



ANNUAL REPORT
2002

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2002

MISSION OF BRANO GROUP

WE ARE TRUSTWORTHY AND RELIABLE COMPANY THAT IS ABLE TO COMPETE IN THE SPHERES OF INDUSTRY (AUTOMOTIVE INDUSTRY AND GENERAL ENGINEERING) IN THE THIRD MILLENNIUM.

OUR VISION

BRANO GROUP HAS A PREDATORY, SUCCESSFUL TEAM WITH A TRADITION THAT IS CONSISTENTLY A STEP AHEAD OF OTHERS AND A LEAP NEARER TO THE CUSTOMER.

OUR SLOGAN

BRANO GROUP - LOCKING SYSTEMS, JACKS, CAR EQUIPMENT SUITABLE FOR EVERY CONTINENT.

OUR MERITS

CREATIVE

- DYNAMICS
- INNOVATION
- QUALITY

CONSERVATIVE • EFFECTIVENESS

- PROFESSIONALISM
- CUSTOMER'S SATISFACTION

OUR STRATEGY

WE CONTINUE IN THE PROCESS OF CONSTANT IMPROVEMENTS, KEEPING WITH OUR PROACTIVE COMPANY POLICY WITH THE EFFECTIVE USE OF SOURCES, DEVELOPING OF UTILITY MERITS OF OUR PRODUCTS TO SERVE THE CURRENT AND EMERGING MARKETS.



PAVEL JURÍČEK



LIBOR TOMAN



IVO PASTOR



DUŠAN ŠPAČEK

BRANO GROUP

CHIEF EXECUTIVE OFFICER
CHIEF FINANCIAL OFFICER
PURCHASING DIRECTOR
QUALITY DIRECTOR

PAVEL JURÍČEK
LIBOR TOMAN
IVO PASTOR
DUŠAN ŠPAČEK

BRANO A.S.

DIRECTOR SBU:
DOOR SYSTEMS
LIFTING DEVICES & DOOR CLOSERS
FOUNDRY

TOOLING SHOP

MAREK RYŠAVÝ
ALENA ŠIMEČKOVÁ
RADIM MOJŽÍŠEK (TO 03/2003)
JIŘÍ BENDA (FROM 04/2003)
MANFRED GÖLTNER

BRANO - ATESO, A.S.

DIRECTOR SBU:
COCKPIT SYSTEMS
COMMERCIAL VEHICLES
AFTERMARKET Jičín

MICHAL ZECHOVSKÝ
JAROSLAV SÝKORA
MIROSLAV VAŠÍČEK

BRANOROS, A.S.

MANAGING DIRECTOR

MIROSLAV ŠPIČÁK

BOARD OF DIRECTORS AND SUPERVISORY BOARDS

BRANO A.S.

BRANO - ATESO, A.S.

BRANOROS, A.S.

BOARD OF DIRECTORS:

CHAIRMAN
MEMBER
MEMBER

PAVEL JURÍČEK
LIBOR TOMAN
KAREL BLAŽEK

DUŠAN ŠPAČEK
MICHAL ZECHOVSKÝ
ANTONÍN ČERVINKA

PAVEL JURÍČEK
VASILIJ KURNEV
MIROSLAV ŠPIČÁK

SUPERVISORY BOARD:

CHAIRMAN
MEMBER
MEMBER

BŘETISLAV WITWER
MANFRED GÖLTNER
FRANTIŠEK KAHOVEC

PAVEL JURÍČEK
LIBOR TOMAN
VÁCLAV MAŠEK

SVĚTLANA KUZNÍKOVÁ
V. A. MALOFJEJEV
JAN KURKA



FOREWORD OF THE CHAIRMAN OF THE BOARD AND GENERAL DIRECTOR

DEAR LADIES AND GENTLEMEN,
CUSTOMERS, SUPPLIERS AND SHAREHOLDERS,

YEAR 2002 CONFIRMED THE BRANO GROUP FOREGOING DEVELOPMENT WHICH HAD BEEN INITIATED ALREADY IN 1995 NOT ONLY WITH A NEW MANAGEMENT BUT ALSO WITH A NEW STRATEGY, VISIONS AND OBJECTIVES.

WITHIN THAT TIME THE MANAGEMENT WENT THROUGH CERTAIN CHANGES BUT BOTH THE MAIN OBJECTIVES AND THE STRATEGY REMAINED IDENTICAL. WHEN WE LOOK BACK, SO IN 1995 ONLY BRANO REACHED 13 MIL EUR OF SALES, WHEREAS IN 2000 THE BRANO GROUP ACHIEVED NEARLY 100 MIL EUR OF SALES.

SIMPLE COMPARISON OF THE TWO ABOVE MENTIONED FIGURES GIVES EVIDENCE OF AN OUTSTANDING GROWTH OF THE COMPANY DURING PAST 7 YEARS. THIS PROCESS IS GOING ON CONTINUOUSLY.

OBJECTIVES OF THE GROUP SET FOR 2002 WERE ACHIEVED FULLY ALTHOUGH WE CANNOT SAY IT HAPPENED IN EVERY STRATEGIC BUSINESS UNIT. MEETING THESE OBJECTIVES IS THE BASIC CHALLENGE TO COMPLETE THE OBJECTIVES IN THE FUTURE AS WELL.

IN 2002 WE FOCUSED MAINLY ON THE FOLLOWING:

1. SBU MANAGEMENT ACCORDING TO REAL DEMANDS
2. JUST IN TIME DELIVERIES, COMPLETENESS, PERFECTION
3. PRODUCTS – ACCORDING TO CUSTOMER'S SPECIFIC REQUIREMENTS
4. INCREASE OF PRODUCTION FLEXIBILITY
5. FLEXIBLE RELATIONS WITH CUSTOMERS

BUSINESS TARGETS WITHIN BRANO GROUP STRATEGY ARE FOCUSED MAINLY ON MEETING THE FOLLOWING KEY STONES:

1. CUSTOMERS + MARKETS
2. CONTINUOUS INNOVATION
3. PROCESSES
4. PEOPLE
5. SUPPLIERS' INVOLVEMENT

WE ARE TRYING TO BUILD THESE FIVE STONES OF OUR STRATEGY AMONG US IN A BALANCED WAY AS TO BE PRESENTED ON THE EUROPEAN MARKET WHICH IS BEING OPENED MORE AND MORE AND TO BE ABLE TO KEEP OUR POSITION ON THE NORTH AMERICA MARKET.

BRANO GROUP, OF COURSE, WANTS TO COMPLY WITH STANDARDS SUCH AS TS 16 949 AND ISO 14 001 RELATING BESIDES OTHER TO INCREASING REQUIREMENTS ON QUALITY AND ENVIRONMENT.

MOREOVER, WE HAVE LONG-TERM OBLIGATIONS WITH REGARD TO COST REDUCTION, QUALITY IMPROVEMENT, CREATION OF NEW VALUES FOR CUSTOMERS AND ENVIRONMENTAL PROTECTION.

THESE OBLIGATIONS CAN BE MET ONLY BY CONTINUING THE PROCESS OF PRODUCT INNOVATIONS TOGETHER WITH SATISFYING CUSTOMER'S NEW REQUIREMENTS. THESE MATTERS ARE DEALT WITH BY I&D DEVELOPMENT PEOPLE WORKING WITHIN THE GROUP.

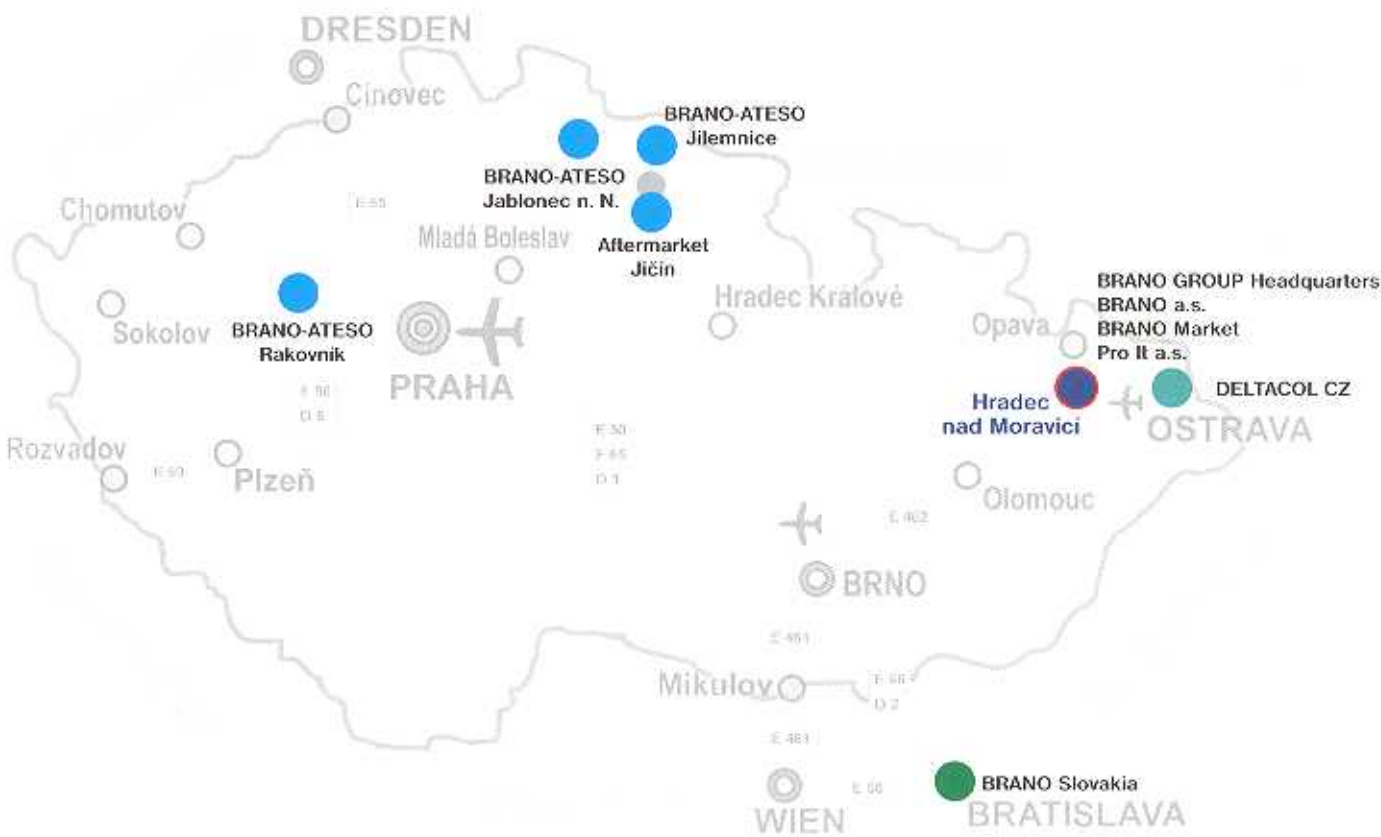
WE BELIEVE THIS IS THE RIGHT WAY:

TO SATISFY OUR CUSTOMERS AND CONSEQUENTLY ALL OUR EMPLOYEES.

