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R E P O R T

2004

A N N U A L

PST

C O N T E N T S

AB PANEVĖŽIO STATYBOS TRESTAS

business strategy and philosophy / 3

AB PANEVĖŽIO STATYBOS TRESTAS

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AB PANEVĖŽIO STATYBOS TRESTAS BUSINESS STRATEGY AND PHILOSOPHY

VISION

To become a recognised civil construction market leader using most advanced technologies and guaranteeing exclusive quality and agreed job completion timelines.

We will orientate ourselves towards new foreign markets. We will continue seeking to be the most desirable construction partner for our customers.

MISSION

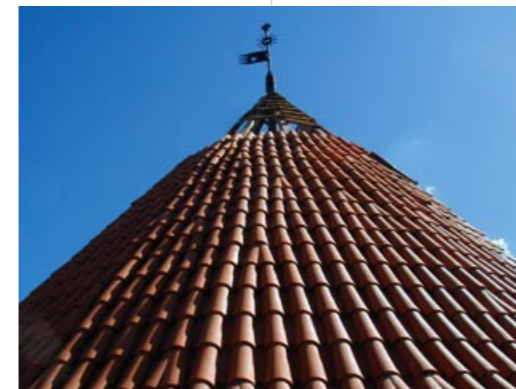
Our essential goal is harmony in all spheres of activity. To create environment of higher quality for business community and people honestly fulfilling our obligations, developing a long-term co-operation and offering mature construction solutions. We foster company culture on the daily basis so that our workers could feel good when working and growing.

VALUES

Professionalism

Responsibility

Respect to customers, workers, communities



AB PANEVĖŽIO STATYBOS TRESTAS ACTIVITY REPORT FOR 2004

The year 2004 was exclusively successful to the AB PANEVĖŽIO STATYBOS TRESTAS (hereinafter – PST). We succeeded in attaining perfect results while following our activity strategy and aiming at the set goals. Professional work of the company employees and efficient solutions of the managers allowed us to successfully take advantage of the opportunities that emerged in civil construction market.

In 2004 the PST became the leader of the construction market.

RESULTS OF OPERATIONS

- Volume of works executed by the PST Group went up by 8,9 per cent compared to 2003
- Profits from standard operations increased two times
- Net profit increased more than thirteen times

The year 2004 was conducive for the civil construction industry in Lithuania. The PST, having consolidated all of its resources and efficiently managing them, reached the Group turnover of LTL 157,6 mill., i.e. it has increased by LTL 12,9 mill. compared to 2003. We are glad that during the last year PST became the leader of country's civil construction market.

We are proud to state that today PST is an attractive company for our existing and potentials clients, partners and people working in it.

Design and construction services of highest quality, successful experience in management of big projects, responsible and experienced team of professionals, flexibility and innovation – these are main factors contributing to the success of the PST.

In the coming year we will pay more attention to a higher level of satisfaction of our clients with the services we provide, improvement of our image in the community and operative solving of problems.

Our ability to efficiently compete in the quickly and continually changing environment symbolises successful start of the future works. Strategy and action plan for five years were confirmed in 2004.

Vygantas Sliesoraitis
Chairman of the Board

Dalius Gesevičius
General Director



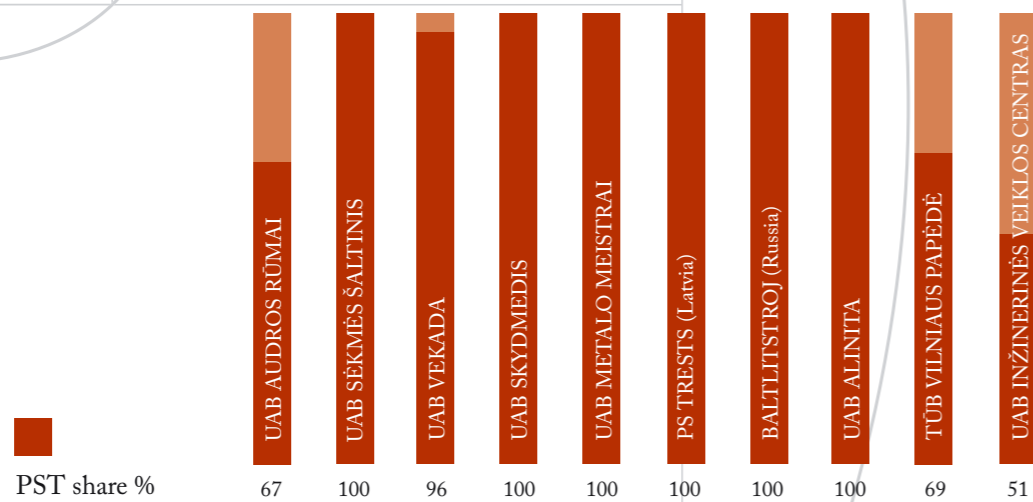
SHARE CAPITAL AND SHAREHOLDERS

The authorised capital of the PST was LTL 1 635 000 as for December 31, 2004. The company capital is divided into 1 635 000 ordinary registered shares, nominal value of one share is LTL 1.

