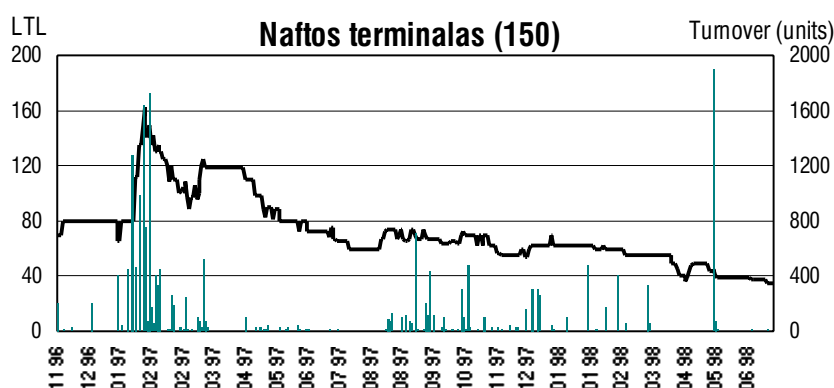
In July 1998, the company's shareholders resolved to raise share capital out of capital reserves by LTL 38 million. NAFTOS TERMINALAS will issue 253,947 new shares at LTL 150 par and increase the authorised capital to LTL 169.72 million. The issue will be subscribed by the state.

### STRUCTURE OF OWNERSHIP

Total number of shareholders amounts to	679.
Ministry of Economy	66.68%
Employees and other persons	33.32%

### STRUCTURE OF SHARE CAPITAL

<b>Share capital:</b>	LTL 131,630,250
<b>Ordinary shares:</b>	-877535 registered shares at LTL 150 par (security code 11166) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 04.11.96)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		255771477	295814698	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		202006074	112113452	Current ratio	23.48	23.08
Stock		7814793	4685205	Quick ratio	22.58	22.12
Amounts receivable within one year		57052368	30073762	Net working capital (LTL thou)	193749	107264
<b>TRANSFER ACCOUNTS</b>		360373	7650	Net working capital to total assets	0.42	0.26
<b>TOTAL ASSETS</b>		<b>458137924</b>	<b>407935800</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		367920668	322256480	Profit margin (%)	0.60	0.19
Capital		157995450	131630250	Return on assets (%)	0.13	0.01
Subscribed capital		157995450	131630250	Return on equity (%)	0.16	0.01
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		123	123	Total debt ratio	0.20	0.21
Reserves		152667089	187919932	Debt / equity ratio	0.25	0.27
Profit (loss) brought forward		57258006	2706175	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		8000000	7222216	Inventory turnover	3.59	2.89
Amounts payable within year and short-term liabilities		5612484	1934011	Receivables turnover	1.90	0.33
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		3004772	2923093	Net working capital turnover	0.49	0.13
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>458137924</b>	<b>407935800</b>	Long-term assets turnover	0.37	0.05
				Total assets turnover	0.21	0.04
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		94702533	14307254			
COST OF GOODS SOLD AND SERVICES RENDERED		30537053	18074115			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>57258006</b>	<b>2706175</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	842642	54846
First	70.00	80.00	62.50	Share book value (LTL)	349.30	367.23
Max	80.00 (11.19)	54.00 (12.05)	62.50 (01 26)	Price / book value ratio [P/BV]	0.23	0.17
Min	70.00 (11.14)	162.50 (01.28)	32.47 (04 20)	Earnings per share (LTL)	54.36	3.08
Last	80.00 (12.31)	62.50 (12.30)	35.00 (06 24)	Price / earnings ratio [P/E]	1.47	20.27
Change (%)	14.29	-21.88	-44.00	Dividend per share (LTL)	15.00	-
Number of transactions (CM)	20	515	56	Dividend yield	0.19	-
Turnover CM (units)	456	16472	4336	Dividend payout ratio	0.28	-
Turnover CM (LTL)	34480	1768701	227576			
Turnover BT (units)	240	9737	5606			
Turnover BT (LTL)	15000	670388	236005			
CM turnover as % in total	65.52	62.85	43.61			
Total turnover (units)	696	26209	9942			
Total turnover (LTL)	49480	2439090	463581			
Turnover ratio (%)	0.07	2.99	1.13			
As % in the total share turnover	0.03	0.25	0.10			



## APRANGA

## WHOLESALE AND RETAIL TRADE

<b>Address:</b>	Kirtimų g. 51, 2028 Vilnius	<b>Established:</b>	1948
<b>Phone:</b>	(370-2) 641064, 641205	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-2) 643432	<b>Number of employees:</b>	208
<b>Registration date:</b>	01.03.93	<b>Authorised capital (LTL m):</b>	8.8
<b>Registration code:</b>	2193327	<b>Capitalisation (LTL m) (01/07/98):</b>	20.7
<b>Auditor:</b>	<b>Arthur Andersen</b>	<b>Trading list:</b>	<b>Current</b>

**Management Board** (participation in the company): Rimantas Perveneckas, Chairman (0.26%), Leonas Riauba (0.32%), Gintaras Bingelis (0.06%), Arvydas Grigas (1.73%), Darius Juozas Mockus (2.45%), Leonas Jankus (0.035%)

**Managing Director:** Rimantas Perveneckas

**Investment Relations:** Gintaras Bingelis, tel. (370-2) 641 564

## CORPORATE HISTORY

The trade company APRANGA is the largest clothing company in Lithuania. The history of APRANGA started in 1948, when a big distribution centre for garments and other goods was established in post-war Vilnius. The former state-owned enterprise was privatised on 1 March 1993. Since 1993 APRANGA has been a public company.

The company's efforts brought favourable results already in 1994. By the start of 1998 APRANGA ran a chain of 10 specialised clothing shops. Fast development was achieved by increasing investments and obtaining controlling interest in some companies. By the end of 1997 APRANGA controlled 4 companies.