A handwritten signature in dark ink, appearing to be 'PJ' followed by a stylized flourish.

ING. PAVEL JURÍČEK
CHAIRMAN OF THE BOARD
AND GENERAL DIRECTOR OF BRANO GROUP

LOCATION OF THE MAIN MEMBERS OF BRANO GROUP:



BRANO GROUP FOREIGN OFFICES:

- OFFICE OF BRANO GROUP IN DETROIT (U.S.A.)
- OFFICE OF BRANO GROUP IN MUNICH (GERMANY)
- OFFICE OF BRANO SLOVAKIA, LTD. IN BRATISLAVA (SLOVAKIA)
- FACILITIES OF BRANOROS, A.S. IN KSTOVO (RUSSIA)

INFORMATION ABOUT MAIN MEMBERS OF BRANO GROUP:

BRANO GROUP & BRANO A.S.:	Hradec nad Moravicí, 747 41 Czech Republic IČO: 45 19 33 63 • DIČ: 384 - 45 19 33 63 Zapsáno u Obchodního rejstříku v Ostravě 30.4.1992, oddíl B, vložka 387 Tel.: +420 553 632 111 • Fax: +420 553 783 141 E-mail: info@brano.cz • www.brano.cz
BRANO - ATESO, A.S.: member of BRANO GROUP	Náměstí B. Němcové, Jablonec n. Nisou, 466 90 Czech Republic IČO: 44 56 96 02 • DIČ: 187 - 44 56 96 02 Zapsáno u Krajského soudu v Ústí nad Labem 1.5.1992, oddíl B, vložka 216 Tel.: +420 483 352 111 • Fax: +420 483 352 405 E-mail: info@brano.cz • www.brano.cz
BRANOROS, A.S.:	Kstovo - 5, Nižnyj Novgorod, Russia Tel.: +007 83145 64001, 64005 • Fax: +007 8312 788725 E-mail: branor@kis.ru

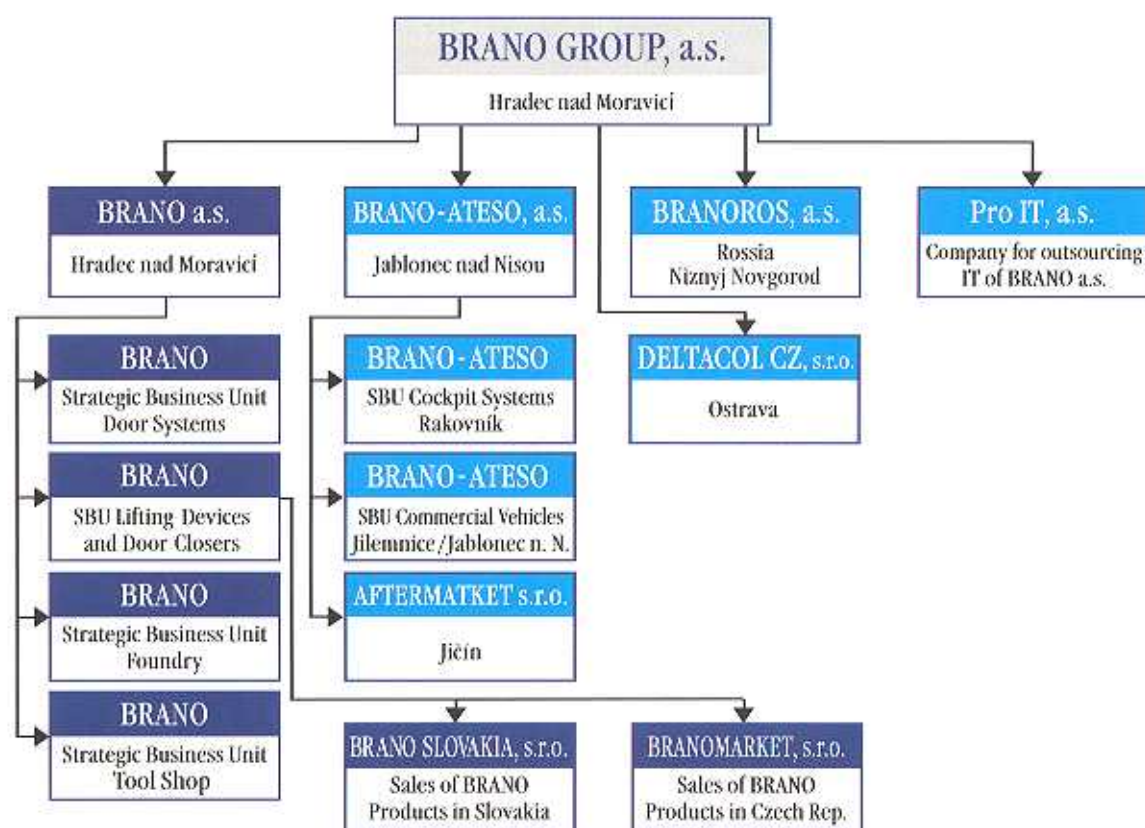
THE OTHER SUBSIDIARY COMPANIES:

AFTERMARKET S.R.O. Jičín:	Poděbradova 134, Jičín, 506 01 Czech Republic Phone: +420 493 546 121 (Mr. Miroslav Vašíček) Fax: +420 493 546 199 • E-mail: obchod@afm.cz
BRANO MARKET S.R.O.:	Tovární okruh 674, Hradec nad Moravicí, 747 41 Czech Republic Phone: +420 553 632 403 (Mr. Luděk Holuša) Fax: +420 553 632 404 • E-mail: market@brano.cz
BRANO SLOVAKIA S.R.O.:	Rybničná 40/a, Bratislava, 831 07 Slovak Republic Phone: +421 2 448 833 62 (Mr. Roman Broniš) Fax: +421 2 448 833 84 • E-mail: internet-sk@volny.sk
DELTACOL CZ S.R.O.:	Oděská 687, Ostrava - Přívoz, 702 00 Czech Republic Phone: +420 596 136 590 (Mr. Aleš Drechsler) Fax: +420 596 136 589 • E-mail: galvan@volny.cz • www.galvan.cz
PRO IT A.S.:	Opavská 1000, Hradec nad Moravicí, 747 41 Czech Republic Phone: +420 553 632 300 (Mr. Vladimír Lazecký) Fax: +420 553 632 127 • E-mail: info@proit.cz • www.proit.cz

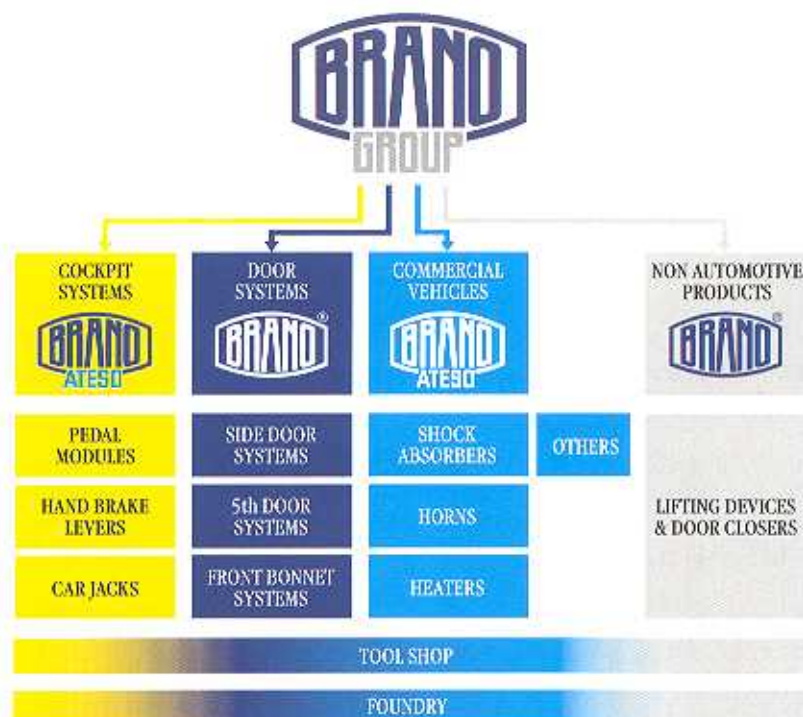
THE OTHER CONTACT INFORMATION:

SBU CS RAKOVNÍK:	Kuštova 757, Rakovník, 269 44 Czech Republic Phone: +420 313 282 325 (Mr. Michal Zechovský) Fax: +420 313 517 439 • E-mail: michal.zechovsky@brano.cz
SBU CV JILEMNICE:	Na Račanech 311, Jilemnice, 514 01 Czech Republic Phone: +420 481 561 290 (Mr. Jaroslav Sýkora) Fax: +420 481 543 035 • E-mail: jaroslav.sykora@brano.cz
SBU DS HRADEC N. MORAVICÍ:	Opavská 1000, Hradec nad Moravicí, 747 41 Czech Republic Phone: +420 553 632 314 (Mr. Marek Ryšavý) Fax: +420 553 783 181 • E-mail: marek.rysavý@brano.cz
SBU LIFT. DEVICES HRADEC N. M.:	Opavská 1000, Hradec nad Moravicí, 747 41 Czech Republic Phone: +420 553 632 104 (Ms. Alena Šimečková) Fax: +420 553 632 407 • E-mail: alena.simeckova@brano.cz
SBU FOUNDRY HRADEC N. M.:	Opavská 1000, Hradec nad Moravicí, 747 41 Czech Republic Phone: +420 553 632 236 (Mr. Jiří Benda) Fax: +420 553 632 244 • E-mail: jiri.benda@brano.cz
SBU TOOL SHOP HRADEC N. M.:	Opavská 1000, Hradec nad Moravicí, 747 41 Czech Republic Phone: +420 553 632 454 (Mr. Manfred Göltner) Fax: +420 553 632 330 • E-mail: manfred.goltner@brano.cz

ORGANISATIONAL STRUCTURE OF BRANO GROUP:



STRUCTURE OF MAIN MEMBERS OF BRANO GROUP BY PRODUCTION:



QUALITY MANAGEMENT

BRANO A.S.

- 1992: NEW QUALITY MANAGEMENT BASED ON ISO 9000 STANDARDS
RANK XEROX SUPPLIER AUDIT
- 1997: VW SUPPLIER AUDIT CATEGORY A
AUTHORIZATION FOR WELDING
- 1998: RE-CERTIFICATION ISO 9001
CERTIFICATION QS 9000, VDA 6.1
EVALUATION GREEN BY FORD,
PASS BY OPEL, GM
- 2001: RE-CERTIFICATION ISO 9001, QS9000
VDA 6.1, ISO 14001

ATESO A.S.