The biggest portfolio of the PST is held by AB PANEVĖŽIO KELIAI – 49,8 per cent, EVIL BANK PLC group, SUPREMA SECURITIES and its clients – 31,96 per cent, and the remaining 18,24 per cent of the authorised capital is held by the minor shareholders*.

* On January 27, 2005 SUPREMA SECURITIES, Investment banking company of the Baltic States, has acquired one of the biggest portfolios (26,97 per cent).

AB PANEVĖŽIO STATYBOS TRESTAS SUBSIDIARIES



JOBS WE ARE PROUD OF

EXPANSION OF UAB LITMALT PLANT

Last year PST was awarded gold medal in a contest “Lithuanian Product of the Year 2004” for the expansion of LITMALT production facility. This is an appreciation of successful completion of an exclusively complicated project that involved co-ordination of construction, technology and erection works.



RECONSTRUCTION OF THE KONSTITUCIJOS AVENUE

This project of PST in Vilnius can serve as a perfect proof of the company’s potential to execute exclusively modern projects in high quality manner. Two underground passages (one including commercial premises) were built. Base course and surfaces of the Europe Square as well as access areas to it were laid.



UAB KAPPA PACKAGING BALTIC PACKING PRODUCTION ENTERPRISE

It is an industrial-administrative building on Savanorių Avenue in Vilnius. PST was executing works that included reinforced erection of concrete columns and steelwork installation, amenities and outside utility engineering.



THREE TYPE RESIDENTIAL HOUSES IN PALANGA

Having evaluated the favourable prospects, PST is seeking to increase its activity volumes in the sphere of residential construction. One of the most successful private residence construction projects was completed in Palanga. PST has carried out reconstruction of a residential complex consisting of three buildings in this seaside resort.



RECONSTRUCTION OF THE GEDIMINAS AVENUE

The company has built an underground parking lot for 285 cars below the Gediminas Avenue in Vilnius. The object was built from prefabricated reinforced concrete elements and has a modern damp-course system.



VILNIUS RAILWAY STATION

PST carried out reconstruction of the building. Original elements, gypsum stucco mouldings were restored, walls and flooring were renovated.



BABILONAS ENTERTAINMENT AND SHOPPING CENTRE

In 2004 PST began constructing BABILONAS Entertainment and Shopping Centre, which is the largest of such centres in Northern Lithuania. The company executed basic construction works – laid bored foundation, erected reinforced concrete and steel framework. Total area of the building is 265 000 sq.m.

RIETUMU BANKA BUILDING RECONSTRUCTION

This object of a cultural heritage, situated in the centre of Riga, was reconstructed in order to adapt it for commercial purposes.



RESIDENTIAL HOUSES IN ŠEŠKINĖ RESIDENTIAL AREA IN VILNIUS

PST has build two 16-floor apartment houses in one of the highest areas of Vilnius. Apartments in these houses are light and spacious due to a good layout.



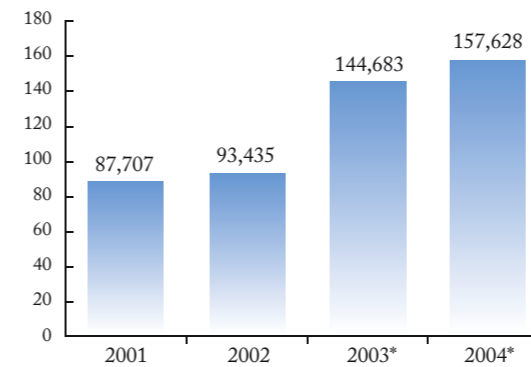
EXPANSION OF UAB MASTER FOODS LIETUVA FACTORY

PST was implementing company expansion project. Reconstruction of energy supply network was done and the new boiler station was built without interrupting production processes.