In 1993, APRANGA was amongst the first companies in Lithuania to register a bonded warehouse and start co-operation with international transport companies. Today, the company is considered to be the leading import-export terminal on the domestic market.

In 1997, the company decided to raise stock capital out of supplementary contributions and to issue 4,411,495 ordinary shares at LTL 1 par. The whole issue was placed among shareholders.

## BUSINESS ACTIVITY, LATEST DEVELOPMENTS

For a few years APRANGA has been listed among the Top 100 Lithuanian stock companies ranked by sales. In 1997, APRANGA received 85% of its annual sales from retail business. Currently, APRANGA operates a chain of stores located in the largest cities - Vilnius, Kaunas, Klaipėda, Šiauliai and smaller towns - Palanga and Marijampolė.

The company offers higher-than-average quality products. The market research done in the beginning of 1997 showed that APRANGA accounted for 15-18% of the medium-high priced market segment in Lithuania. Thanks to co-operation with solid

Western partners, like Betty Barclay, Strellson, MEXX, Roy Robson, JOOP, Luhta, Hucke Group, Levi Strauss, MORGAN, NAF NAF, S.Oliver, Lloyd, Salamander, Shelly's and others, APRANGA succeeds in satisfying its customers and assuring them "they buy value for money and dress for success".

Due to growing purchasing power of population and increasing segmentation of the market, APRANGA concentrated its efforts on separate social groups. Opening of new stores named APRANGOS GALERIJA for motivated young customers was a result of the new policy.

The company maintained its wholesale business. In 1997, exports generated 4.5% of the sales, and internal wholesale constituted 2.5 per cent. The company intends to expand this business unit in the future.

In addition to retail and wholesale business, the company engages in warehousing services. Now, this business arm embraces bonded and regular warehouses, export-import terminal, customs mediator and other services and accounts for 8% of the annual revenue.

Total revenue in 1997 amounted to LTL 37m, including LTL 2.7m income from services. Net profit rose by 61.5% in comparison with 1996 and constituted LTL 3.1 million. Profit margin reached 8.3 per cent.

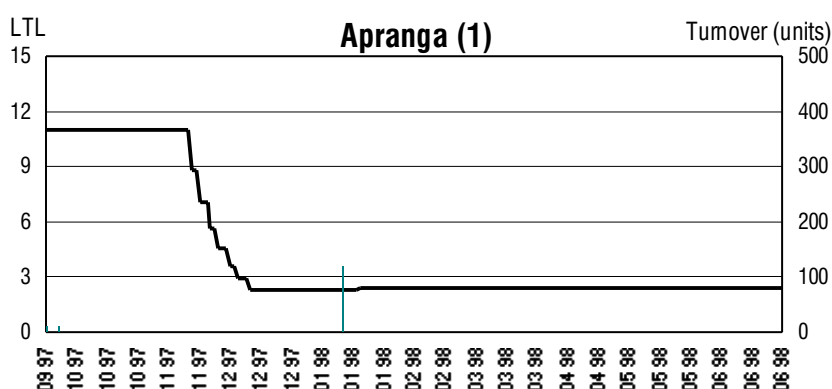
## PLANS, PROSPECTS FOR 1998

In 1998-1999, APRANGA intends to acquire stores in large Lithuanian cities Kaunas and Panevėžys, also lease premises for a store in Šiauliai. The preliminary size of investment amounts to LTL 21 million. In addition, LTL 3.5m will be used for equipping the stores. The company plans to finance new acquisitions and reconstructions out of foreign capital and own reserves.

APRANGA anticipates to almost double sales and profit in the next couple of years.

## SUBSIDIARIES

	Date of establishment	Authorised capital	Share interest
PalangosVarūna AB	1993	LTL 925 thou	98.6%
Tokata UAB	1994	LTL 209 thou	95.2%
Aprangos Salonas UAB	1995	LTL 1,833 thou	51.0%
Šešupė Ontario UAB	1997	LTL 1,000 thou	59.0%



## BALANCE SHEET (LTL)

	1996	1997
<b>LONG TERM ASSETS</b>	5004033	10957390
<b>SHORT TERM ASSETS</b>	11446073	11876284
Stock	8194035	8112161
Amounts receivable within one year	3009945	3307351
TRANSFER ACCOUNTS	12895	34195
<b>TOTAL ASSETS</b>	<b>16463001</b>	<b>22867869</b>
<b>CAPITAL AND RESERVES</b>	8830727	15559165
Capital	4411495	8822990
Subscribed capital	4411495	8822990
Share premium account	0	441149
Revaluation reserve	0	0
Reserves	4419232	6295026
Profit (loss) brought forward	0	0
Amounts payable after one year and long-term liabilities	0	0
Amounts payable within year and short-term liabilities	7632274	7261489
ACCRUED CHARGES AND DEFERRED INCOME	0	47215
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>16463001</b>	<b>22867869</b>

## PROFIT (LOSS) ACCOUNT (LTL)

SALES AND SERVICES	28536243	37001585
COST OF GOODS SOLD AND SERVICES RENDERED	19727293	24350840
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>	<b>1431561</b>	<b>3095055</b>

## FINANCIAL RATIOS

	1996	1997
<b>LIQUIDITY RATIOS</b>		
Current ratio	1.50	1.63
Quick ratio	0.43	0.52
Net working capital (LTL thou)	3827	4602
Net working capital to total assets	0.23	0.20
<b>PROFITABILITY RATIOS</b>		
Profit margin (%)	0.05	0.08
Return on assets (%)	0.09	0.14
Return on equity (%)	0.16	0.20
<b>FINANCIAL LEVERAGE RATIOS</b>		
Total debt ratio	0.46	0.32
Debt / equity ratio	0.86	0.47
<b>ASSETS UTILISATION RATIOS</b>		
Inventory turnover	2.40	2.99
Receivables turnover	9.14	11.71
Net working capital turnover	7.46	8.04
Long-term assets turnover	5.70	3.38
Total assets turnover	1.73	1.62

