

AB Panevėžio Statybos Trestas

Financial statements  
for the year 2017 prepared  
according to International  
Financial Reporting Standards  
adopted in the European  
Union, along with independent  
auditor's report

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## **Company details**

### **AB Panevėžio Statybos Trestas**

Entity's code: 147732969  
Telephone: +370 45 505 503  
Telefax: +370 45 505 520  
Address: P. Puzino 1, LT-35173 Panevėžys

### **Board**

Remigijus Juodviršis, Chairman  
Artūras Bučas  
Virmantas Puidokas  
Audrius Balčėtis  
Vilius Gražys

### **Management**

Dalius Gesevičius, Managing Director

### **Auditor**

"Ernst & Young Baltic", UAB

### **Banks**

AB Luminor Bankas  
AB SEB Bankas  
Swedbank, AB  
AB Šiaulių Bankas  
AB Citadele Bankas  
OP Corporate Bank Plc Lithuania Branch



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PVM mokėtojo kodas LT108784411  
Juridinių asmenų registras

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Code of legal entity 110878442  
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Register of Legal Entities

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Panevėžio statybos trestas

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying separate financial statements of AB Panevėžio statybos trestas (hereinafter the Company), which comprise the statement of financial position as of 31 December 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### The key audit matter

#### How the matter was addressed in the audit

##### ***Uncertainty related to the fine imposed by the Competition Council***

As disclosed in Note 27 of the financial statements, on 21 December 2017 the Competition Council ruled that the Company has breached the competition law regulations when concluding joint activity agreements for participation in certain tenders and imposed the Company a fine of EUR 8.5 million. The Company's management disagrees with the decision of the Competition Council and filed an appeal to the Vilnius Regional Administrative Court with the request to cancel the fine imposed and the payment of the fine is currently deferred till the resolution of the case by the

Among other procedures, our audit procedures included discussions with the management and the management's external legal advisor about the facts and circumstances concerning the Competition Council decision and the arguments underlying the management's assessment of the potential outcome of the lawsuit. Our procedures also included reading the appeal filed by the Company to the Vilnius Regional Administrative Court as well as reading the external legal advisor's letter responding to our inquiries about this uncertainty. Furthermore, we have considered the

### The key audit matter

Court. Considering the expected outcome of this uncertainty the management recorded no provision in respect of the fine imposed by the Competition Council in the Company's financial statements as of 31 December 2017.

This matter was significant for our audit because an adverse outcome of this lawsuit would have a material effect on the financial statements of the Company and it involves a significant management judgement to assess the probable outcome of this uncertainty and consequently the amount of provision to be recorded and contingent liability to be disclosed in the financial statements.

#### *Revenue recognition for constructions contracts in progress*

The Company's main revenue stream comes from large long-term construction contracts. As disclosed in Notes 2 and 19, the Company recognizes revenue from the customer specific construction contracts in progress as of year-end based on the estimated stage of completion of the projects, which is assessed by reference to the proportion of total costs incurred through the reporting date compared to total costs of the contract estimated by management.

This matter was significant to our audit because recognition of revenue for the reporting year is highly dependent on the judgment exercised by management in assessing the completeness and accuracy of forecast costs to complete the construction contract and changes in these judgments and related estimates throughout a contract life can result in material adjustments to revenue and margin recognised on contracts, which can be either positive or negative.

### How the matter was addressed in the audit

adequacy of the disclosures in the financial statements on this matter.

Our audit procedures included, among others:

- Testing Company's controls over the recognition of revenue from construction contracts, including allocation of revenues and costs to a specific contract.
- Retrospective consideration of the accuracy of management's forecasts for potential management bias by comparing the historical financial performance of selected contracts completed in 2017 with the total cost estimates and forecasted margins for those contracts used for revenue recognition as of 31 December 2016.
- Selecting a sample of contracts with greatest potential impact on the Company's financial statements for the year ended 31 December 2017, considering both quantitative and qualitative criteria, such as significant margin changes, loss-making contracts or projects which are unique in their nature, for additional testing as outlined below.

For the sample of contracts selected, we have considered the adequacy of the management's estimate on the amount of revenue to be recognized in the financial statements by performed the following procedures, among others:

- Comparing the contracts signed with customers against the total contract value estimates included in the management's calculations;
- Considering the management's estimated costs required to complete the contracts by reference to our understanding of the contract scope and the management's contracts' cost budgets and our inquiries of contract managers;
- Tracing costs incurred up to date as per management's estimation of the stage of completion to the costs included in the income statement, considering also whether they are

## The key audit matter

### *Impairment assessment of investments into subsidiaries and receivables from subsidiaries*

As disclosed in Note 16 in the financial statements, the carrying value of the Company's investments into subsidiaries amount to EUR 7.4 million and total balance of receivables from these subsidiaries, including loans granted and accrued interest, amount to EUR 3 million as at 31 December 2017 as disclosed in Notes 17 and 20. The management's assessment of the recoverable amount of investments into subsidiaries and impairment losses on receivables from them, including loans granted and accrued interest, requires estimation and judgement around assumptions used, including the recoverable value of real estate projects under development by subsidiaries as disclosed in Notes 2 and 16. Changes to these assumptions could lead to material changes in the estimated recoverable amount of investments and impairment losses on receivables, impacting both potential impairment charges and also potential reversals of impairment taken in prior years.