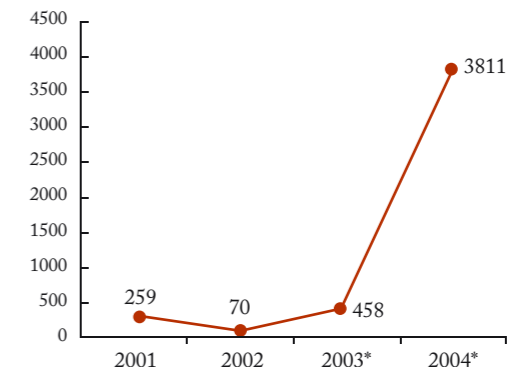
OVERVIEW OF ACTIVITIES AND FINANCE

ECONOMICS AND FINANCE

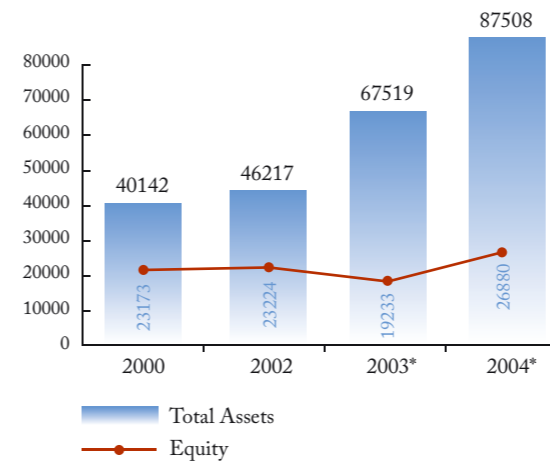
TURNOVER DYNAMICS, LTL thous.



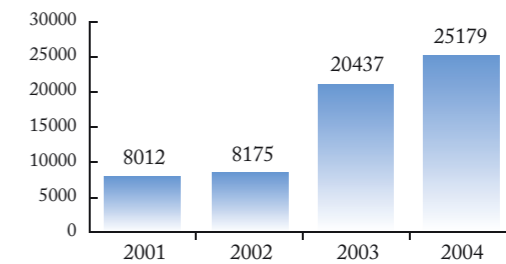
PRE-TAX PROFIT, LTL thous.



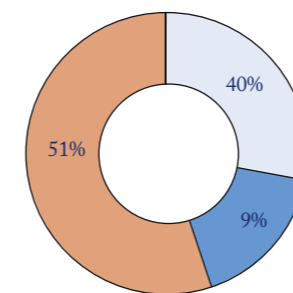
TOTAL ASSETS AND EQUITY, LTL thous.



CAPITALIZATION, LTL thous.

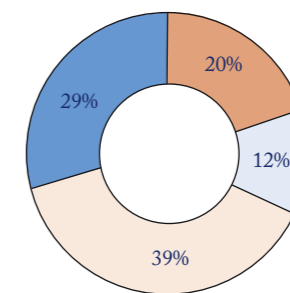


CLIENT DISTRIBUTION



- Private subjects
- State Companies
- Public Projects

STRUCTURE OF CONSTRUCTION WORKS



- Heritage Facilities
- Residential
- Engineering Facilities
- Nonresidential Facilities

* group numbers

OVERVIEW OF ACTIVITIES AND FINANCE

ECONOMICS AND FINANCE

AB PANEVĖŽIO STATYBOS TRESTAS
STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 (LTL)	As restated 2003 (LTL)	2004 (LTL)	Unaudited 2003 (LTL)
	COMPANY	COMPANY	GROUP	GROUP
SALES INCOME	160,159,622	136,358,888	157,628,440	144,683,101
COST OF SALES	141,096,144	124,918,811	136,723,654	131,244,302
GROSS PROFIT (LOSS)	19,063,478	11,440,077	20,904,786	13,438,799
OPERATING COSTS				
Sales and distribution	190,014	439,690	190,014	439,690
General and administrative	14,416,627	9,616,066	16,207,795	10,890,600
OPERATING PROFIT (LOSS)	4,456,837	1,384,321	4,506,977	2,108,509
OTHER ACTIVITIES				
Income	1,376,135	2,043,04	932,727	1,484,118
Expenses	1,193,871	1,606,410	1,152,381	1,551,929
FINANCING AND INVESTING ACTIVITIES				
Income	203,134	13,041	176,312	9,555
Expenses	430,888	1,555,763	652,306	1,592,613
Result (loss) of subsidiaries	(227,967)	168,785	-	-
PROFIT (LOSS) FROM NORMAL ACTIVITIES	4,183,380	447,038	3,811,329	457,640
EXTRAORDINARY GAIN	-	-	-	-
EXTRAORDINARY LOSSES	-	-	-	-
PROFIT (LOSS) BEFORE TAX	4,183,380	447,038	3,811,329	457,640
PROFIT TAX	1,224,596	249,759	1,248,388	286,523
PROFIT (LOSS) BEFORE MINORITY INTEREST	2,958,874	197,279	2,562,941	171,117
MINORITY INTEREST	-	-	53,817	26,162
NET PROFIT (LOSS)	2,958,874	197,279	2,616,758	197,279