## TRADING STATISTICS

	1997	1-2Q 1998
<b>PRICE (LTL)</b>		
First	11.00	2.32
Max	2.32 (12.09)	2.35 (02 27)
Min	11.00 (09.30)	2.32 (01 21)
Last	2.32 (12.09)	2.35 (01 22)
Change (%)	-78.91	1.29
Number of transactions (CM)	4	4
Turnover CM (units)	20	121
Turnover CM (LTL)	220	281
Turnover BT (units)	4672545	696340
Turnover BT (LTL)	5142938	673058
CM turnover as % in total	0.00	0.02
Total turnover (units)	4672565	696461
Total turnover (LTL)	5143158	673339
Turnover ratio (%)	52.96	7.89
As % in the total share turnover	0.54	0.15

## MARKET VALUE RATIOS

	1996	1997
Capitalisation (LTL thou)		20469
Share book value (LTL)	2.00	1.76
Price / book value ratio [P/BV]	-	1.32
Earnings per share (LTL)	0.32	0.35
Price / earnings ratio [P/E]	-	6.61
Dividend per share (LTL)	0.070	0.050
Dividend yield	-	0.02
Dividend payout ratio	0.22	0.14

## STRUCTURE OF SHARE CAPITAL

Share capital:	LTL 8,822,990
<b>Ordinary shares:</b>	
-8822990 registered ordinary shares at LTL 1 par (security code 10233) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 26.05.97)	

## STRUCTURE OF OWNERSHIP

Total number of shareholders comes to 433.	
Ifanta UAB	46.13%
Holding Investicijos Fondas	29.63%
Holding Hermis Investicija	5.47%
Employees	6.24%
State	0.50%

## BALTIJOS LAIVŲ STATYKLA

SHIPYARD

<b>Address:</b>	Pilies g. 8, 5799 Klaipėda	<b>Established:</b>	1952
<b>Phone:</b>	(370-6) 212324, 217024	<b>Privatised:</b>	1996
<b>Fax:</b>	(370-6) 215996	<b>Number of employees:</b>	1611
<b>Registration date:</b>	09/09/91	<b>Authorised capital (LTL m):</b>	69.2
<b>Registration code:</b>	4034645	<b>Capitalisation (LTL m) (01/07/98):</b>	27.1
<b>Auditor:</b>	KPMG Lietuva	<b>Trading list:</b>	Current

**Management Board** (participation in the company): Kurt Andersen (0%), Frank Gad (0%), Niels Roed (0%), Viktoras Stulpinas (0.084%), Arimantas Račkauskas (0%)

**Managing Director:** Viktoras Stulpinas

**Investment Relations:** Elena Skorochod, tel. (370-2) 291988

**CORPORATE HISTORY**

The company was established in 1952 and since then has built 360 ships and 65 steel-floating docks, repaired over 350 vessels.

Until September 1994 the company's authorised capital equalled LTL 2.6 million. Then the authorised capital was multiply increased out of capital reserves and revaluation reserves, and in December 1995, it totalled LTL 34.6m, including LTL 11.26m of state capital and LTL 23.33m of share capital.

With the sale of state-held shares in April 1997, the company's stock capital amounted to LTL 34.59 million. In May 1997, BALTIJOS LAIVŲ STATYKLA raised share capital by LTL 34.59m out of supplementary contributions. As a result, the stock capital totalled LTL 69.18 million. Odense Staalskibsvaerft A/S (Denmark) acquired controlling interest in the company amounting to 91.37 per cent.

**BUSINESS ACTIVITY**

The company engages in manufacture of fish trawlers, steel floating docks, freezing trawlers, and various cargo vessels. Modern production includes blocks for container ships and tugboats. Agreements regarding tugboats have been concluded between two Danish companies Svitzer A/S and Odense Staalskibsvaerft A/S, BALTIJOS LAIVŲ STATYKLA acts as a subcontractor.

**DEVELOPMENTS IN 1997**

Sales decreased from LTL 84.76m in 1996 to LTL 65.55m in 1997. The pre-tax profit of the accountable year constituted LTL 9.79 million. Since profit was used for investments, it was subject to zero per cent tax rate. Consequently, net profit amounted to LTL 9.79m or 90% more than in 1996.

The main purchasers of the company's production were Denmark, Spain, Russia, Germany, Lithuania, Poland, Sweden, and Iceland.

**PLANS, PROSPECTS FOR 1998**

In 1998, the company aims to increase its exports to Western markets, in particular Denmark. The company plans to develop cooperation with Danish company Odense Lindo in the field of modern shipbuilding. It intends to manufacture ships for Svitzer A/S and increase output of container ships. BALTIJOS LAIVŲ STATYKLA will continue to produce machinery for agricultural purposes and sell it to foreign partners and Lithuanian farmers.

**STRUCTURE OF OWNERSHIP**

Total number of shareholders amounts to 1743.  
Odense Staalskibsvaerft A/S 91.37%

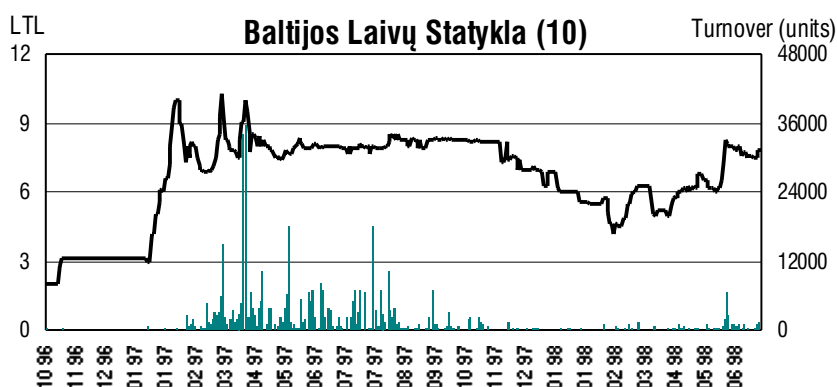
**STRUCTURE OF SHARE CAPITAL**

**Share capital:** LTL 69,181,680

**Ordinary shares:**

-3459084 registered shares at LTL 10 par (security code 11757) accounting for 50% of the auth. capital (admitted to trading at the NSEL on 26.02.96)