This matter was important to our audit due to significance of the amounts involved and high degree of related management estimation.

## How the matter was addressed in the audit

reflective of the actual progress of the work and only take into account eligible items;

- Considering the reasonableness of the margins recognised by the Company for the projects in progress taking into account our understanding of the contract scope and the historical performance of the Company;
- Considering whether all loss making contracts were properly identified and accounted for;
- And tracing actual contract revenues accounted for in the income statement to the estimation of the management of the amounts of revenue to be recognized for the contracts in progress based on the assessment of their stage of completion.

Finally, we considered the adequacy of the disclosures about the matter in the financial statements.

Among other procedures, we considered the completeness of the impairment indicators identified by the management by comparing the carrying value of the Company's investments into each subsidiary with the Company's share in the net assets of the subsidiary at their book value and discussing with the management the their performance and their outlook. We also considered the assumptions and methodologies used by the management to determine the recoverable amounts of the investments in subsidiaries, including amounts receivable and loans granted. We involved a valuation specialist to assist us with the assessment of external independent valuations used by the management in the estimation of the recoverable value of the projects under development by subsidiaries, where the management's estimation of recoverability of the investments, including receivables, depend on projects being developed by the subsidiaries. Our procedures, among others, included:

- Considerations about the independent external appraiser's competence, capabilities and objectivity;
- Understanding the methods used by the external appraiser to estimate market values;
- Consideration of the accuracy and relevance of the input data provided by management to the external appraiser;
- Consideration of the assumptions used (including those in respect of discount, inflation rates, comparative market prices and other) in the management's estimates of recoverable values of the investments.

We also considered the subsidiaries' ability to repay the amounts due to the Company by examination of their liquidity position based on their financial statements as well as their future cash flows forecasts.

## The key audit matter

### *Assessment of impairment of receivables from former subsidiary OOO Baltlitstroj undergoing bankruptcy procedures*

The Company has amounts receivable (including loans granted) with the net carrying value of EUR 0.7 million as of 31 December 2017 from the former subsidiary which is in the bankruptcy process from April 2017. As disclosed in Notes 17 and 21 to the financial statements the management assessed the recoverable amount of these receivables considering the data received from the bankruptcy administrator about the net assets available to satisfy the claims of the Company and the status of the Company in the creditors list. As a result, EUR 0.8 million impairment for these receivables (including loans granted) was recognized in the financial statements by the management in the financial statements for the year ended 31 December 2017.

This matter was important to our audit due to significance of the amount involved and significant assumptions involved in the management estimation.

## How the matter was addressed in the audit

Finally, we considered the Company's analysis of the sensitivity of the impairment tests' results to changes in key assumptions and the adequacy of the Company's disclosures included in Note 16 about the significant assumptions used in the estimation of recoverable values and the results of the impairment assessment.

Among other procedures, our audit procedures included discussions with the management of the basis underlying the management's estimate of the recoverability of these receivables, including:

- Consideration of management analysis of the net assets available in OOO Baltlitstroj for settlement of the claims of the creditors and discussion with the management about the uncertainties associated with the recoverability of these net assets;
- Consideration of the consistency of the information contained in the letter obtained by us from the external legal advisors of the Group used to assist in the recovery of the receivables with the assumptions used by management;
- Consideration of the sensitivity of the management's estimation to change in the assumptions concerning certain uncertainties associated with the ability of OOO Baltlitstroj to recover some of the receivables from its clients to be available for the distribution to its creditors, including the Company.

Finally, we considered the adequacy of the disclosures about the matter in the financial statements.

## Other matter

The financial statements of the Company for the year ended 31 December 2016, were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2017.

## Other information

Other information consists of the information included in the Company's and consolidated annual report, including corporate governance report, and corporate social responsibility report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Company's and consolidated annual report, including corporate governance report, corresponds to the financial statements for the same financial year and if the annual report, including corporate governance report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's and consolidated annual report, including corporate governance report, corresponds to the financial information included in the financial statements for the year ended 31 December 2017; and
- The Company's and consolidated annual report, including corporate governance report, was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the corporate social responsibility report has been provided. If we identify that corporate social responsibility report has not been provided, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

*Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.*

#### Appointment and approval of the auditor

In accordance with the decision made by the extraordinary shareholders meeting on 9 November 2017 we have been chosen to carry out the audit of Company's financial statements for the first time and the period of our total uninterrupted engagement is one year.