AB PANEVĖŽIO STATYBOS TRESTAS
BALANCE SHEET AS OF 31 DECEMBER 2004

Assets	2004 (LTL)	As restated 2003 (LTL)	2004 (LTL)	Unaudited 2003 (LTL)
	COMPANY	COMPANY	GROUP	GROUP
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Development works	-	8,833	-	8,833
Goodwill	-	-	105,671	-
Patents, licenses	50,045	30,631	50,045	30,631
Computer software	46,536	29,069	60,807	39,634
Other intangible assets	-	419,805	2,510	420,440
	96,581	488,338	219,033	499,538
TANGIBLE ASSETS				
Land	1646,179	1,646,179	1,646,179	1,646,179
Buildings and constructions	10,485,220	5,729,642	11,288,703	5,961,511
Machinery and equipment	1,408,996	1,256,970	1,735,927	1,684,982
Vehicles	1,266,716	1,395,268	1,607,816	1,574,117
Other property, plant and equipment	2,586,287	2,274,052	2,825,621	2,448,660
Construction in progress	29,492	794,039	70,944	794,039
Other tangible assets	32,656	23,288	87,197	67,949
	17,455,546	13,119,438	19,262,387	14,177,437
FINANCIAL ASSETS				
Investments into subsidiaries and associates	3,697,790	5,824,263	-	-
Loans to subsidiaries and associates	751,781	-	-	-
Accounts receivable after one year	92,175	134,233	92,175	160,979
Deferred tax asset	339,620	-	421,081	-
Other financial assets	55,500	328,3396	55,500	3,228,396
	4,936,866	6,286,892	568,756	3,389,375
TOTAL NON-CURRENT ASSETS	22,488,993	19,894,668	20,050,176	18,066,350

OVERVIEW OF ACTIVITIES AND FINANCE

ECONOMICS AND FINANCE

AB PANEVĖŽIO STATYBOS TRESTAS
BALANCE SHEET AS OF 31 DECEMBER 2004

Assets	2004 (LTL)	As restated 2003 (LTL)	2004 (LTL)	Unaudited 2003 (LTL)
	COMPANY	COMPANY	GROUP	GROUP
CURRENT ASSETS				
INVENTORIES, PREPAYMENTS AND CONTRACTS IN PROGRESS				
Inventories	4,728,423	2,922,139	6,384,200	4,193,544
Raw materials and consumables	381,528	2,526,412	1,369,255	3,457,472
Finished goods	2,222,683	-	2,883,053	340,345
Goods for resale	2,124,212	395,727	2,124,212	395,727
Inventories purchased from subsidiaries and parent company	-	-	7,680	-
Prepayments	861,546	3,452,048	1,128,125	3,543,125
Contracts in progress	6,026,014	7,117,550	21,920,945	11,753,918
	11,615,983	13,491,737	29,433,270	19,490,587
ACCOUNTS RECEIVABLE WITHIN ONE YEAR				
Trade accounts receivable	26,637,274	24,342,723	27,776,066	25,810,392
Receivables from subsidiaries and associates	2,997,133	951,470	22,203	1,872
Other accounts receivable	1,855,601	2,542,151	4,195,149	2,497,178
	31,490,008	27,836,344	31,993,418	28,309,442
OTHER CURRENTS ASSETS				
Other current assets	2,900,000	-	2,900,000	-
	2,900,000	-	2,900,000	-
CASH AND CASH EQUIVALENTS	1,433,214	4,506,269	3,131,179	1,65,958
TOTAL CURRENT ASSETS	47,439,205	42,834,350	67,457,867	49,452,297
TOTAL ASSETS	69,928,198	62,729,018	87,508,043	67,519,337