-3459084 registered shares at LTL 10 par (security code 12256) accounting for 50% of the auth. capital (not admitted to trading at the NSEL)



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		21065654	52455915	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		48180916	63889398	Current ratio	3.56	5.67
Stock		22685142	13302661	Quick ratio	1.89	4.49
Amounts receivable within one year		11129552	13821925	Net working capital (LTL thou)	34695	52657
<b>TRANSFER ACCOUNTS</b>		49287	39245	Net working capital to total assets	0.50	0.45
<b>TOTAL ASSETS</b>		<b>69295857</b>	<b>116384558</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		42173337	87436960	Profit margin (%)	0.06	0.15
Capital		34590840	69181680	Return on assets (%)	0.07	0.08
Subscribed capital		34590840	69181680	Return on equity (%)	0.12	0.11
Share premium account		0	0	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		0	0	Total debt ratio	0.39	0.25
Reserves		1290736	1723749	Debt / equity ratio	0.64	0.33
Profit (loss) brought forward		6291761	16531531	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		11482866	15784019	Inventory turnover	1.97	2.28
Amounts payable within year and short-term liabilities		13535658	11271521	Receivables turnover	12.37	5.25
<b>ACCRUED CHARGES AND DEFERRED INCOME</b>		0	0	Net working capital turnover	2.44	1.24
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>69295857</b>	<b>116384558</b>	Long-term assets turnover	4.02	1.25
				Total assets turnover	1.22	0.56
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>						
SALES AND SERVICES		84760752	65553423			
COST OF GOODS SOLD AND SERVICES RENDERED		66028934	41101819			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>5118261</b>	<b>9793464</b>			

<b>TRADING STATISTICS</b>	<b>1996</b>	<b>1997</b>	<b>1-2Q 1998</b>	<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>PRICE (LTL)</b>				Capitalisation (LTL thou)	10723	23868
First	2.00	3.10	6.90	Share book value (LTL)	12.19	12.64
Max	3.10 (12.31)	3.00 (01.20)	8.25 (05 29)	Price / book value ratio [P/BV]	0.25	0.55
Min	2.00 (10.22)	10.23 (03.21)	4.16 (02 23)	Earnings per share (LTL)	1.48	1.42
Last	3.10 (12.31)	6.90 (12.24)	7.82 (06 26)	Price / earnings ratio [P/E]	2.10	4.87
Change (%)	55.00	122.58	13.33	Dividend per share (LTL)	0.00	0.00
Number of transactions (CM)	5	1159	331	Dividend yield	-	-
Turnover CM (units)	572	435286	39095	Dividend payout ratio	-	-
Turnover CM (LTL)	1498	3606531	275150			
Turnover BT (units)	11549	2880206	5487			
Turnover BT (LTL)	286050	28363640	33058			
CM turnover as % in total	4.72	13.13	87.69			
Total turnover (units)	12121	3315492	44582			
Total turnover (LTL)	287548	31970171	308208			
Turnover ratio (%)	0.35	95.85	1.29			
As % in the total share turnover	0.15	3.33	0.07			



## KLAIPĖDOS BALDAI

## FURNITURE

<b>Address:</b>	Joniškės g. 21, 5800 Klaipėda	<b>Established:</b>	1954
<b>Phone:</b>	(370-6)212381	<b>Privatised:</b>	1993
<b>Fax:</b>	(370-6) 216745	<b>Number of employees:</b>	495
<b>Registration date:</b>	03/03/93	<b>Authorised capital (LTL m):</b>	8.1
<b>Registration code:</b>	4065605	<b>Capitalisation (LTL m) (01/07/98):</b>	20.4

<b>Auditor:</b>	<b>KPMG Lietuva</b>	<b>Trading list:</b>	<b>Current</b>
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**Supervisory Board** (participation in the company): Rimas Varanauskas, Chairman (0.11%), Aniceta Bagdonavičienė (0.07%), Rimantas Akulevičius (2.34%)

**Management Board:** Kęstutis Linkus, Chairman (0%), Eimuntas Jankauskas (0.08%), Nerijus Tilindis (0.07%)

**Managing Director:** Kęstutis Linkus

**Investment Relations:** Kęstutis Linkus, tel. (370-6) 212 381

## CORPORATE HISTORY

In 50s, a plant that manufactured matches for export purposes operated in Klaipėda. In 1954, when export of matches was no longer profitable, the plant was reorganised into a state furniture enterprise. Initially, the company manufactured different furniture and resembled an artisan's workshop. Since it was unreasonable to develop production of various furniture, in 1956, the decision was made to specialise in wardrobes. In 1961, the company started to produce bedroom furniture. The production of bedroom furniture improved rapidly, and KLAIPĖDA FURNITURE PLANT became very famous not just in Lithuania, but also conquered the former Soviet Union market. Bedroom sets Zunda and Ugnė were dream goods in the deficit economy.

In 1993, the company underwent privatisation through the initial public offering and was registered with Klaipėda Municipality as a public limited company with the authorised capital of LTL 742 thousand. On 5 March 1996, the general shareholders' meeting made a decision to increase the authorised capital 10 times out of the revaluation reserve. With the issue of additional 7.4m shares, the stock capital amounted to LTL 8.1 million.