- 1994: ISO 9001
- 1995: VW - VDA 6 - CATEGORY A
- 1996: SUPPLIER AUDITS - MERCEDES,
AUDI, BMW, LUCAS, KNORR, FORD
- 1997: RE-CERTIFICATION ISO 9001
- 1998: ISO 14001
- 1999: QS 9000, VDA 6.1
- 2001: RE-CERTIFICATION ISO 9001, VDA 6.1
QS 9000, SUPPLIER AUDIT - BPW
CATEGORY A

BRANO GROUP

- 2002: RE-CERTIFICATION ISO 9001, QS900, VDA 6.1, ISO 14001
- 2003: TS 16949, 2002

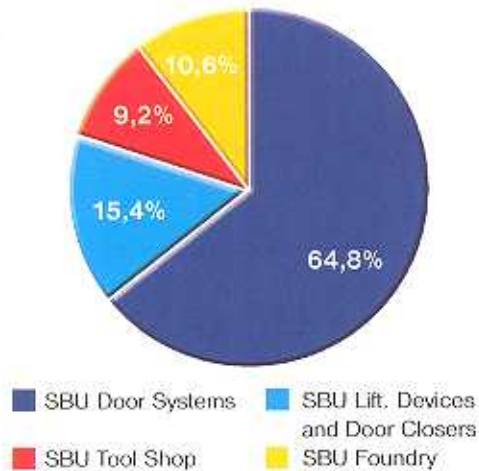
STRUCTURE OF BRANO GROUP EMPLOYEES

STATUS 2002

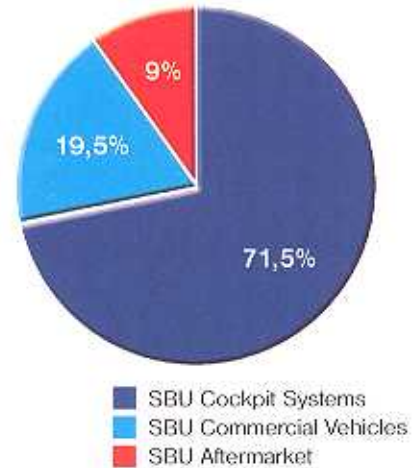
	ADMINISTRATION	R&D	INDIRECT WORKERS	PRODUCT. WORKERS	TOTAL
BRANO A.S.	143	76	149	698	1 066
BRANO-ATESO, A.S.	147	62	120	575	904
BRANOROS, A.S.	5		3	13	21
BRANO GROUP, A.S.	12		3	10	25
BRANO SLOVAKIA	4				4
BRANO MARKET	3				3
PRO IT, A.S.	26				26
AFTERMARKET S.R.O.	9		4		13
BRANO GROUP	349	138	279	1 296	2 062

SBU SHARE OF TOTAL SALES

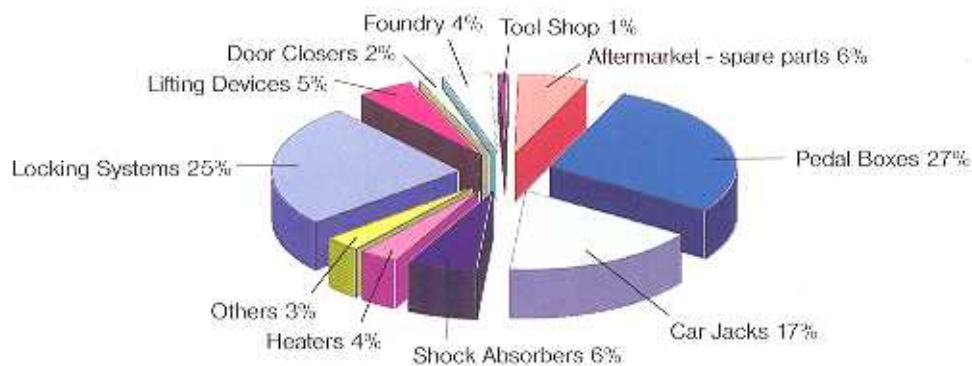
SBU SHARE OF BRANO A.S.
TOTAL SALES:



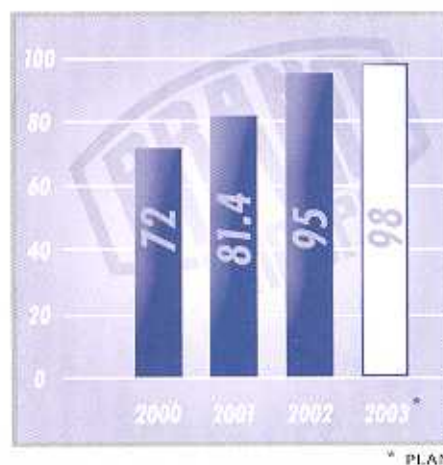
SBU SHARE OF BRANO-ATESO A.S.
MEMBER OF BRANO GROUP TOTAL SALES:



PORTFOLIO OF PRODUCTS:



SALES EVOLUTION (IN MIO EUR):



* PLAN

SBU DOOR SYSTEMS

COMMODITIES: BONNET SYSTEMS
TAILGATE SYSTEMS
SIDE DOOR SYSTEMS
SEATS LATCHES
STIFFENERS OF HEAD RESTS
HEATERS
HORNS
OTHERS



MAREK RYŠAVÝ
DIRECTOR OF SBU



SBU SALES EVOLUTION (IN MIO CZK):



SBU LIFTING DEVICES AND DOOR CLOSERS

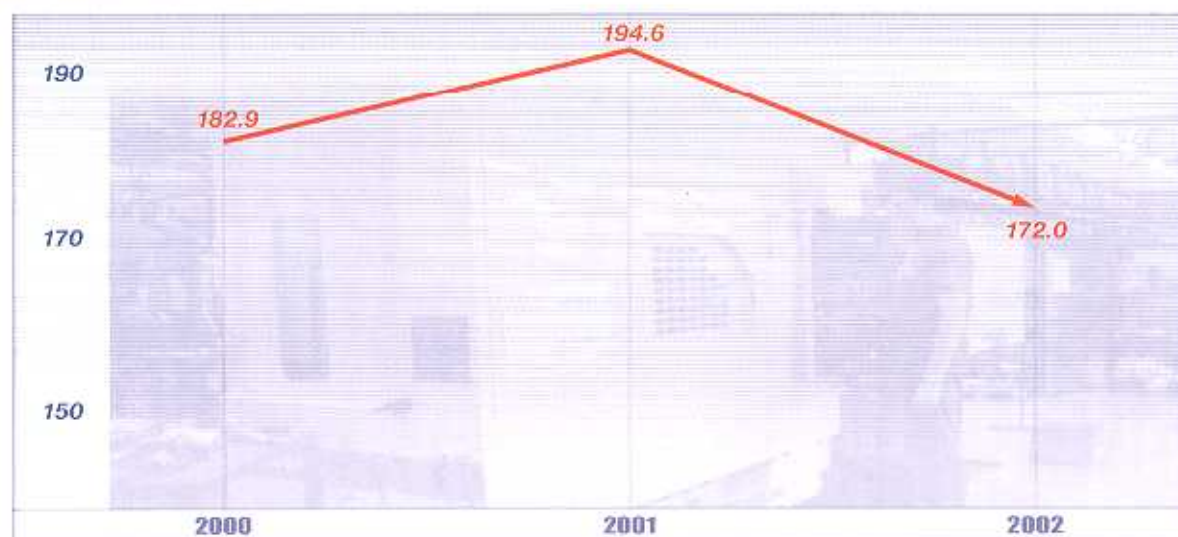
COMMODITIES: ROPE HOIST
RACK AND LEVER JACKS
HYDRAULIC JACK AND PUMP
LINK CHAIN PULL LIFT
CHAIN BLOCK, TRAVELLING CHAIN BLOCK
ROPE TACKLE
PNEUMATIC HOIST
OTHERS



ALENA ŠIMEČKOVÁ
DIRECTOR OF SBU



SBU SALES EVOLUTION (IN MIO CZK):



SBU FOUNDRY

COMMODITIES: PARTS OF SCAFFOLDS AND FORMWORKS
CASTINGS FOR AUTOMOTIVE INDUSTRY
CASTINGS FOR AGRICULTURE
CASTINGS FOR ELECTROTECHNIC INDUSTRY
OTHERS



JIRÍ BENDA
DIRECTOR OF SBU



SBU SALES EVOLUTION (IN MIO CZK):

*(Foundry was 3 months in reconstruction in 2002 to investment of new line)



SBU TOOL SHOP

COMMODITIES: MANUFACTURE OF TOOLS, SINGLE PURPOSE DEVICES
AND MACHINES FOR BRANO A.S.
MANUFACTURE OF TOOLS FOR EXTERNAL CUSTOMERS
REPAIR OF TOOLS AND SINGLE PURPOSE DEVICES
FOR BRANO A.S.



MANFRED GÖLTNER
DIRECTOR OF SBU



SBU SALES EVOLUTION (IN MIO CZK):



SBU COCKPIT SYSTEMS

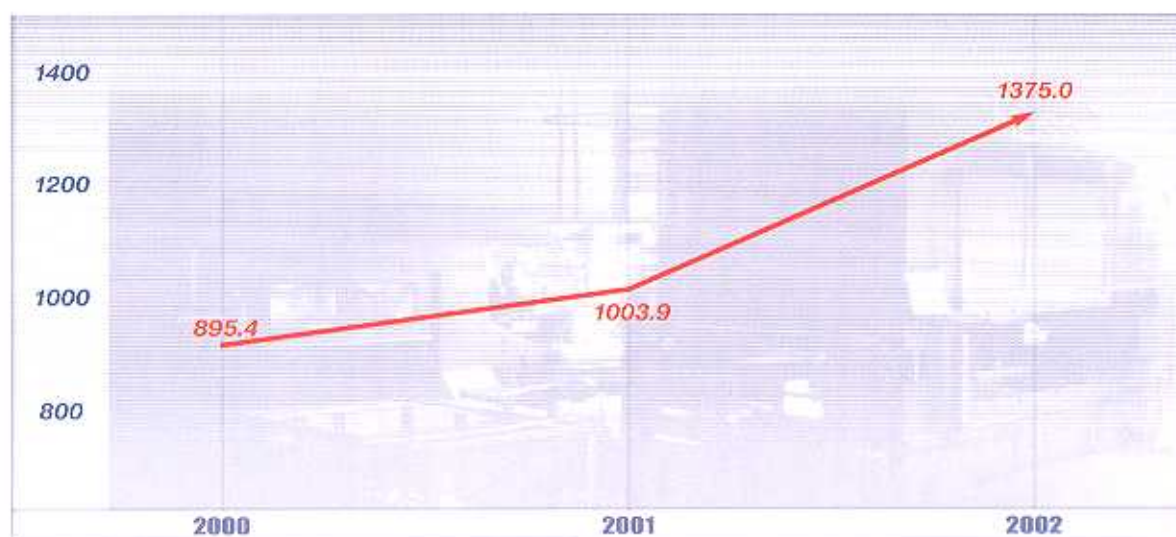
COMMODITIES: CAR JACKS
PEDAL MECHANISM
HAND BRAKE LEVERS
KEY CONTROLS
OTHERS



MICHAL ZECHOVSKÝ
DIRECTOR OF SBU



SBU SALES EVOLUTION (IN MIO CZK):



