

PANEVĖŽIO STATYBOS TRESTAS AB

Consolidated and Company Financial Statements for Three Month Accountability Ending September 30, 2008

Unaudited

Company register given code 147732969

Domicile address P. Puzino g. 1, LT-35173 Panevėžys, Lithuania

CONFIRMING RESPONSIBLE PERSONS OF THE COMPANY

This is to confirm that on the basis of information we have, the Financial Consolidated Interim Statement for Nine Months of 2008, prepared according to international standards of financial accountability is true and shows estates, liabilities, financial situation, and profit or losses of *Panevėžio statybos trestas AB* and companies of *Panevėžio statybos trestas* Company Group.



Dalius Gesevičius, Managing Director
Panevėžio statybos trestas AB



Dalė Bernotaitienė, Finance Director
Panevėžio statybos trestas AB

BALANCE SHEET

In Litas	Group		Company	
	30 September 2008	2007	30 September 2008	2007
ASSETS				
Non-current assets	35161453	31519095	51532830	48083577
Intangible assets	1427080	1495343	233865	300137
Tangible non-current assets	30614532	27197687	26025975	22355648
Financial assets	502564	748505	23633005	23787807
Other intangible assets	2617277	2077560	1639985	1639985
Current assets	317427436	247649072	247935551	167057755
Inventories	13632688	15248424	9292084	10846700
Advance payments	7313650	2581874	5605389	2881764
Contracts in progress	51497001	65496361		
Accounts receivable in one year	224392749	117378072	218882600	113523585
Other current assets	4564450	2334829	261978	764988
Cash and cash equivalents	16026898	44609512	13893500	39040718
TOTAL ASSETS	352588889	279168167	299468381	215141332

In Litas	Group		Company	
	30 September 2008	2007	30 September 2008	2007
EQUITY AND LIABILITIES				
Equity	95788916	75571978	103325993	69477727
Share capital	16350000	16350000	16350000	16350000
Reserves	5143200	5279017	4812496	4931791
Retained profit (loss)	74151766	53820670	82163497	48195936
Translation reserve	143950	122291		
Minority share	5458900	7869553		
Amounts payable and liabilities	251341073	195726636	196142388	145663605
Amounts payable in one year and long term liabilities	54854558	51749181	9178047	6845001
Loans and borrowings	51805798	49841995	6611570	5107725
Warranty provision	2109825	1265486	1984696	1155495
Deferred tax liabilities	938935	641700	581781	581781
Amounts payable in one year and short term liabilities	196486515	143977455	186964341	138818604
Loans and borrowings	8608819	3323435	4162744	2650805
Trade payables	130389460	66260161	128773370	64738369
Prepayments received	25551421	45928684	25434665	45762542
Current tax payable	5516781	4502537	5038730	3652237
Other liabilities	26420034	23962638	23554832	22014651
TOTAL EQUITY AND LIABILITIES	352588889	279168167	299468381	215141332

PROFIT (LOSS) STATEMENT

Group				
ITEM	2008 01-09	2007 01-09	2008 07-09	2007 07-09
Litas				
SALE	471517162	393835561	213598417	112769860
COST OF SALE	394821609	342203484	170193727	98246977
GROSS PROFIT (LOSS)	76695553	51632077	43404690	14522883
OPERATING EXPENSES	49681729	20639915	31086425	6166960
Sale	620664	412174	251575	159892
General and administration	49061065	20227741	30834850	6007068
TYPICAL OPERATING PROFIT (LOSS)	27013824	30992162	12318265	8355923
OTHER ACTIVITIES	-162242	-42084	-101649	-79889
Income	166632	378987	65094	100490
Expenses	328874	421071	166743	180379
FINANCIAL AND INVESTMENT ACTIVITIES	-2608963	-1295173	-1478739	-672560
Income	870675	1318882	-201164	578414
Expenses	3479638	2614055	1277575	1250974
USUAL ACTIVITY PROFIT (LOSS)	24242619	29654905	10737877	7603474
WINDFALL PROFIT				
LOSSES				
PROFIT (LOSS) BEFORE TAXATION	24242619	29654905	10737877	7603474
PROFIT TAX	7946893	6613540	5146580	1890392
NET PROFIT (LOSS)	16295726	23041365	5591297	5713082
ATTRIBUTABLE TO SHAREHOLDERS	23955779	21658060	6829223	6095148
ATTRIBUTABLE TO MINORITY INTEREST	-7660053	1383305	-1237926	-382066