## BUSINESS ACTIVITIES

KLAIPĖDOS BALDAI is engaged in manufacture and sales of furniture in the domestic and foreign markets. The range of products is very wide - the company manufactures 400 different articles. The main groups of products include furniture for bedrooms, kids rooms, halls and antechambers, office furniture and upholstered furniture. Furniture manufactured for export to the EU countries falls under a separate group.

In Lithuania the most famous product of KLAIPĖDOS BALDAI is bedroom furniture. In 1995, the range of bedroom furniture was enriched with a new set Veronika. In order to better satisfy the customers' needs, the company began to produce and sell bedroom furniture Veronika M. This set was recognised as the Best Product of Year 1997 by the Confederation of Lithuanian Industrialists. In addition, KLAIPĖDOS BALDAI designed and introduced into production new furniture for children rooms, halls and offices. In 1997, the breakdown of production by the type of furniture was as follows: bedroom furniture accounted for 29% of total production, upholstered furniture constituted 7%, kids' furniture 3%, office furniture 12%, furniture for export to the EU comprised 47% and other furniture made up 3 per cent.

Due to high trade tariffs, complicated and risky payment settlement with the CIS countries, KLAIPĖDOS BALDAI started to actively co-operate with Western European partners. Today, the company imports 45% of raw materials from the EU. Other necessary materials are purchased in Lithuania. About 50% of production are exported to the EU countries. Exports to foreign markets increase year on year (from LTL 1m in 1994 to LTL 14.3m in 1997) and this

trend shows that KLAIPĖDOS BALDAI furniture is able to compete in Western markets.

## DEVELOPMENTS IN 1997

In spite of DEM depreciation that reduced sales of furniture, the sales volume in 1997 showed a 10.5% increase as compared with 1996. Due to the currency fluctuations, the company did not realise LTL 2m of revenues in 1997. Regardless of this fact, KLAIPĖDOS BALDAI is convinced that the present policy of the distribution of sales by markets is the most appropriate. In 1997, exports to the EU countries constituted almost 50% of the total sales.

The increase in production and sales was effected by substantial investments into technology and equipment. The amount of LTL 2.1m accounted for the biggest single investment since the company's privatisation. Investments were financed for the most part out of the LTL 1.6m loan granted by the International Bank for Reconstruction and Development. The company allocated LTL 442 thou of own funds. In addition, KLAIPĖDOS BALDAI allotted LTL 0.5m for the reconstruction and repair of the premises.

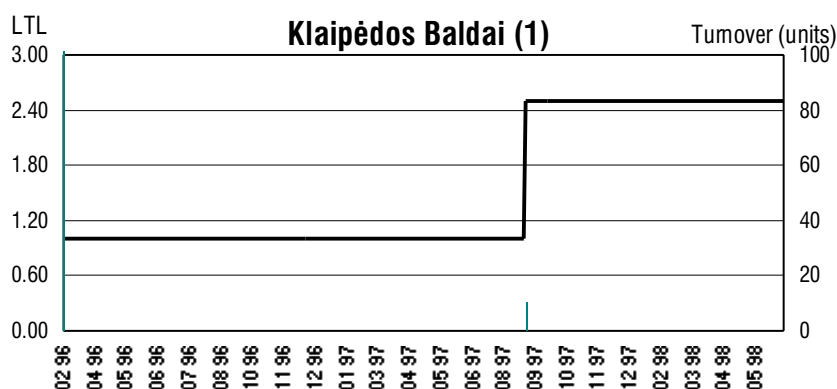
In 1997, the company generated the net profit of LTL 7m or LTL 0.5m less than in 1996. The main reason for this decline was depreciation of the German Mark with respect to the Litas by 19 per cent. The pre-tax profit equalled LTL 1.5m, the after-tax profit accounted for LTL 0.9 million.

At the end of 1997, KLAIPĖDOS BALDAI was certified according to the ISO 9000 standard. At that time, KLAIPĖDOS BALDAI was the 6th company in Lithuania and the first one among furniture-makers to be issued ISO certificate. The company became the winner of the Best Company and Best Product competition held by the Confederation of Lithuanian Industrialists.

## PLANS, PROSPECTS FOR 1998

In 1998, the company anticipates sales to augment by 5-10% and reach LTL 35 million. The expected increase in production and sales output depends on further investments into technological development. In 1998, KLAIPĖDOS BALDAI intends to replace the present varnishing lines by efficient, economical, ecologically compliant equipment. This investment could additionally solve a number of problems related to the quality of varnishing. Also, the company plans to renovate the transport section, to build new garages and reconstruct storehouses. Modernisation will require approximately LTL 4 million.

Next year the company will pursue the strategic management policy. It will seek to increase production output, search for and introduce new materials, technologies and design, implement strict control of production costs, encourage improvement of professional skills and raise labour productivity. The technological and intellectual potential of the company will allow to successfully fulfil the tasks.