SBU COMMERCIAL VEHICLES

- COMMODITIES:
- ABSORBERS
 - HEATING SYSTEMS
 - BRAKE SEGMENTS
 - ELECTRO
 - OTHERS



JAROSLAV SÝKORA
DIRECTOR OF SBU



SBU SALES EVOLUTION (IN MIO CZK):



SBU AFTERMARKET

COMMODITIES: ABSORBERS
HEATING SYSTEMS
BRAKE SEGMENTS
ELECTRO
OTHERS



MIROSLAV VAŠÍČEK
DIRECTOR OF SBU



SBU SALES EVOLUTION (IN MIO CZK):



ANNUAL REPORT 2002

FINANCIAL PART

CONSOLIDATED BALANCE SHEET - BRANO GROUP

CONSOLIDATED PROFIT AND LOSS STATEMENT

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	2001	2002
Revenues from merchandise	261 173	236 275
Revenues on sold goods	232 077	215 684
Sale margin	29 096	20 591
Revenues from own products and services	2 244 554	2 580 206
Changes in inventory of own products	- 17 253	26 928
Capitalisation	37 334	21 800
Production (own products)	2 264 635	2 628 934
Consumption of energy and material	1 180 349	1 397 831
Services	471 442	546 426
Production consumption	1 651 791	1 944 257
Added value	641 940	705 268
Personal costs	412 722	452 274
Taxes and fees	2 710	2 318
Depreciations of intangible and tangible assets	137 612	137 331
Revenues from sale of fixed assets and material	33 840	33 145
Net book value of sold fixed assets and material	20 403	24 569
Accounting of reserves and accruals	30 739	40 383
Addition of reserves and accruals to operating expenses	23 805	39 930
Accounting of adjustments to operating revenues	24 773	42 779
Accounting of adjustments to operating expenses	48 495	27 934
Other operating revenues	14 090	6 788
Other operating expenses	21 171	10 801
Operating income	78 464	133 206
Income from financial operations	- 15 783	1 222
Extraordinary income	- 4 197	- 15 404
Accounting of passive consolidated margin	101 225	67 625
Profit (loss) of current accounting period before taxation	159 709	186 649
Profit (loss) of current accounting period	139 910	168 366

CONSOLIDATED BALANCE SHEET – BRANO GROUP

CONSOLIDATED BALANCE SHEET

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	2001	2002
Assets	1 574 927	1 794 512
Fixed assets	819 411	792 170
Long-term intangible assets	10 524	7 823
Long-term tangible assets	802 396	775 618
Long-term financial assets	6 491	8 729
Current assets	712 551	969 468
Inventory	276 256	293 366
Long-term receivables	0	0
Short-term receivables	354 569	432 308
Financial assets	81 726	243 794
Other assets	42 965	30 874
Liabilities	1 574 927	1 792 512
Equity	955 911	856 269
Registered capital	203 941	204 271
Capital funds	0	0
Funds created from net profit	40 854	40 854
Profit (loss) of previous years	355 658	388 837
Profit (loss) of current accounting period without minor shares	138 750	144 449
Passive consolidated margin	216 708	77 858
Non-own liabilities	547 752	561 266
Reserves	82 968	84 876
Long-term payables	0	0
Short-term payables	457 647	476 390
Bank loans	7 134	0
Other liabilities	22 531	48 828
Minor equity	48 733	326 149
Minor registered capital	41 698	258 623
Minor capital funds	16	31 491
Minor capital funds including retained profit of previous years	5 859	12 118
Minor profit (loss) of current accounting period	1 160	23 917
Profit (loss) of current accounting period	139 910	168 366

1. DETERMINATION OF THE CONSOLIDATED ENTITY:

a) Subjects of the consolidated entity.

The parent company of this consolidated entity is BRANO a.s. is situated in Hradec nad Moravici, Opavská street.

The daughter companies of BRANO a.s. are

- ATESO a.s., situated in Jablonec nad Nisou - established on 28th September 1999
- BRANOROS a.s., situated in Kstovo -Russia - established on 28th July 1999.

Name of the company ID.No.	Date of establishing	Amount of the registered capital In thousands CZK	Share of the registered capital In thousands CZK	In %	Rate of the influence
BRANO a.s. 45193363	30 th April 1992	204 271			
ATESO a.s. 44569602	1 st May 1992	679 514	420 918	61.94	dominant
BRANOROS a.s.	28 th July 1999	10 493.3 in thousands RUR	10 468.1 in thousands RUR	99.76	dominant

BRANO a.s. has the registered capital, that is recorded in the Commercial Register, at the amount of 204 271 thousand CZK.

While preparing the consolidated report the full consolidated method was used because the parent company BRANO a.s. applies dominant effect in both companies, BRANO-ATESO, a.s. and BRANOROS a.s.

Main activities of BRANO a.s. are as follows:

- R&D, production and sale of casts from grey and malleable cast iron, tools, fittings and locks, lifting devices and their parts, assemblies, subassemblies and components for cars and utility vehicles and functional modifications
- purchase of goods for further sale

Main activities of BRANO-ATESO, a.s.:

- R&D, production and sale of car accessories

Main activities of BRANOROS a.s.:

- production and sale of car accessories

b) Dates of financial statements

While preparing this consolidated balance sheet it has been proceeded from the financial statements compiled on 31st December 2002.

c) Companies excluded from the consolidated entity

The following companies are not included in the consolidated entity:

1. ProIT a.s. Hradec nad Moravici

BRANO a.s. invested 340 000 CZK in this company and its share on the registered capital of 1 000 000 CZK makes 34%.

2. DELTACOL CZ s.r.o. Ostrava-Přívov

BRANO a.s. invested 51 000 CZK in this company and its share in the registered capital of 100 000 CZK makes 51%.

These companies are not included in the consolidated entity on the decision of the parent company because their share in net turnover of the consolidated entity is insignificant.

d) Consolidation system

The consolidation was effected by the system of full consolidation.

2. GENERAL DATA:

2.1 Review of data transformation from individual financial statements into items of the consolidated balance sheet

Ties among the subjects of the consolidated total:

Mutual relations among BRANO a.s., BRANO - ATESO a.s. and BRANOROS a.s.:

As of 31st December 2002 BRANO a.s. owns 420 918 pieces of shares of BRANO-ATESO, a.s. The nominal value of one share is 1 000 CZK. These shares are embodied in the accounting of BRANO a.s. at the purchase price of 145 547 thousand CZK. These stocks and shares constitute the share of 61.94% in the registered capital of BRANO-ATESO, a.s..

As of 31st December 2001 BRANO a.s. owns 104 681 pieces of shares of BRANOROS a.s. The nominal value of one share is 100 RUR. These shares are embodied in the accounting of BRANO a.s. at the purchase price of 633 772 CZK. These stocks and shares constitute the share of 99.76% in the registered capital of BRANOROS a.s..

The minor own of the consolidated total amounts to 326 149 thousand CZK and it consists of the following:

- minor registered capital	258 623 thousand CZK
- minor profit funds including retained profit of previous years	43 609 thousand CZK
- minor profit (loss) of current accounting period	23 917 thousand CZK

3. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS AND TO THE PROFIT AND LOSS ACCOUNT

a) Equity investments and securities and capital participation of BRANO a.s

Kind of securities	Issuer	No. of shares (in pieces)	Value of 1 piece	Nom. value (in thous. CZK)	Purchase price (in thous. CZK)	Financial revenues (in thous. CZK)
Shares	Strojexport a.s.	9	100 000 CZK	900	900	-
Shares	ProIT a.s.	340	1 000 CZK	340	340	-
Shares	BRANOROS a.s.	104 681	100 RUR	10 468,1 RUR	634	-
Shares	BRANO-ATESO a.s.	420 918	1 000 CZK	420 918	145 547	-
Capital participation	DELTACOL CZ	-	-	51	51	-

REPORT OF THE INDEPENDENT AUDITOR
ON CONSOLIDATED FINANCIAL STATEMENTS VERIFICATION AS OF 31 DECEMBER 2002
OF BRANO A.S. CONTROLLING COMPANY, HRADEC NAD MORAVICÍ

I performed the audit of the consolidated financial statements of BRANO a.s. Hradec nad Moravici as of 31 December 2003. The statutory body of the company is responsible for the financial statements preparation. The auditor's role is to issue the statement to this financial statements on the basis of the performed audit. The report is destined for the board of directors and the company's shareholders.

The verifying was carried out in accordance with the Act No. 254/2000 Sb. on Auditors and the Act modification No. 165/1998 Sb. and with auditorial regulations issued by the Chamber of Auditors of the Czech Republic.

Pursuant to the auditorial regulations the audit was planned and realised so that the auditor achieved an adequate certainty of the fact that the financial statements do not include any misleading information.

The audit includes verifying of complete and conclusive amounts and information presented in the consolidated financial statements on a test basis and the judgement of correctness and suitability of accounting procedures used for their preparation and the evaluation of the whole financial statements presentation. The findings presented in auditor's folder certify that the consolidated financial statements were drawn up on the basis of auditorially verified financial statements of individual subjects of the consolidated entity excluding mutual relations among the consolidated subjects on condition of keeping balance continuity.

It is possible to state that the performed audit provides an adequate basis to issue the auditor's statement on the financial statements.

In my opinion the consolidated financial statements present fairly, in all material respects, the assets, liabilities and equity of BRANO a.s., Controlling Company, Hradec nad Moravici as of 31 December 2002, the economic result and financial situation for the year 2002 in accordance with the Act on Accounting and relevant legislation of the Czech Republic.

I verified the conformity of information concerning the audited Company stated in the Annual Report with the consolidated financial statements. In my opinion this information is in all significant respects in compliance with this financial statements from which it was assumed.

The responsible employees of the Company acknowledge that the auditor's verification of the financial statements does not indemnify them for the presented data completeness and correctness.



Ing. Leo Drozdek
Auditor
Certificate No. 419

Ostrava, 31 March 2003

R. Prchalý 274, 708 00 Ostrava-Poruba

BRANO A.S.