Company				
EQUITY AND LIABILITIES Litas	2008 01-09	2007 01-09	2008 07-09	2007 07-09
SALE	458325665	369985845	206178861	108198388
COST OF SALE	387575416	332944680	165618471	95284838
GROSS PROFIT (LOSS)	70750249	37041165	40560390	12913550
OPERATING EXPENSES	25588897	14913195	10959491	4830497
Sale	474164	329876	132391	102603
General and administration	25114733	14583319	10827100	4727894
TYPICAL OPERATING PROFIT (LOSS)	45161352	22127970	29600899	8083053
OTHER ACTIVITIES	181507	156531	26570	62398
Income	373920	326521	118767	121218
Expenses	192413	169990	92197	58820
FINANCIAL AND INVESTMENT ACTIVITIES	22216	-34495	59629	-109746
Income	604957	510896	180881	69774
Expenses	582741	545391	121252	179520
USUAL ACTIVITY PROFIT (LOSS)	45365075	22250006	29687098	8035705
WINDFALL PROFIT				
LOSSES				
PROFIT (LOSS) BEFORE TAXATION	45365075	22250006	29687098	8035705
PROFIT TAX	7756308	4454822	4719577	1547578
NET PROFIT (LOSS)	37608767	17795184	24967521	6488127

CASH FLOW STATEMENT

	Group		Company	
	30 09 2008	30 09 2007	30 09 2008	30 09 2007
Cash flow from operating activities				
Net profit (loss)	16.295.726	23.041.365	37.608.767	17.795.184
Elimination of other non-monetary items				
Depreciation and amortisation costs	4.880.629	3.801.461	4.145.388	3.148.798
Profit (loss) from transfer of non-current assets	-60.179	-14.967	-56.742	-21.360
Other non-cash items	-197.500	801.643	20.870	24.705
	20.918.676	27.629.502	41.718.283	20.947.327
Changes in operating capital:				
Decrease (increase) in inventories	1.615.736	2.593.553	-697.416	734.106
Change in long-term receivables				
Decrease (increase) in trade receivables	-107.030.251	-50.847.334	-105.359.015	-50.374.251
Decrease (increase) in prepayments	-4.731.776	31.578.191	-2.711.310	31.020.286
Decrease (increase) in contracts in progress	13.999.360	-257.617	2.252.032	2.581.217
Decrease (increase) in amounts receivable and other assets	-2.175.946	1.255.143	565.835	-48.332
Increase (decrease) in trade payables	64.129.299	23.266.071	64.035.001	23.124.304
Increase (decrease) in provisions	844.339	393.441	829.202	434.634
Increase (decrease) in prepayments received	-20.377.263	-34.340.725	-20.327.877	-33.726.962
Increase (decrease) in profit tax obligations	1.014.244	3.761.976	1.386.493	3.293.401
Increase (decrease) in employment related liabilities	6.336.840	396.832	5.206.601	280.661
Increase (decrease) in other payables and liabilities	-3.259.854	-2.187.565	-3.442.236	-2.151.213
	-28.716.596	3.241.468	-16.544.407	-3.884.822
Elimination of results of financial and investing activities	2.818.621	1.295.173	-19.455	-19.488
Net cash flow from operating activities	-25.897.975	4.536.641	-16.563.862	-3.904.310
Cash flow from investing activities				
Acquisition of long term assets (excl. investment)	-1.864.822	-2.453.022	-1.170.449	-2.379.055
Transfer of long term assets (excl. investment)	106.249	80.768	56.748	77.780
Acquisition of investments				
Transfer of investment	9.999			
Loans issued	-315.135	-6.689.480	-6.000	-769.682
Loans recovered	510.216		95.216	670.202
Dividends and interest received	729.888	504.756	514.888	456.885
Other increase in cash flow from investing activities	499			
Other decrease in cash flow from investment activities				
Net cash flow from investing activities	-823.106	-8.556.978	-509.597	-1.943.870
Cash flow from financial activities				
Cash flow related to owners of the company	1.241.398	-1.205.325	-3.984.685	-2.955.125
Increase in financial liabilities	4.953.548			
Decrease in financial liabilities	-1.147.524	-11.521.541	-506.732	-11.468.615
Interest paid	-2.929.611	-2.346.317	-534.770	-353.061
Leasing (financial lease) payments	-3.591.764	-2.695.503	-3.089.670	-2.299.779
Increase in other cash flow from financial activities	1.076.285	161.933	280.591	107.994
Decrease in other cash flow from financial activities	-1.485.524	-74.355	-238.493	-815
Net cash flow from financing activities	-1.883.192	-17.681.108	-8.073.759	-16.969.401
Increase (decrease) in net cash flow	-28.604.273	-21.701.445	-25.147.218	-22.817.581
Result of changes in currency rate on the balance of cash and its equivalents	21.659	55.913		
Cash and its equivalent at the beginning of the period	44.609.512	32.891.037	39.040.718	31.830.941
Cash and its equivalent at the end of the period	16.026.898	11.245.505	13.893.500	9.013.360