Equity and liabilities	2004 (LTL)	As restated 2003 (LTL)	2004 (LTL)	Unaudited 2003 (LTL)
	COMPANY	COMPANY	GROUP	GROUP
EQUITY				
CAPITAL				
Authorized (subscribed))	16,350,000	16,350,000	16,350,000	16,350,000
	16,350,000	16,350,000	16,350,000	16,350,000
REVALUATION RESERVE (RESULTS)	5,833,164	-	5,833,164	-
RESERVES				
Legal reserve	1,287,090	1,248,107	1,287,090	1,248,107
	1,287,090	1,248,107	1,287,090	1,248,107
RETAINED EARNINGS (LOSSES)				
Profit (loss) of the reporting year	2,958,784	197,279	2,958,784	197,279
Profit (loss) of the previous year	792,490	1,437,920	450,464	1,437,920
	3,751,274	1,635,199	3,409,248	1,635,199
TOTAL EQUITY	27,221,528	19,233,306	26,879,502	19,233,306
MINORITY INTEREST	-	-	823,078	506,658
GRANTS AND SUBSIDIES	-	-	-	-

Equity and liabilities	2004 (LTL)	As restated 2003 (LTL)	2004 (LTL)	Unaudited 2003 (LTL)
	COMPANY	COMPANY	GROUP	GROUP
ACCOUNTS PAYABLE AND LIABILITIES				
NON-CURRENT ACCOUNTS PAYABLE AND LIABILITIES				
Financial debts	7,502,167	1,092,772	18,120,137	3,544,021
Leases and similar obligations	1,250,228	1,092,772	1,305,744	1,238,169
To credit institutions	6,251,939	-	16,814,393	2,200,000
Other financial debts	-	-	-	105,852
Deferred taxes	856,507	-	947,883	-
	8,358,674	1,092,772	19,068,020	3,544,021
CURRENT ACCOUNTS PAYABLE AND LIABILITIES				
Current portion of non-current debts	592,780	461,082	696,931	575,604
Financial debts	-	3,341,206	2,302,000	3,371,206
To credit institutions	-	3,341,206	2,302,000	3,371,206
Trade accounts payable	17,470,260	24,059,129	19,009,298	25,279,157
Accounts received in advance	7,342,235	9,210,375	9,029,044	9,364,238
Profit tax liabilities	1,084,349	249,408	1,141,208	293,947
Liabilities related with labor relations	5,832,091	3,941,860	6,360,778	4,241,150
Provisions	1,425,030	204,634	1,425,030	204,634
Other accounts payable and current liabilities	601,251	935,246	773,154	905,416
	34,347,996	42,402,940	40,737,443	44,235,352
TOTAL ACCOUNTS PAYABLE AND LIABILITIES	42,706,670	43,495,712	59,805,463	47,779,373
TOTAL EQUITY AND LIABILITIES	69,928,198	62,729,018	87,508,043	67,519,337

OVERVIEW OF ACTIVITIES AND FINANCE

MANAGEMENT OF HUMAN RESOURCES

Employee is the greatest value and the main source of competitiveness of any contemporary organisation. Every member of our company is a personality having its inner world and upholding individual wishes and aims.

We are seeking for similarity in employee and corporate values and aims while improving work environment and building up employee motivation.

Today we are proud of a high standard company culture, teamwork orientated environment and professionalism of our employees.

Intellectual work and accurate decisions tend to account for the bigger part of activities of contemporary companies. That is why we emphasise improvement of knowledge and skills of company employees, their acknowledgement with state-of-art technologies and work methods. Implementation of such human resource management tools enables our company to remain a flexible and up-to-date player in the construction market.

QUALITY AND ENVIRONMENT MANAGEMENT SYSTEM

We treasure each client and strive to assure exclusive quality in every stage of works – from idea development to its full implementation. While planning and organising our activities and while improving quality of our services we are closely following the quality management standard ISO 9001:2000 requirements – this system is introduced in our company.

In order to guarantee high quality of the materials that are used in construction and their suitability for execution of particular works, AB PANEVĖŽIO STATYBOS TRESTAS has established a construction testing laboratory which performs testing of various materials. The laboratory also performs prompt quality control both during the separate stages of construction and after the construction has been finished.

Upholding the philosophy of balanced development we seek to harmonise interests of our business development and environmental protection. In 2004 the company has introduced an environment protection management system complying with the provisions of ISO 14001 standard. Following the provisions of ISO 14001 standard, PST ensures conformity with the legal environmental regulations, their constant improvement and prevention of pollution.



The Golden Section is a universal principle of harmony that exists in the nature and has its own mathematical expression (the Fibonacci series, which appears as a sequence of spiralling squares).

Ingenious ancient builders, artists, and architects noticed the Golden Section principle. Buildings constructed following this principle give the feeling of spiritual and physical harmony. The most renowned examples of application of the Golden Section are the Pyramids of Egypt, the Parthenon, the Rheims Cathedral, etc.

One may conceive the Golden Section as a principle of perfection, true craftsmanship, as a symbolic pursuit to realise the supreme harmony between functionality and quality in one's work.