PROFIT AND LOSS STATEMENT

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	1999	2000	2001	2002
Revenues from merchandise	2 714	12 300	8 798	2 498
Revenues on sold goods	1 899	11940	8 469	2 067
Sale margin	815	360	329	431
Revenues from own products and services	870 087	1 003 512	992 377	1 029 215
Changes in inventory of own products	8 593	2 252	- 4 237	28 340
Capitalisation	15 204	22 754	21 356	19 902
Production (own products)	893 884	1 028 518	1 009 496	1 077 457
Consumption of energy and material	405 776	464 237	447 494	488 454
Services	204 182	252 879	265 427	306 425
Production consumption	609 958	717 116	712 921	794 879
Added value	284 741	311 762	296 904	283 009
Personal costs	193 143	203 688	210 125	235 505
Taxes and fees	781	716	- 54	657
Depreciations of intangible and tangible assets	54 927	43 700	41 640	51 931
Revenues from sale of fixed assets and material	2 935	6 329	9 150	4 716
Net book value of sold fixed assets and material	2 481	5 829	7 912	3 729
Accounting of reserves and accruals	8 514	23 486	23 900	30 000
Addition of reserves and accruals to operating expenses	29 960	18 275	10 675	0
Accounting of adjustments to operating revenues	1 652	2 073	18 861	30 192
Accounting of adjustments to operating expenses	898	18 437	29 992	800
Other operating revenues	2 764	8 555	9 878	3 784
Other operating expenses	2 102	8 554	13 111	4 781
Operating income	16 314	53 006	45 292	54 298
Income from financial operations	4 841	- 8 292	- 6 488	-15 199
Extraordinary income	2 727	2 619	4 014	17
Profit (loss) of current accounting period before taxation	25 099	49 153	45 385	39 116
Profit (loss) of current accounting period	17 426	29 621	27 832	38 099

BRANO A.S.

BALANCE SHEET

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	1999	2000	2001	2002
Assets	706 740	747 271	737 543	821 081
Fixed assets	381 913	397 564	395 318	363 704
Long-term intangible assets	1 791	946	1 864	4 676
Long-term tangible assets	171 622	172 209	165 782	206 456
Long-term financial assets	208 500	224 409	227 672	152 572
Current assets	320 761	339 514	332 954	455 496
Inventory	100 128	114 101	95 914	121 942
Long-term receivables	-	-	-	-
Short-term receivables	126 044	137 574	158 276	221 003
Receivables from enterprises with controlling interest			13 687	
Financial assets	94 589	87 839	65 077	112 551
Other assets	4 066	10 193	9 271	1 881
Liabilities	706 740	747 271	737 543	821 081
Equity	377 181	406 192	433 695	471 915
Registered capital	204 181	204 271	203 941	204 271
Capital funds	-	-	-	-
Funds created from net profit	28 349	40 854	40 854	40 854
Statutory and other funds	1 884	1 745	-	-
Retained profit (loss) of previous years	125 341	129 701	161 068	188 691
Profit (loss)	17 426	29 621	27 832	38 099
Non-own liabilities	319 281	331 064	295 232	326 222
Reserves	69 336	65 591	55 290	21 371
Long-term payables	19 048	12 048	-	-
Short-term payables	89 332	168 542	206 649	203 238
Payables to enterprises with controlling interest			33 293	101 613
Bank loans	141 565	84 883	-	-
Other liabilities	10 278	10 015	8 616	22 944

BRANO A.S.

I. INFORMATION ON APPLIED ACCOUNTING METHODS, GENERAL ACCOUNTING PRINCIPLES AND METHODS OF EVALUATION

1. Method of making depreciation plans for long-term assets and used depreciation methods when determining book depreciations:
 - a) Uniform depreciation has been applied for long-term assets acquired and brought in use by 30 November 1992. Accelerated depreciation, namely with tax depreciation and book depreciation, has been applied for long-term assets introduced after this date.
 - b) Moulds and models are depreciated evenly according to their usability from 2 to 5 years.
2. Evaluation methods
 - a) The purchased stock has been evaluated with predetermined prices which include the purchase price, costs connected with the purchase and the price variance versus real purchase costs. Stock made in own overhead has been priced by direct cost and by manufacturing overhead rate on direct wages. Unfinished production and products has been evaluated only by direct cost.
 - b) Tangible and intangible fixed assets made in own overhead have been evaluated on the level of direct cost and manufacturing overhead rate.
 - c) Securities have been evaluated by the purchase price.
3. Payments of financial / operational lease
Payments of financial / operational lease are charged in full amount within current period costs. According to valid accounting procedure the leased subjects are not stated in the balance fixed assets as long-term fixed assets. The purchase prices of the financial lease subjects are kept in off balance-sheet accounting.

II. SUPPLEMENTARY DATA CONCERNING ASSETS

1. Acquisition of long-term assets purchased by financial lease:
The market entry price of the company's long-term assets acquired by financial lease makes 41 540 thousand CZK in total. The balance of lease payments as at 31 December 2002 with these assets makes 3 636 thousand CZK. Thereof:

Year	Machines
2003	3 636

III. RECEIVABLES

	31/12/2001	31/12/2002
Trade receivables	182 197	186 036
- thereof: receivables from customers	178 006	177 161
- thereof: after maturity date	77 926	69 100
Receivables after maturity date over 180 days	15 039	33 258
Receivables from enterprises in group	40 265	34 009

In the year 2002 the following taxable recognized adjustments were made:

- a) for non-statute barred receivables which were due after 31 December 1994 if more than 6 months passed from the end of the contracted maturity date
 - at the amount of 20% of the value which makes 263 thousand CZK
- b) for non-statute barred receivables which were due after 31 December 1994 if more than 12 months passed from the end of the contracted maturity date
 - at the amount of 33% of the value which makes 537 thousand CZK

IV. STATUTORY AND OTHER RESERVES

	State as of 01/01/2002	Creation	Utilization	State as of 31/12/2002
Reserve for tangible fixed assets adjustments	50 900	0	30 000	20 900

V. PAYABLES

	State as of 31/12/2001	State as of 31/12/2002
Total trade payables	161 174	160 148
- thereof: payables to suppliers	150 602	147 154
- thereof: payables after maturity date	78 735	49 283
a) payables after maturity date over 180 days	33 881	8 050
b) payables to enterprises in group	81 978	44 270

VI. REPORT ON RELATIONS BETWEEN INTERLOCKED ENTITIES – BRANO

BRANO GROUP a.s. with place of business in Hradec nad Moravicí, Opavská Str. is the company's controlling entity. The following interlocked entities are known to the company:

- BRANOMARKET, s.r.o. with place of business in Hradec nad Moravicí, Tovární okruh 674,
- BRANOSLOVAKIA, s.r.o. with place of business in Bratislava, Na Pasekách 22,
- BRANO-ATESO a.s. with place of business in Jablonec nad Nisou, B.Němcové 1.

In the year 2002 the Company had with BRANO GROUP, a.s. company the following relations:

1. Continuation of the contract on commercial representation between BRANO GROUP, a.s. and BRANO a.s. concerning commercial representation of BRANO a.s. when negotiating business transactions. The contract has been concluded on common terms and conditions.
2. Mandate contract on performing managing activities between BRANO GROUP, a.s. and BRANO a.s. concerning the management of BRANO special units. The contract has been concluded on common terms and conditions.
3. Contract for work done and materials supplied in the area of car accessories product manufacture between BRANO GROUP, a.s. and BRANO a.s. at the amount of cca. 1.8 mil. CZK consisting in activities of assembling character mainly. The contract has been concluded on common terms and conditions.
4. Lease contracts (premises, DHM, DLHM) between BRANO a.s. and BRANO GROUP, a.s. at the amount of cca. 173.000,- CZK concluded on common terms and conditions.
5. Contract on leased premises cleaning between BRANO a.s. and BRANO GROUP, a.s. at the amount of cca. 85.300,- CZK concluded on common terms and conditions.
6. Contract on dinner-sale between BRANO a.s. and BRANO GROUP, a.s. at the amount of cca. 118.000,- CZK concluded on common terms and conditions equal for all dinners.
7. Invoicing of private mileage bonus to BRANO GROUP, a.s. employees using BRANO a.s. cars according to the contract between the companies at the amount of cca. 21.000,- CZK to cover the costs under common terms and conditions equal for all employees.

In the year 2002 the Company had with BRANO GROUP, a.s. company the following relations:

1. Continuation of the contract on commercial representation between BRANO GROUP, a.s. and BRANO a.s. concerning commercial representation of BRANO a.s. when negotiating business transactions. The contract has been concluded on common terms and conditions.
2. Mandate contract on performing managing activities between BRANO GROUP, a.s. and BRANO a.s. concerning the management of BRANO special units. The contract has been concluded on common terms and conditions.
3. Contract for work done and materials supplied in the area of car accessories product manufacture between BRANO GROUP, a.s. and BRANO a.s. at the amount of cca. 1.8 mil. CZK consisting in activities of assembling character mainly. The contract has been concluded on common terms and conditions.
4. Lease contracts (premises, DHM, DLHM) between BRANO a.s. and BRANO GROUP, a.s. at the amount of cca. 173.000,- CZK concluded on common terms and conditions.
5. Contract on leased premises cleaning between BRANO a.s. and BRANO GROUP, a.s. at the amount of cca. 85.300,- CZK concluded on common terms and conditions.
6. Contract on dinner-sale between BRANO a.s. and BRANO GROUP, a.s. at the amount of cca. 118.000,- CZK concluded on common terms and conditions equal for all dinners.
7. Invoicing of private mileage bonus to BRANO GROUP, a.s. employees using BRANO a.s. cars according to the contract between the companies at the amount of cca. 21.000,- CZK to cover the costs under common terms and conditions equal for all employees.
8. Re invoicing of amounts without concluding the basic contract, supported by continuous tax documents according to actual observance, profitably neutral for either of the re invoiced party. Re invoicing applies to phone calls, travelling expenses, small material, training, advertising and exhibition activities, repairs, transport, accommodation, cooperation.
 - Re invoicing from BRANO GROUP, a.s. on BRANO a.s. made up the amount of 1 016.000,- CZK.
 - Re invoicing from BRANO a.s. on BRANO GROUP, a.s. made up the amount of 262.000,- CZK.

In the year 2002 the Company had with BRANOMARKET, s.r.o. company the following relations:

1. Agreement on permission to use BRANO business name (logo) between BRANO a.s. and BRANOMARKET, s.r.o. at the amount of 500.000,- CZK concluded on common terms and conditions.
2. Lease contracts (premises, DHM, DLHM) between BRANO a.s. and BRANOMARKET, s.r.o. at the amount of cca. 85.000,- CZK concluded on common terms and conditions.
3. Contract on leased premises cleaning between BRANO a.s. and BRANOMARKET, s.r.o. at the amount of cca. 14.000,- CZK concluded on common terms and conditions.
4. Contract on dinner-sale between BRANO a.s. and BRANOMARKET, s.r.o. at the amount of cca. 13.000,- CZK concluded on common terms and conditions equal for all dinners.
5. Sale of products from BRANO a.s. on BRANOMARKET, s.r.o. at the amount of cca. 13.595.000,- CZK (common commercial relation) on customers' standard conditions.