STATEMENT of CHANGES IN SHAREHOLDERS' EQUITY

Group	Influence of change in					Losses per parent company		Total	
Litas	Authorised capital	Share bonus	Revaluation reserve	Legal reserve	exchange rate	Accumulated profit	share	Minority part	
Balance as of 31 December 2006	16.350.000		3.780.063	1.619.155	10.906	27.376.954	49.137.078	4.692.136	53.829.214
Decrease in value of revaluated assets and postponed tax liability									0
Change in postponed tax			-159.133			159.134		-1.835	-1.834
Net profit (loss) for 2007									0
Dividend						21.654.373	21.654.364	1.383.302	23.037.675
Legal reserves formed				23.563		-2.779.500	-2.779.500		-2.779.500
Currency rate change					55.913	-23.563	55.913		0
Increase of minority share								6.999.200	55.913
Company transfer				355.007		102.036	457.043		6.999.200
Balance as of 30 September 2007	16.350.000	0	3.620.930	1.997.725	66.819	46.489.434	68.524.898	13.072.803	81.597.711
Balance as of 31 December 2007	16.350.000	0	3.636.299	1.642.718	122.291	53.820.670	75.571.978	7.869.553	83.441.531
Fixed assets revaluation			-159.134			159.134		-1.834	-1.834
Depreciation of revaluated part of FA									0
Postponed tax related liability									0
Paid up capital								5.249.400	5.249.400
Net profit (loss) 2008						23.955.779	23.955.779	-7.658.219	16.297.560
Dividend						-3.760.500	-3.760.500		-3.760.500
Influence of currency rate change					21.659		21.659		21.659
Minority share gain									0
Minority share loss									0
Reserves formed				23.317		-23.317			0
Company transfer									
Balance as of 30 September 2008	16.350.000	0	3.477.165	1.666.035	143.950	74.151.766	95.788.916	5.458.900	101.247.816