<b>BALANCE SHEET (LTL)</b>	<b>LAS (1996, 1997)</b>	<b>1996</b>	<b>1997</b>	<b>FINANCIAL RATIOS</b>	<b>1996</b>	<b>1997</b>
<b>LONG TERM ASSETS</b>		8649082	9616727	<b>LIQUIDITY RATIOS</b>		
<b>SHORT TERM ASSETS</b>		11660312	14652664	Current ratio	2.06	2.03
Stock		3184096	4337868	Quick ratio	1.50	1.43
Amounts receivable within one year		7352333	9579426	Net working capital (LTL thou)	6001	7429
TRANSFER ACCOUNTS		2520	6434	Net working capital to total assets	0.30	0.31
<b>TOTAL ASSETS</b>		<b>20311914</b>	<b>24275825</b>	<b>PROFITABILITY RATIOS</b>		
<b>CAPITAL AND RESERVES</b>		13947262	14654064	Profit margin (%)	0.04	0.03
Capital		8166312	8166312	Return on assets (%)	0.06	0.04
Subscribed capital		8166312	8166312	Return on equity (%)	0.09	0.07
Share premium account		112	112	<b>FINANCIAL LEVERAGE RATIOS</b>		
Revaluation reserve		728462	728462	Total debt ratio	0.31	0.40
Reserves		4252348	4302195	Debt / equity ratio	0.46	0.66
Profit (loss) brought forward		800028	1456983	<b>ASSETS UTILISATION RATIOS</b>		
Amounts payable after one year and long-term liabilities		703311	2391886	Inventory turnover	7.72	6.75
Amounts payable within year and short-term liabilities		5661341	7229875	Receivables turnover	4.19	3.84
ACCRUED CHARGES AND DEFERRED INCOME		0	0	Net working capital turnover	4.90	4.37
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>20311914</b>	<b>24275825</b>	Long-term assets turnover	3.40	3.38
<b>PROFIT (LOSS) ACCOUNT (LTL)</b>				Total assets turnover	1.45	1.34
SALES AND SERVICES		29381388	32483115			
COST OF GOODS SOLD AND SERVICES RENDERED		21792452	25395839			
<b>NET PROFIT OF THE CURRENT YEAR FOR APPROPRIATION (LOSS)</b>		<b>1271769</b>	<b>962280</b>			

<b>TRADING STATISTICS</b>	<b>1997</b>	<b>1-2Q 1998</b>
<b>PRICE (LTL)</b>		
First	2.50	2.50
Max	2.50 (08.29)	2.50 (06.11)
Min	2.50 (08.29)	2.50 (06.11)
Last	2.50 (08.29)	2.50 (06.30)
Change (%)	-	-
Number of transactions (CM)	2	0
Turnover CM (units)	10	0
Turnover CM (LTL)	25	0
Turnover BT (units)	91707	4950
Turnover BT (LTL)	91707	1584
CM turnover as % in total	0.01	0.00
Total turnover (units)	91717	4950
Total turnover (LTL)	91732	1584
Turnover ratio (%)	1.12	0.06
As % in the total share turnover	0.01	0.00

<b>MARKET VALUE RATIOS</b>	<b>1996</b>	<b>1997</b>
Capitalisation (LTL thou)	8166	20416
Share book value (LTL)	1.71	1.79
Price / book value ratio [P/BV]	0.59	1.39
Earnings per share (LTL)	0.16	0.12
Price / earnings ratio [P/E]	6.42	21.22
Dividend per share (LTL)	0.00	0.00
Dividend yield	-	-
Dividend payout ratio	-	-

<b>STRUCTURE OF OWNERSHIP</b>	
Koncernas SBA AB	23.69%
Holding Koncerno SBA Investicija	26.67%

<b>SUBSIDIARIES</b>	<b>Date of establishment</b>	<b>Authorised capital</b>	<b>Share interest</b>
Klaipėdos Baldų Prekyba UAB	1994	LTL 3.7m	10%

**STRUCTURE OF SHARE CAPITAL**  
**Share capital:** LTL 8,166,312  
**Ordinary shares:** 8166312 registered shares at LTL 1 par (security code 10297) accounting for 100% of the auth. capital (admitted to trading at the NSEL on 09.08.94)

## LIST OF MEMBERS

## BROKERAGE DEPARTMENTS OF BANKS

1. BD of **MEDICINOS BANKAS**

Address: Pamėnkalnio g. 40, 2000 Vilnius

Phone: 370-2 629058

Fax: 370-2 624481

Brokers: Janina Veličkaitė, Irena Valiušaitienė

Head: Janina Veličkaitė

2. BD of **INDUSTRIJOS BANKAS**

Address: Kražių g. 21, 2001 Vilnius

Phone: 370-2 226377

Fax: 370-2 225511

Broker: Audrius Statulevičius

Head: Audrius Statulevičius

3. BD of **LIETUVOS TAUPOMASIS BANKAS**

Address: Pamėnkalnio g. 13, 2001 Vilnius

Phone: 370-2 230789

Fax: 370-2 230800

Brokers: Arūnas Urbonas, Justinas Alekna, Naglis Paičius, Marius Čiuželis

Head: Justinas Alekna

4. BD of **ŠIAULIŲ BANKAS**

Address: Tilžės g. 149, 5400 Šiauliai

Phone: 370-1 422906

Fax: 370-1 430774

Brokers: Pranas Gedgaudas, Jolanta Dobiliauskienė, Rimantas Januševičius

Head: Roma Venckuvienė

5. BD of **LIETUVOS ŽEMĖS ŪKIO BANKAS**

Address: Vilniaus g. 18-303, 2630 Vilnius

Phone: 370-2 629764

Fax: 370-2 627762

Brokers: Audrius Trinkas, Jurgita Šilėnaitė, Martynas Kulvinskas, Julius Čiburys,

Edgaras Butrimas

Head: Vytautas Kupliauskas

## 6. BD of **BANKAS HERMIS**

Address: Gedimino pr. 26 Vilnius  
Phone: 370-2 226490  
Fax: 370-2 617963  
Brokers: Arvydas Kvietkauskas, Vladas Sungaila, Aušra Pilipavičiūtė  
Head: Arvydas Kvietkauskas

## 7. BD of **LITIMPEKS BANKAS**

Address: Vilniaus g. 28, 2600 Vilnius  
Phone: 370-2 221089  
Fax: 370-2 221074  
Broker: Darius Čepauskas  
Head: Darius Čepauskas

## 8. BD of **VILNIAUS BANKAS**

Address: Ukmergės g. 41, Vilnius  
Phone: 370-2 721559, 721669  
Fax: 370-2 721551  
Brokers: Mindaugas Rizgelis, Robertas Beržinskas, Linas Grinevičius  
Head: Saulius Racevičius