In the year 2002 the Company had with BRANOSLOVAKIA, s.r.o. company the following relations:

1. Agreement on permission to use BRANO business name (logo) between BRANO a.s. and BRANOSLOVAKIA, s.r.o. at the amount of 700.000,- CZK concluded on common terms and conditions.
2. Sale of products from BRANO a.s. on BRANOSLOVAKIA, s.r.o. at the amount of cca. 19.145.000,- CZK (common commercial relation) on customers' standard conditions.

Conclusion:

In view of the Company's Board of Directors the co-operation with BRANO GROUP, a.s. and their controlled entities was in the year 2002 for the Company beneficial and it did not cause any detriment to the Company.

REPORT OF THE INDEPENDENT AUDITOR
ON FINANCIAL STATEMENTS VERIFICATION AS OF 31 DECEMBER 2002
OF BRANO A.S., HRADEC NAD MORAVICÍ

I performed the audit of the consolidated financial statements of BRANO a.s. Hradec nad Moravici as of 31 December 2003. The statutory body of the company is responsible for the financial statements preparation. The auditor's role is to issue the statement to this financial statements on the basis of the performed audit. The report is destined for the Board of Directors and the company's shareholders.

The verifying was carried out in accordance with the Act No. 254/2000 Sb. on Auditors and the Act modification No. 165/1998 Sb. and with auditorial regulations issued by the Chamber of Auditors of the Czech Republic.

Pursuant to the auditorial regulations the audit was planned and realised so that the auditor achieved an adequate certainty of the fact that the financial statements do not include any misleading information.

The audit includes verifying of complete and conclusive amounts and information presented in the financial statements on a test basis and the judgement of correctness and suitability of accounting procedures used for their preparation and the evaluation of the whole financial statements presentation. The findings presented in auditor's folder certify that the consolidated financial statements were drawn up on the basis of auditorially verified financial statements of individual subjects of the consolidated entity excluding mutual relations among the consolidated subjects on condition of keeping balance continuity.

It is possible to state that the performed audit provides an adequate basis to issue the auditor's statement on the financial statements.

*In my opinion the consolidated financial statements present fairly, in all material respects,
the assets, liabilities and equity of BRANO a.s. Hradec nad Moravici
as of 31 December 2002, the economic result and financial situation for the year 2002
in accordance with the Act on Accounting and relevant legislation of the Czech Republic.*

I verified the conformity of information concerning the audited Company stated in the Annual Report with the consolidated financial statements. In my opinion this information is in all significant respects in compliance with this financial statements from which it was assumed.

The responsible employees of the Company acknowledge that the auditor's verification of the financial statements does not indemnify them for the presented data completeness and correctness.



Ing. Leo Drozdek
Auditor

Certificate No. 419

Ostrava, 31 March 2003

R. Prchalý 274, 708 00 Ostrava-Poruba

BRANO A.S.

SUPERVISORY BOARD OF BRANO A.S. REPORT

The activities of the Supervisory Board of BRANO a.s. can be divided into two periods. In the first period until the General Meeting of the Supervisory Board of BRANO a.s. the Board consisted of the following members: Mr. Břetislav Witwer - Chairman, Mr. Manfred Göltner - member and Mr. František Kahovec - member.

In the second period the General Meeting of the BRANO a.s. shareholders held on 20 May 2002 elected the following members of the Supervisory Board: Mr. Manfred Göltner and Mr. František Kahovec - BRANO employees and on 22 May 2002 Ing. Josef Štencl - economist SBU foundry was elected member of the Supervisory Board. At the first meeting the new Supervisory Board of BRANO a.s. elected their chairman Mr. Manfred Göltner. At this meeting Ing. Josef Štencl - member of the Supervisory Board who had been elected by Company's employees -resigned from his function of member of the Supervisory Board of BRANO a.s. His resignation was negotiated by the Supervisory Board of BRANO a.s. at the meeting on 6 June 2002 and his term of office was terminated at 6 June 2002.

At the meeting of 9 December 2002 the Supervisory Board of BRANO a.s. took note of the election of the member of the Supervisory Board by the employees of BRANO a.s. The employees of BRANO a.s. elected Mr. Břetislav Witwer - chairman ZO OS KOVO - member of the Supervisory Board of BRANO a.s. on 24 September 2002. Further on the Supervisory Board of BRANO a.s. took note of the decision of Manfred Göltner to resign from his function of chairman of the Supervisory Board of BRANO a.s. on 9 December 2002. By the decision of the Supervisory Board of BRANO a.s. of 9 December 2002 Mr. Břetislav Witwer was appointed chairman of the Supervisory Board of BRANO a.s.

During the year 2002 the Supervisory Board of BRANO a.s. was continuously informed about business activities of BRANO a.s., about inner matters relating to the competence of the Board of Directors and their decision-making and kept under supervision the execution of BRANO a.s. business activities.

The Supervisory Board took note of the profit and loss statements as at 31 December 2002 in its full extent, the balance sheet in full extent as at the same date, the auditor's statement as at 31 December 2002. The Supervisory Board states that BRANO a.s. has title to all property given in the balance sheet and there are no intents which could seriously influence the value of assets and liabilities, that claims are registered by BRANO a.s. according to individual client groups and to the due date of the claim, that claims after the date of maturity are demanded and on the basis of individual judgement legally exacted, claims of old block are written off and kept in both operative register and in under balance sheet, that there are no important obligations and other transactions which could be a matter of legal cases, that in the course of the accounting period no complaints against BRANO a.s. were lodged by any supervisory body in the matters relating to the failure to produce accounting data to relevant authorities which could seriously influence the rightness of information given in the financial statement, that after the closing date of the financial statement no events occurred, which would require some changes or amendments thereof, that BRANO a.s. within the frame of its business activities is capable to realize its assets and fulfill its obligations.

The Supervisory Board took note of the Independent Auditor's Report and Statement on Financial Statement's Verification as of 31 December 2002 of BRANO a.s. Hradec nad Moravicí of 14 March 2003.

The Supervisory Board reviewed the Financial Statement of 2002 including its annexes and the proposal of profit distribution and agrees to the proposal of the BRANO a.s. Board of Directors presented to the general meeting of BRANO a.s. to transfer the account balance of net profit at the amount of 38 099 000.- CZK onto the account of undistributed profit.

The report of the Supervisory Board of BRANO a.s. was approved by the Supervisory Board on 25 April 2003.

Břetislav Witwer
Chairman of the Supervisory Board
BRANO a.s.

BRANO-ATESO A.S., MEMBER OF BRANO GROUP

PROFIT AND LOSS STATEMENT

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	1999	2000	2001	2002
Revenues from merchandise	100 321	106 390	38 830	61 431
Revenues on sold goods	87 325	96 405	37 861	64 630
Sale margin	12 996	9 985	969	- 3 199
Revenues from own products and services	1 052 713	1 243 716	1 332 633	1 712 370
Changes in inventory of own products	1 537	- 2 184	- 10 653	- 1 274
Capitalisation	23 213	12 631	15 978	1 898
Production (own products)	1 077 463	1 254 163	1 337 958	1 712 994
Consumption of energy and material	605 848	746 529	819 534	1 078 251
Services	157 047	175 532	181 571	223 087
Production consumption	762 895	922 161	1 001 105	1 301 338
Added value	327 564	341 987	337 822	408 457
Personal costs	261 643	213 327	197 256	210 409
Taxes and fees	1 600	1 731	963	725
Depreciations of intangible and tangible assets	108 415	105 077	94 416	83 685
Revenues from sale of fixed assets and material	87 408	16 504	24 690	28 429
Net book value of sold fixed assets and material	60 376	8 164	12 491	20 840
Accounting of reserves and accruals to operating revenues	10 032	12 769	6 839	10 383
Accounting of reserves and accruals to operating expenses	32 604	7 788	13 330	39 930
Accounting of adjustments to operating revenues	5 738	16 275	5 912	12 587
Accounting of adjustments to operating expenses	2 953	7 037	18 480	23 173
Other operating revenues	7 981	- 6 408	4 012	2 288
Other operating expenses	16 550	11 309	7 249	5 890
Operating income	- 45 418	26 694	35 290	77 488
Income from financial operations	9 873	- 10 986	- 5 399	18 239
Extraordinary income	1 496	- 1 348	- 10 992	- 15 421
Profit (loss) of current accounting period before taxation	- 34 049	14 360	18 899	80 306
Profit (loss) of current accounting period	33 983	14 348	18 899	62 839

BRANO-ATESO A.S., MEMBER OF BRANO GROUP

BALANCE SHEET

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	1999	2000	2001	2002
Assets	1 204 421	1 067 476	1 027 071	1 130 768
Fixed assets	668 426	649 616	633 440	564 338
Long-term intangible assets	28 061	17 713	8 655	3 147
Long-term tangible assets	640 365	631 903	623 785	560 191
Long-term financial assets	-	-	1 000	1 000
Current assets	468 828	363 107	359 946	537 979
Inventory	173 958	168 659	134 065	119 913
Long-term receivables	-	-	-	-
Short-term receivables	267 012	166 535	210 725	287 550
Financial assets	27 858	27 913	15 156	130 516
Other assets	67 167	54 713	33 685	28 441
Liabilities	1 204 421	1 067 476	1 027 071	1 130 768
Equity	760 849	775 197	793 705	856 933
Registered capital	679 514	679 514	679 123	679 514
Capital funds	257	257	257	257
Funds created from net profit	77 290	77 290	78 007	78 952
Statutory and other funds	37 771	3 788	3 788	3 788
Retained profit (loss) of previous years	-	-	13 631	31 583
Profit (loss)	- 33 983	14 348	18 899	62 839
Non-own liabilities	415 685	280 372	220 137	249 204
Reserves	36 865	27 115	27 678	64 590
Long-term payables	10 058	-	-	-
Short term payables	87 177	113 949	185 322	184 614
Bank loans	281 585	139 308	7 137	-
Other liabilities	27 887	11 907	13 299	24 631

BRANO-ATESO A.S., MEMBER OF BRANO GROUP

I. INFORMATION ON APPLIED ACCOUNTING METHODS, GENERAL ACCOUNTING PRINCIPLES AND METHODS OF EVALUATION

1. Method of making depreciation plans for long-term assets and used depreciation methods when determining book depreciations:

a) Straight-line depreciation has been applied for tangible and intangible fixed assets. Time of depreciation with individual groups of assets is set as follows:

Appreciable rights	5 years
Software	4
Buildings	15 - 33
Machines and devices	6 - 12
Tools and moulds	2 - 4
Computer technology	4 - 5

2. Evaluation methods

Payments of financial / operational lease are charged in full amount within current period costs.