Company

In Litas	Authorised capital	Share premium	FA revaluation	Financial reserve	Legal reserve	Other reserves	Deferred result	Total
Balance as for December 31, 2006	16.350.000		3.396.968		1.619.155		26.045.786	47.411.909
Revaluation of fixed assets								0
Postponed tax related liability								0
Postp. tax liability related to revaluation of FA								0
Net profit (loss) 2007			-119.295				17.914.478	17.795.183
Reserves formed					15.875		-15.875	0
Increase (decrease) of authorised capital							-2.779.500	-2.779.500
Balance as for September 30, 2007	16.350.000	0	3.277.673	0	1.635.030	0	41.164.889	62.427.592
Balance as for December 31, 2007	16.350.000	0	3.296.761	0	1.635.030	0	48.195.936	69.477.727
Revaluation of fixed assets								0
Related postponed tax liability								0
Postponed profit tax related to revaluation of FA								0
Net profit (loss) 2008 unrecognised			-119.295				37.728.061	37.608.766
Dividend							-3.760.500	-3.760.500
Reserves formed								0
Reserves used								0
Increase (decrease) of authorised capital								0
Balance as of September 30, 2008	16.350.000	0	3.177.466	0	1.635.030	0	82.163.497	103.325.993

EXPLANATORY NOTE

General Information

Panevėžio statybos trestas AB (hereinafter „the Company“) was established in 1957 and for a long time was known as Šiaurės Lietuvos Statybos Trestas. In 1991 the Company was registered as a State Capital Company. On 30 October 1993 the State Capital Company was reorganized to a Public Limited Liability Company. Company code 147732969, VAT code LT477329610. Registration certificate No. 013732, issued on 27 September 2004 by the State Register Centre Panevėžys Branch.

In January through September 2008 the following subsidiaries were functioning in the company: *Gerbusta*, *Pastatų apdaila* and *Genranga*. These subsidiaries keep separate records, but their estate, liabilities and financial results are included into preparing financial accountability of the Company. The Company has its quarters in Čerepovec and its branch in Kaliningrad. Financial year of the Company is calendar year. The period of commercial-economic activities of the Company is unlimited.

The main activity of the Company and its subsidiaries (hereinafter “the Group”) is designing and construction of various buildings, structures, facilities, communications and other similar objects in Lithuania and abroad, real estate development. In addition to the listed activities the Group rents out premises and equipment, resells utility and communication services.

As for 30 September 2008 the Group includes the parent company and 8 subsidiaries:

Subsidiaries	Type of activities	Share controlled (per cent)	Domicile address
UAB “Skydmedis“	Production of wood constructions	100	Pramonės g. 5, Panevėžys Tel.: 8 45 583341
UAB “Metalų meistrai“	Production of metal constructions	100	Tinklų g. 7, Panevėžys
UAB “Vekada“	Electrical installation works	96	Marijonų g. 36, Panevėžys Tel.: 8 4 5461311
TŪB “Vilniaus papėdė“	Construction works	69	Švitrigailos g. 8, Vilnius Tel.: 8 5 2609405
UAB “Alinita“	Air conditioning equipment	100	Dubysos g. 31, Klaipėda Tel.: 8 46 340363
PS Trests SIA	Construction	100	Vietalvas 5, Riga
Balditstroj OOO	Construction	100	Sovetskij pr. 43, Kaliningrad Tel.: 0074012350435
UAB “PST Investicijos“	Real estate development	67	Konstitucijos pr. 7, Vilnius Tel.: 8 5 2728213
<u>Subsidiaries of the UAB „PST investicijos“</u>			
UAB „Ateities projektai“	Real estate development and sales	100	Konstitucijos pr. 7, Vilnius
UAB „Sakališkės“	Real estate development and sales	100	Konstitucijos pr. 7, Vilnius

UAB „Kauno erdvė“	Real estate development and sales	100	Konstitucijos pr. 7, Vilnius
UAB „Gėlužės projektai“	Real estate development and sales	100	Konstitucijos pr. 7, Vilnius
UAB „Verkių projektas“	Real estate development and sales	100	Konstitucijos pr. 7, Vilnius
UAB „Realtus“	Real estate development and sales	100	Konstitucijos pr.7, Vilnius
OOO ISK Baltevro market	Construction investment company	100	Sovetskij per.43, Kaliningradas
UAB „Smiltynių kalvos“	Real estate development and sales	100	Konstitucijos pr.7, Vilnius

Basis of Interim Financial Statement Preparation

The figures in the interim financial statement are presented in the national currency of Lithuania - the Litas which is also the Company's functional currency.