## 9. BD of **BANKAS SNORAS**

Address: Vivulskio g. 7, 2600 Vilnius  
Phone: 370-2 652867, 262759  
Fax: 370-2 652395  
Brokers: Olga Jarema, Laisvūnas Bartkevičius  
Head: Olga Jarema

## 10. BD of **ŪKIO BANKAS**

Address: J. Gruodžio g. 9, 3000 Kaunas  
Phone: 370-7 209115  
Fax: 370-7 209115  
Brokers: Vidmantas Kniūkšta, Antanas Suraučius  
Head: Vidmantas Kniūkšta





**Category A****1. BC CJSC SUPREMA**

Address: Ukmergės g. 41-605, 2662 Vilnius  
Phone: 370-2 723796, 723797  
Fax: 370-2 726049  
Brokers: Aidas Galubickas, Arvydas Jacikevičius  
Head: Aidas Galubickas

**2. BC CJSC ALTERNA INVEST**

Address: Ukmergės g. 41 507, 2662 Vilnius  
Phone: 370-2 -724774, 721891, 721897  
Fax: 370-2 725254  
Brokers: Petras Šlekys, Arvydas Skanas, Vaidas Bižokas, Eimutis Veselka  
Head: Petras Šlekys

**3. BC CJSC VB VILFIMA**

Address: Žirmūnų g. 70, 2600 Vilnius  
Phone: 370-2 390400  
Fax: 370-2 390499  
Brokers: Raimondas Štreimikis, Sigitas Petraitis, Vladislavas Kalinauskas,  
Aistė Kraujalytė, Vaidotas Tauras, Rasa Juozaitytė  
Head: Vidas Jelinskas

**4. BC CJSC FINBALTUS**

Address: Ukmergės g. 41-660, 2662 Vilnius  
Phone: 370-2 725861  
Fax: 370-2 72586  
Brokers: Valdas Varanavičius, Regimantas Čepukas  
Head: Valdas Varanavičius

**5. BC CJSC NAUGVILDA**

Address: Naugarduko g. 99, 2609 Vilnius  
Phone: 370-2 233920  
Fax: 370-2 235543  
Brokers: Violeta Tvarijonienė, Dalia Karmazinienė  
Head: Violeta Tvarijonienė

## 6. BC CJSC **HANSABANK MARKETS**

Address: Gedimino g. 26, 2001 Vilnius  
Phone: 370-2 390602, 390638  
Fax: 370-2 390641  
Brokers: Aivaras Abromavičius  
Head: Augustas Staniulis

## 7. BC CJSC **BALTFINA**

Address: Savanorių pr. 151, 3005 Kaunas  
Phone: 370-7 730078  
Fax: 370-7 730087  
Brokers: Regimantas Mačiūnas, Jonas Nedzveckas, Eugenijus Žegužauskas  
Head: Regimantas Mačiūnas

## 8. BC CJSC **DISKONTAS**

Address: Beržų g. 52, 5319 Panevėžys  
Phone: 370-54 35757, 36339  
Fax: 370-54 30279  
Brokers: Albinas Šveikauskas, Mindaugas Pranys  
Head: Albinas Šveikauskas

## 9. BC CJSC **BALTICUM MANAGEMENT**

Address: Ukmergės g. 41-611, 2662 Vilnius  
Phone: 370-2 721675  
Fax: 370-2 721409  
Broker: Audrius Kamienas  
Head: Aušra Kukarskienė



**Category B****1. BC CJSC MENDES PRIOR EUROPE**

Address: Ukmergės g. 41-506, 2662 Vilnius  
Phone: 370-2 722495, 722498  
Fax: 370-2 723993  
Brokers: Kazimieras Liepis, Kęstutis Kupšys  
Head: Kazimieras Liepis

**2. BC CJSC EMITENTAS**

Address: S.Daukanto g. 21, Kaunas  
Phone: 370-7 322893  
Phone/Fax: 370-7 322873  
Broker: Gintaras Gruodis  
Head: Arnoldas Vankevičius

**3. BC CJSC VIVA MONETA**

Address: Ukmergės g. 41-456, Vilnius  
Phone: 370-2 724339  
Fax: 370-2 724339  
Broker: Jonas Gabijūnas, Darius Verbyla  
Head: Jonas Gabijūnas

**4. BC CJSC ACHEMOS VERTYBINIAI POPIERIAI**

Address: Taurostos g. 26, Jonava  
Phone: 370-19 56716  
Fax: 370-19 56911  
Broker: Kęstutis Balutis  
Head: Kęstutis Balutis

**5. BC CJSC PRIME SECURITIES**

Address: S.Daukanto a. 2/5-12, 2001 Vilnius  
Phone: 370-2 313013  
Fax: 3702 628075  
Brokers: Valdas Urbonas, Regimantas Saltanavičius  
Head: Valdas Urbonas

**6. BC CJSC ICI CAPITAL**

Address: E.Ūžeškienės g. 7, 3005 Kaunas  
Phone: 3707 227784  
Fax: 3707 227688  
Brokers: Donatas Frejus  
Head: Andrius Barštys

## 7. BC CJSC “**KLAIPĖDOS VERTYBINIAI POPIERIAI**”

Address: Šimkaus g. 8, 5800 Klaipėda  
Phone: 370-6 210780  
Address: Laisvės 32, Mažeikiai  
Phone: 370-93 33691  
Fax: 370-6 210780  
Brokers: Raimundas Palaitis, Marius Augutis Saltonas  
Head: Raimundas Palaitis

## 8. BC CJSC “**VILNIAUS KAPITALO RINKA**”

Address: Gedimino pr. 28/2 - 801, 802, 2600 Vilnius  
Phone: 370-2 618806, 610051  
Fax: 370-2 618806  
Broker: Loreta Poškevičiūtė  
Head: Algirdas Makauskas