According to valid accounting procedure the leased subjects are not stated in the balance fixed assets as long-term fixed assets. The purchase prices of the financial lease subjects are kept in off balance-sheet accounting.

a) Material and goods are charged in purchase prices. The purchase price covers the cost of acquisition, customs duties, storage charges, during transport and transport charges for the delivery to the production (selling) area. Material and goods have been evaluated with fixed stock prices.

b) Intangible and tangible fixed assets are registered in purchase price. Evaluation of fixed assets of own production covers direct material, direct labour costs and overhead costs connected directly with its production up to the time of capitalization.

3. Currency conversion

The currency conversion is affected on the basis of current exchange rate of day. Assets and debts in foreign currency as of the balancing day were calculated by ČNB bank. Non-realized exchange rate profits and losses are presented in the balance sheet in estimated payables and receivables, a reserve is created for non-realized exchange rate losses.

II. SUPPLEMENTARY DATA CONCERNING ASSETS

1. Acquisition of long-term assets purchased by financial lease:

The company paid off, according to the installment schedule, all installments related to the previously concluded lease contracts. New lease contracts have not been made.

2. Assets not stated in the balance

The company does not record any significant assets not included in this balance

3. Deferred tax

The company settled its tax obligation deferred at the amount of 17 467,- CZK resulting from temporary taxable and deductible margins applicable for tax reasons in the following periods.

III. RECEIVABLES

	31/12/2001	31/12/2002
Trade receivables	241 622	186 350
- thereof: receivables from customers	236 646	167 539
- thereof: after maturity date	72 564	74 307
Receivables after maturity date over 180 days	19 239	21 141

As of 31 December 2002 the following adjustments were made:

	42 593	23 159
a) for receivables in bankruptcy proceedings	2 306	2 306
b) for other receivables payable after maturity date	40 287	20 853

IV. STATUTORY AND OTHER RESERVES

	State as of 01/01/2002	Creation	Utilization	State as of 31/12/2002
Reserve for exchange rate losses	3 379	1 303	3 379	1 303
Reserve for guarantee costs	1 800	1 800	-	3 600
Reserves for environmental troubles remedy	8 495	500	8 495	500
Reserve for personal costs on unused holiday	2 166	344	-	2 510
Reserve for financial risks	10 084	5 300	134	15 250
Reserve for personal costs and compensation	1 754	-	1 754	-
Reserves for fixed assets repairs	-	23 960	-	23 960

V. PAYABLES

	State as of 31/12/2002	State as of 31/12/2001
Total short-term trade payables	167 299	155 389
- thereof: payables to suppliers	163 876	139 614
- thereof: payables after maturity date	38 925	24 345
a) payables after maturity date – live claims	29 761	13 855
b) Liabilities to enterprises in group	13	13 687

VI. REPORT ON RELATIONS BETWEEN INTERLOCKED ENTITIES BRANO-ATESO A.S.

Brano a.s., place of business in Hradec nad Moravicí, Opavská 100, Id.No. 45193363 is the controlling entity.

The following interlocked entities are known to the company:

- BRANO GROUP, a.s., place of business in Hradec nad Moravicí, Opavská 100, Id.No. 64609898
- BRANOMARKET, s.r.o., place of business in Hradec nad Moravicí, Tovární okruh 674, Id. No. 25351311
- BRANOSLOVAKIA, s.r.o., place of business in Bratislava, Na Pasekách 22

In the year 2002 there were the following relations between the Company and BRANO GROUP, a.s. company:

1. Mandate contract on performing the managing activities between BRANO GROUP, a.s. and BRANO-ATESO, a.s. concerning the management of BRANO-ATESO a.s. special units, at the amount of 52.701.000,- CZK. The contract is concluded on common terms and conditions.
2. Contracts on long-term current assets (DLHM) rent between BRANO-ATESO a.s. and BRANO GROUP a.s. at the amount of cca. 157.000,- CZK on common terms and conditions.
3. Re invoicing of amounts without concluding the basic contract, supported by continuous tax documents according to actual observance, profitably neutral for either of the invoiced party. Re invoicing applies to phone calls, travelling expenses, small material, training, advertising and exhibition activities, repairs, transport, accommodation, co-operation.
Re invoicing from BRANO GROUP, a.s. on BRANO-ATESO a.s. made up the amount of cca 1 205 000,-CZK.
Re invoicing from BRANO-ATESO a.s. on BRANO GROUP, a.s. made up the amount of cca. 133.000,-CZK.

In the year 2002 there were the following relations between the Company and BRANO a.s. company:

1. Contracts on long-term current assets (DLHM) rent between BRANO a.s. and BRANO-ATESO a.s. at the amount of cca. 413.000,- CZK on common terms and conditions.
2. Sales of products from BRANO a.s. on BRANO-ATESO a.s. at the amount of cca. 35.155.000,- CZK (common commercial relation) on customers's standard conditions.
3. Sales of products from BRANO-ATESO a.s. on BRANO a.s. at the amount of cca. 15.663.000,- CZK (common commercial relation) on customers's standard conditions.
4. Sales of long-term current assets (DLHM) from BRANO-ATESO a.s. on BRANO a.s. at the amount of cca. 3.018.000,- CZK (common commercial relation) on customers's standard conditions.
5. Re invoicing of amounts without concluding the basic contract, supported by continuous tax documents according to actual observance, profitably neutral for either of the re invoiced party.
Re invoicing applies to phone calls, travelling expenses, small material, training, advertising and exhibition activities, repairs, transport, accommodation, co-operation.
Re invoicing from BRANO a.s. on BRANO-ATESO a.s. made up the amount of 2.281.000,- CZK.
Re invoicing from BRANO-ATESO a.s. on BRANO a.s. made up the amount of 1.280.000,- CZK.

In the year 2002 there were the following relations between the Company and BRANOSLOVAKIA, s.r.o. company:

1. Sales of products from BRANOSLOVAKIA s.r.o. on BRANO-ATESO a.s. at the amount of cca. 80.000,- CZK (common commercial relation) on customers's standard conditions.

In the year 2002 there were no relations between the Company and BRANOMARKET, s.r.o. company.

Conclusion:

In view of the Company's Board of Directors the cooperation with BRANO GROUP, a.s. and their controlled entities was in the year 2002 for the Company beneficial and it has not caused any detriment to the Company.

Jablonec nad Nisou
17 March 2003

Dušan Špaček
Chairman of the Board of Directors
BRANO-ATESO a.s.,
member of BRANO GROUP

REPORT OF THE INDEPENDENT AUDITOR
ON FINANCIAL STATEMENTS VERIFICATION AS OF 31 DECEMBER 2002
OF BRANO- ATESO A.S., MEMBER OF BRANO GROUP

I audited the financial statements in accordance with auditorial regulations issued by the Chamber of Auditors of the Czech Republic.

The statutory body of the accounting unit is responsible for the book-keeping, its completeness, conclusive evidence and correctness. It is my duty to acquire every information which is to the best of my knowledge and belief necessary to perform the audit of the financial statements. Our audit procedures were carried out on a test basis and with regard to the principle of materiality.

The company's book-keeping is in all respects being kept fully, conclusively and correctly. The financial statements as of 31 December 2002 were prepared in accordance with currently valid legislation and link up to the data in account books. The auditor states that the data in accounting documents and annual report concerning the state of assets and the sources of financing correspond to the matter of fact.

Owing to the given reasons the audit of the financial statements of BRANO - ATESO a.s., member of BRANO GROUP can be closed as follows:

without reserve.

The Statutory body of the company bears the responsibility for the completeness and correctness of the report on relations between the interconnected persons. I verified the factual correctness of the data stated in this report and I did not find any substantial inaccuracies.

Jablonec n. Nisou, 4 April 2003



Ing. Petr Topol
Auditor
Decree Licence No. 400

BRANO-ATESO A.S., MEMBER OF BRANO GROUP

SUPERVISORY BOARD OF BRANO-ATESO A.S., MEMBER OF BRANO GROUP REPORT

During the whole year the Supervisory Board of BRANO-ATESO a.s., member of BRANO GROUP had regular joint meetings with the Board of Directors. The Supervisory Board was immediately informed about the company's business activities and about the Board of Director's execution of powers and decision-making and expressed their opinion of that.

During the year 2002 the Supervisory Board did not find any matters, implying that accounting records on the basis of which the financial statements, the report on relations between interlocked entities and the Company's audit were compiled, were not complete and correct in all significant continuities.

The Supervisory Board examined thoroughly the regular financial statements including their appendix, became acquainted with the Company's auditor report and statement on the financial statements verification as of 31 December 2002 and accepted the audit results. Simultaneously the Supervisory Board examined separately the consolidated financial statements including their appendix, became acquainted with the Company's auditor report and statement on the consolidated financial statements verification as of 31 December 2002 and accepted the audit results as well. The Supervisory Board examined the Board of Directors' proposal for the profit distribution and approved the proposal.

The Supervisory Board examined also the report on relations between interlocked entities compiled by the Board of Directors. The correctness of data stated in the report was verified by the Company's auditor.

Pavel Juříček
Chairman of the Supervisory Board
BRANO-ATESO a.s.,
member of BRANO GROUP

AFTERMARKET S.R.O.

PROFIT AND LOSS STATEMENT

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	2001	2002
Revenues from merchandise	213 545	172 346
Revenues on sold goods	185 747	148 987
Sale margin	27 798	23 359
Revenues from own products and services	-	37
Changes in inventory of own products	-	-
Capitalisation	-	-
Production (own products)	-	37
Consumption of energy and material	1 015	1 311
Services	14 468	14 522
Production consumption	15 483	15 833
Added value	12 315	7 653
Personal costs	4 116	4 185
Taxes and fees	58	85
Depreciations of intangible and tangible assets	224	185
Revenues from sale of fixed assets and material	-	-
Net book value of sold fixed assets and material	-	-
Accounting of reserves and accruals to operating revenues	-	-
Accounting of reserves and accruals to operating expenses	-	-
Accounting of adjustments to operating revenues	-	-
Accounting of adjustments to operating expenses	23	3 961
Other operating revenues	200	716
Other operating expenses	811	130
Operating income	7 283	- 267
Income from financial operations	- 380	- 473
Extraordinary income	214	-
Profit (loss) of current accounting period before taxation	7 117	- 740
Profit (loss) of current accounting period	4 871	- 536

AFTERMARKET S.R.O.

BALANCE SHEET

AS OF 31ST DECEMBER 2002 (IN THOUSANDS CZK)

	2001	2002
Assets	91 489	83 773
Fixed assets	369	730
Long-term intangible assets	-	-
Long-term tangible assets	369	730
Long-term financial assets	-	-
Current assets	91 112	82 533
Inventory	41 474	49 879
Long-term receivables	-	-
Short-term receivables	49 591	32 203
Financial assets	47	451
Other assets	8	510
Liabilities	91 489	83 773
Equity	5 871	5 335
Registered capital	1 000	1 000
Capital funds	-	-
Funds created from net profit	-	100
Statutory and other funds	-	-
Retained profit (loss) of previous years	-	4 771
Profit (loss)	4 871	- 536
Non-own liabilities	84 392	77 185
Reserves	-	- 1 085
Long-term payables	-	-
Short-term payables	84 392	78 270
Bank loans	-	-
Other liabilities	686	1 253

AFTERMARKET S.R.O.