The same accounting principles were applicable to the interim financial statement as to the annual financial statement.

The following currency rates were used when preparing the interim financial statement:

Currency	30 September 2008	31 December 2007	30 September 2007
1 EUR	3,4528	3,4528	3,4528
10 SEK	3,7372	3,6437	3,5586
10 RUB	0,94956	0,96085	0,97741

Principles of Consolidation

The consolidated financial statement incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activity.

The financial results of the subsidiary companies, acquired or sold during the year, are included in the consolidated operating statement covering the period from the subsidiary company acquisition date till the subsidiary company selling date. The financial statements of the subsidiary companies are revised so that they comply with the accounting policies applicable by the group in case they were different.

For consolidation purposes all significant balance, dealings and unrealized profit (loss) of the operations between the companies the companies of the Group were eliminated from the financial statement.

Investments in Non-current Assets

Group investments for long-term assets in January through September 2008 were 8 464 008 Lt.: the Company acquired long-term assets for the amount of 7 769 339 Lt.

Loans

On 30 September 2008 *PST investicijos UAB* Company Group had long-term bank loans for 43 675 669 Lt. The interest rate of the loans is 6 months Vilibor + 1.1 – 1.55 % .

Guarantees, Sureties

On 30 September 2008 the warranty deeds granted by guarantee credit institutions for the liabilities of *Panevėžio statybos trestas AB* to the Environmental Project Management Agency of the Ministry of Environment of the Republic of Lithuania amounted 22 082 520 Lt., to Physical Culture and Sports Department – 13 500 000 Lt. and to others – 8 530 454 Lt.

Panevėžio statybos trestas AB guarantees the fulfillment of liabilities undertaken by *PST investicijos UAB* based on the Credit Agreement with NORD/LB for the amount of 4 164 124 USD and on Surety Agreement with *DnB NORD AB* for the amount of 980 000 EUR.

Dividends

The annual General Meeting of the Shareholders of *Panevėžio statybos trestas AB* that took place on 25 April 2008 took the decision to pay dividends in the amount of 3 760 500 Lt. (0.23 Lt. per share) and bonuses in the amount of 326 000 Lt.

Significant Changes in the Interim Financial Statement during the Reporting Period

Referring to the unaudited data, the group of one of the largest construction companies in the country, *Panevėžio statybos trestas (PST)*, was on the income of 472 mln. Litas (137 mln. EUR) for nine months of this year – that is, by 19,7 % higher than for the same period of the last year and gained the unaudited before-tax profit amounting 24 mln. Litas (7 mln. EUR) – by 20 percents less than for January through September 2007 when the before-tax profit amounted 30 mln. Litas (8.7 mln. EUR).

The net profit gained by the PST parent company in finishing the activities in main sites - Panevėžys Multipurpose Sports Arena, BIG in Klaipėda and *Megrame* plant - successfully is reduced by the resulting loss of the real estate development company due to negative changes in the real estate market.

Key Indicators of *Panevėžio statybos trestas AB* Company Group (thou. Lt):

	Group		Company	
	2008 09 30	2007 09 30	2008 09 30	2007 09 30
Revenue	471517	393835	458325	369986
Cost price	394822	342203	387575	332945
Gross profit	76695	51632	70750	37041
Gross profit margin (per cent)	16,27	13.11	15.44	10.01
Net profit margin (per cent)	3,46	5.85	8.21	4.81
Profit per one share (Litas)	1	1.41	2.30	1.09
Return on equity (per cent) (ROE)	17,01	33.62	36.26	28.51
Return on assets (ROA)	4,62	9.42	12.56	10.22
Return on investment (ROI)	10,44	17.15	33.31	25.63
Current liquidity ratio	1,62	1.94	1.33	1.21
Book value of a share	6,19	4.99	6.34	3.82
Share price/book value ratio (P/BV)	0,72	4.61	0.7	6.02