## 9. BC CJSC “**SINKUS**”

Address: Ukmergės g. 41-608, 2662 Vilnius  
Phone: 370-2 723485, 721517  
Fax: 370-2 723483  
Brokers: Rimantas Grigaliūnas, Julija Gerko  
Head: Romas Matiukas

## 10. BC CJSC “**VIVUM**”

Address: Ukmergės g. 41-612, 2662 Vilnius  
Phone: 370-2 721489  
Fax: 370-2 721489  
Broker: Vidūnas Mekšrūnas, Egidijus Norvaišas, Darius Šeikis  
Head: Vidūnas Mekšrūnas

## 11. BC CJSC “**FINVESTA**”

Address: Ukmergės g. 41-516, 2662 Vilnius  
Phone: 370-2 721623, 721624  
Fax: 370-2 721624  
Broker: Igoris Ivanovas  
Head: Igoris Ivanovas

## 12. BC CJSC “**APYVARTA**”

Address: Ukmergės g. 41- 501, 2662 Vilnius  
Phone : 370-2 721579  
Fax : 370-2 721580  
Broker: Algimantas Variakojis  
Head: Rolandas Matiliauskas





**13. BC CJSC INITUVA**

Address: Laisvės al. 30a, 3000 Kaunas  
Phone: 370-7 203904, 226361  
Fax: 370-7 203956  
Broker: Aurijus Mažonas, Aurimas Launikonis  
Head: Aurijus Mažonas

**14. BC CJSC OBLIGACIJA**

Address: V.Putvinskio g. 35-3, 3000 Kaunas  
Phone: 370-7 320580  
Fax: 370-7 228136  
Brokers: Dalius Kalėda, Mindaugas Tolkevičius  
Head: Dalius Kalėda

**15. BC CJSC SPEKONIS IR GASTONAS**

Address: Ukmergės g. 41-609,2600 Vilnius  
Phone: 370-2 721441, 721655  
Fax: 370-2 721441  
Broker: Mindaugas Vėgelė  
Head: Mindaugas Vėgelė

**16. BC CJSC BALTIJOS VERTYBINIAI POPIERIAI**

Address: Ukmergės g. 41-503,515, 2662 Vilnius  
Phone: 370-2 721371, 723991, 721611  
Fax: 370-2 721371  
Broker: Leonidas Jelenskis, Ivan Panin  
Head: Leonidas Jelenskis

**17. BC CJSC MAGISTRA**

Address: Ukmergės g. 41-556, Vilnius  
Phone: 370-2 724810  
Fax: 370-2 724810  
Broker: Gražvydas Lelis  
Head: Gražvydas Lelis

**18. BC CJSC JŪSŲ TARPININKAS**

Address: Zanavykų g. 25, 3000 Kaunas  
Phone: 370-7 794803  
Brokers: Ričardas Elijošius, Irina Lisovskaja  
Head: Tomas Dubnikovas

## 19. BC CJSC **AUKSINĖ KARŪNA**

Address: Švitrigailos g. 8/14, 2009 Vilnius  
Phone: 370-2 651758  
Fax: 370-2 651531  
Brokers: Algimantas Lekevičius, Dalius Gerulaitis, Skaistulė Misiūnaitė  
Head: Algimantas Lekevičius

## 20. BC PLC **FINASTA**

Address: Ukmergės g. 41-510, 2662 Vilnius  
Phone: 370-2 723463  
Fax: 370-2 723491  
Broker: Darius Šulnis  
Head: Darius Šulnis

## 21. **J.KAZĖNAS** BC

Address: Laisvės a. 15-11, 5300 Panevėžys  
Phone: (25) 430914  
Fax: (25) 436226  
Broker: Vytautas Černiauskas, Birutė Daukšienė  
Head: Julius Kazėnas

## 22. BC CJSC **JUGTINĖ MAKLERIO KONTORA**

Address: Ukmergės g. 41-507, 2662 Vilnius  
Phone: 370-2 724136, 724806, 8-298-74777  
Fax: 370-2 724136  
Address: Donelaičio 60-1004, 3000 Kaunas  
Phone: 370-7 205344  
Brokers: Diana Sugintienė, Jonas Juknevičius, Giedrius Steponkus, Stasys Paškauskas  
Head: Giedrius Steponkus

## 23. BC CJSC **FINANSŲ SPEKTRAS**

Address: Donelaičio g. 62-202, 3000 Kaunas  
Phone: 370-7 205361  
Fax: 370-7 200980  
Brokers: Ramūnas Valančiauskas, Jolanta Jakštienė, Artūras Černiauskas, Aušra Vaišnoraite  
Head: Ramūnas Valančiauskas

## 24. BC CJSC **LITHUN MAKLERIAI**

Address: Lelevelio g. 4, 2001 Vilnius  
Phone: 370-2 224226  
Fax: 370-2 628527  
Brokers: Rūta Motiejūnaitė  
Head: Rūta Motiejūnaitė



**25. BC CJSC BALTIJOS MAKLERIAI**

Address: Fabijoniškių g. 99-402, 418, 419, 2029 Vilnius

Phone: 370-2 481934, 481673

Fax: 370-2 481934

Brokers: Ramūnas Kazlauskas, Rimantas Baltušis, Šarūnas Gintilas

Head: Rimantas Baltušis

**26. BC CJSC LEODANA**

Address: Ukmergės g. 41-502, 2662 Vilnius

Phone: 370-2 721465

Fax: 370-2 721465

Broker: Artūras Šilinis

Head: Artūras Šilinis

**27. BC CJSC VERSLO BENDRAI**

Address: Ukmergės g. 41-512, 2662 Vilnius

Phone: 370-2 724261

Fax: 370-2 721542

Broker: Mindaugas Šilininkas

Head: Rokas Paulauskas

**Note:**

BD stands for brikerage department

BC for brokerage company

CJSC for closed joint stock company