I. INFORMATION ON APPLIED ACCOUNTING METHODS, GENERAL ACCOUNTING PRINCIPLES AND METHODS OF EVALUATION

1. Method of making depreciation plans for long-term assets and used depreciation methods when determining book depreciations: Accelerated depreciations

passenger car	- depreciation	- 4 years
computer	- depreciation	- 4 years
2. Evaluation methods: Goods are charged in purchase prices. The purchase price covers the cost of acquisition, customs duties, package wear, packages and transport charges for the delivery to the distribution depot. Stock decrease have been evaluated with average price.
3. Long-term tangible assets have been evaluated with purchase prices.
4. Adjustments to long-term tangible assets have not been made.
5. Adjustments to inventory were made in cases the evaluation in book-keeping has been higher than the current market value of inventory.
6. Adjustments to trade receivables were made:

- for receivables after maturity date over 180 days	414.000,- CZK (2001 - 23.000,- CZK)
- for receivables after maturity date over 360 days	70.000,- CZK
7. Method of creation of reserves: reserves have not been created.
8. Method used for conversion of foreign currency into Czech currency:
 - conversion of receivables and payables in foreign currency into Czech currency was effected on the basis of current exchange rate of day given by ČNB bank
 - conversion of bank accounts and cash in foreign currency into Czech currency was effected on the basis of current exchange rate of day given by ČNB bank

III. RECEIVABLES

	31/12/2002	31/12/2001
Receivables from customers	22 893	34 797
thereof: after maturity date	8 372	15 069
after maturity date over 180 days	2 701	331
to enterprises in group	3	7 236

V. PAYABLES

	31/12/2002	31/12/2001
Trade payables	76 930	82 384
Payables after maturity date	20 596	41 640
Payables after maturity date over 180 days	8 607	2 001
Payables to enterprises in group	-	-

AFTERMARKET S.R.O.

VI. REPORT ON RELATIONS BETWEEN INTERLOCKED ENTITIES AFTERMARKET S.R.O.

BRANO-ATESO a.s. place of business in Jablonec nad Nisou, nám. B. Němcové 1, Id.No. 44569602 is the controlling entity.

The following interlocked entities are known to the company:

- BRANO a.s., place of business in Hradec nad Moravicí, Opavská 100, Id. No. 45193363
- BRANO GROUP, a.s., place of business in Hradec nad Moravicí, Opavská 100, Id.No. 64609898
- BRANOMARKET, s.r.o., place of business in Hradec nad Moravicí, Tovární okruh 674, Id. No. 25351311

In the year 2002 there were the following relations between the Company and BRANO-ATESO, a.s. company:

1. Sales of products, goods and material from BRANO-ATESO a.s. on AFTERMARKET s.r.o. at the amount of cca.97.082.000,- CZ (common commercial relation) on customers's standard conditions.
2. Contract of lease on real estate and long-term current assets rent between BRANO-ATESO a.s. and AFTERMARKET s.r.o. at the amount of cca. 3.600.000,- CZK for real estate rent and at the amount of cca. 2.400.000,- CZK for current assets rent on customers's standard conditions.
3. Sales of goods from AFTERMARKET s.r.o. on BRANO-ATESO a.s. at the amount of cca.310.000,- CZK (common commercial relation) on customers's standard conditions.
4. Re invoicing of amounts without concluding the basic contract, supported by continuous tax documents according to actual observance, profitably neutral for either of the re-invoiced party. Re invoicing applies to phone calls, trainings, advertising and exhibition activities, claims, repairs, travelling expenses, fuel, energy, audit.
Re invoicing from BRANO-ATESO, a.s. on AFTERMARKET s.r.o. made up the amount of cca. 949.000,-CZK.
Re invoicing from AFTERMARKET s.r.o. on BRANO-ATESO a.s. made up the amount of cca. 837.000,-CZK.

In the year 2002 there were the following relations between the Company and BRANO GROUP a.s. company:

1. Mandate contract between BRANO GROUP, a.s. and AFTERMARKET s.r.o. on assistance with managing activities performance namely in the economic, sales, marketing and organization area of AFTERMARKET company at the amount of 5.138.000,- CZK. The contract is concluded on common terms and conditions.

In the year 2002 there were neither relations between the Company and BRANO, a.s. company nor relations between the Company and BRANOMARKET, s.r.o. company.

Conclusion:

In view of the Company's Board of Directors the co-operation with BRANO GROUP, a.s. and their controlled entities was in the year 2002 for the Company beneficial and it has not caused any detriment to the Company.

Jablonec nad Nisou
17 March 2003

Ing. Miroslav Vašíček
Head of the Executive
AFTERMARKET s.r.o.

REPORT OF THE INDEPENDENT AUDITOR
ON FINANCIAL STATEMENTS VERIFICATION AS OF 31 DECEMBER 2002
OF AFTERMARKET S.R.O.

I audited the financial statements in accordance with auditorial regulations issued by the Chamber of Auditors of the Czech Republic.

The statutory body of the accounting unit is responsible for the book-keeping, its completeness, conclusive evidence and correctness. It is my duty to acquire every information which is to the best of my knowledge and belief necessary to perform the audit of the financial statements. Our audit procedures were carried out on a test basis and with regard to the principle of materiality.

The company's book-keeping is in all respects being kept fully, conclusively and correctly. The financial statements as of 31 December 2002 were prepared in accordance with currently valid legislation and link up to the data in account books. The auditor states that the data in accounting documents and annual report concerning the state of assets and the sources of financing correspond to the matter of fact.

Owing to the given reasons the audit of the financial statements of AFTERMARKET s.r.o. can be closed as follows:

without reserve.

The Statutory body of the company bears the responsibility for the completeness and correctness of the report on relations between the interconnected persons. I verified the factual correctness of the data stated in this report and I did not find any substantial inaccuracies.

Jablonec n. Nisou, 4 April 2003



Ing. Petr Topol
Auditor
Decree Licence No. 400

BRANOROS, A.S.

PROFIT AND LOSS STATEMENT

AS OF 31ST DECEMBER 2002 (IN THOUSANDS RUR)

	2001	2002	31.3.2003
Revenues from Goods Sold			
Cost of Sales			
Gross Margin			
Product and Service Revenue	45 379	54 247	13 402
Capitalised Change in Manufactured Good Inventory	-1 912	-146	594
Revenuisation			
Production (own products)	43 467	54 101	13 996
Material and Power Consumption	39 523	44 958	11 579
Services	8 071	2 534	505
Production Consumption	47 594	47 492	12 084
Value added	-4 127	6 609	1 912
Private Expenses	991	2 304	414
Taxes and fees	1 410	902	55
Depreciation and Amortization	1 078	1 617	417
Other receipts (from sale of fixed assets and raw materials)			
Residual price from sale of fixed assets and raw materials			
Release from reserves and deferred operating revenue			
Additions to reserves and deferred operating expenses			
Clearing of adjustments to operating revenue			
Clearing of adjustments to operating expenses			
Other operating revenues			
Other operating expenses			
Operating profit (loss)	-7 606	1 786	1 026
Financial profit (loss)	-2 845	-1 424	410
Extraordinary operating profit (loss)			
Operating profit (loss) for the accounting period prior to taxation			
Operating profit (loss) for the accounting period	-10 451	359	1 436

BRANOROS, A.S.

BALANCE SHEET

AS OF 31ST DECEMBER 2002 (IN THOUSANDS RUR)

	2001	2002	31.3.2003
Assets	24 547	22 610	25 590
Fixed assets	10 085	11 206	11 015
Intangible fixed assets	4		
Tangible fixed assets	10 081	8 730	8 539
Financial investments		2 476	2 476
Current assets	14 461	11 360	14 503
Inventory	3 886	1 728	3 965
Long-term receivables			
Short-term receivables	9 405	9 339	10 416
Receivables from companies with controlling influence			
Financial assets	1 170	293	122
Other assets	1	44	72
Liabilities	24 547	22 610	25 590
Equity	-5 215	-4 856	-3 420
Registered Capital	10 493	10 493	10 493
Capital funds			
Legal reserves			
Statutory and other funds			
Retained/undistributed profit (loss) of previous years	-5 257	-15 708	-15 349
Operating profit (loss)	-10 451	359	1 436
Foreign liabilities and resources	29 762	27 466	29 010
Reserves			
Long-term payables			
Short-term payables	29 762	27 466	29 010
Payables to companies with controlling influence			
Bank loans and financial assistance			
Other liabilities			

**REPORT OF THE INDEPENDENT AUDITOR
ON FINANCIAL STATEMENTS VERIFICATION AS OF 31 DECEMBER 2002
of BRANOROS, A.S.**

Russian Federation
AUDIT – CONSULTING NN
Limited Liability Company
N. Novgorod, Studennaja 78-59
Tel. 30-84-00

Certificate of state registration No. 18921, series NRP-NN, issued by the Registration Chamber of the South Novgorod Administration. Licence No. E 000780 issued by the Ministry of Finance of the Russian Federation, valid through 25 June 2007.

**Final Award of Auditor's Report by "AUDIT – CONSULTING NN", Ltd.
concerning the financial statement of the joint-stock company
with foreign participation "BRANOROS" for the year 2002**

The audit of the financial statement was carried out in line with the Federal Law No. 119-F3, dated 7 August 2001, concerning auditing activities, and in accordance with the audit rules (standards), with the following findings:

1. The system of internal control is in accordance with the scope and character of the activities pursued by BRANOROS.
2. There were no gross violations identified concerning the bookkeeping principles, which may have a material impact on the credibility of the company's accounting.
3. The financial and management transactions carried out by BRANOROS are in accordance with the valid laws and regulations.
4. The audit was carried out in order for the auditor to assure that the financial statement does not contain any significant incorrectnesses.
5. The audit provided adequate grounds for the auditors to express their opinion that the financial statement is sufficiently credible.
6. The financial statement enclosed hereto is credible, i.e. that is has been made out to reflect, in all material aspects, the assets and liabilities of BRANOROS, as of 1 January 2003, together with the financial results of its activities for the year 2002, based on the standards pertaining to the maintenance of financial accountancy in the Russian Federation.
7. The Balance Sheet, as of 1 January 2003 and the Profit and Loss Account for the year 2002 are hereby authenticated with the seal of the auditing company.

Two counterparts of the Auditor's Report herein have been submitted to the General Manager of the joint-stock company with foreign participation BRANOROS, M. Špičák.



V.M. Danilovsky
Director of the
AUDIT-CONSULTING NN, Ltd.