#### Consistency with the audit report submitted to the audit committee

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report which we have submitted to the Company and its Audit Committee.

#### Non audit services

We confirm that to the best of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have not provided any other services except for the audit of the financial statements.

The partner in charge of the audit resulting in this independent auditor's report is Inga Gudinaite.

UAB ERNST & YOUNG BALTIC  
Audit company's licence No. 001335



Inga Gudinaite  
Auditor's licence  
No. 000366

29 March 2018

## **CONFIRMATION OF COMPANY'S RESPONSIBLE PERSONS**

This confirmation of responsible employees concerning the audited separate financial statements and the annual report of Panevezio statybos trestas AB for the year 2017 is presented in accordance with the Law on Securities of the Republic of Lithuania and the Rules for Preparation and Presentation of Periodic and Additional Information approved by Resolution of the Board of the Bank of Lithuania.

Hereby I confirm, that as to our knowledge, the presented separate financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, profit or loss and cash flows, and that the annual report fairly states the review of business development and activities, the Company's position and description of the main risks and uncertainties that are faced.

Dalius Gesevicius  
Managing Director  
*Panevezio statybos trestas AB*



Entity's code: 147732969  
Address: P. Puzino 1, LT-35173 Panevėžys

Approved on  
Minutes No. \_\_\_\_\_

## Statement of financial position

as at 31 December

In thousand EUR

	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	4 808	5 075
Intangible assets	14	109	146
Investment property	15	1 300	1 270
Investments in subsidiaries	16	7 390	7 708
Loans granted	17	2 563	0
Non-current trade receivables	19	1 060	555
Other non-current financial assets		37	30
Deferred tax assets	12	55	106
<b>Total non-current assets</b>		<b>17 322</b>	<b>14 890</b>
<b>Current assets</b>			
Inventories	18	1 527	764
Trade receivables	4, 19	7 977	11 323
Prepayments		686	247
Loans granted	20	388	2 786
Other current assets	21	2 198	2 187
Prepaid income tax		394	34
Cash and cash equivalents	22	25 433	21 410
<b>Total current assets</b>		<b>38 603</b>	<b>38 751</b>
<b>TOTAL ASSETS</b>		<b>55 925</b>	<b>53 641</b>

The notes on pages 14–49 are an integral part of these financial statements.

Managing Director

Dalius Gesevičius

29/03/2018



Chief Accountant

Danguolė Širvinskienė

29/03/2018



Entity's code: 147732969  
Address: P. Puzino 1, LT-35173 Panevėžys

Approved on \_\_\_\_\_  
Minutes No. \_\_\_\_\_

## Statement of financial position (continued)

as at 31 December

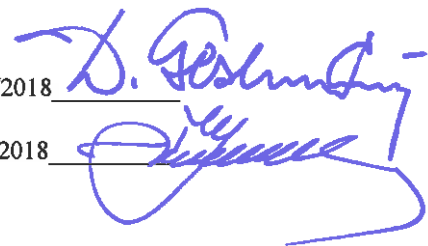
In thousand EUR

	Note	2017	2016
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	4 742	4 742
Reserves	23	1 713	1 787
Retained earnings		32 417	33 212
<b>Total equity</b>		<b>38 872</b>	<b>39 741</b>
<b>Non-current liabilities</b>			
Warranty provisions	25	531	601
Pension fund provisions	25	162	111
<b>Total non-current liabilities</b>		<b>693</b>	<b>712</b>
<b>Current liabilities</b>			
Trade payables	24	8 655	9 248
Prepayments received		3 171	38
Current income tax payable		0	0
Other liabilities	26	4 534	3 902
<b>Total current liabilities</b>		<b>16 360</b>	<b>13 188</b>
<b>Total liabilities</b>		<b>17 053</b>	<b>13 900</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>55 925</b>	<b>53 641</b>

The notes on pages 14–49 are an integral part of these financial statements.

Managing Director Dalius Gesevičius

29/03/2018



Chief Accountant Danguolė Širvinskienė

29/03/2018



Entity's code: 147732969  
 Address: P. Puzino 1, LT-35173 Panevėžys

Approved on  
 Minutes No. \_\_\_\_\_

## Statement of comprehensive income

for the year ended 31 December

In thousand EUR

	Note	2017	2016
Sales revenue	5	56 351	83 910
Cost of sales	6	(52 277)	(77 031)
<b>Gross profit</b>		<b>4 074</b>	<b>6 879</b>
Other income	10	524	596
Selling expenses	7	(303)	(319)
Administrative expenses	8	(4 581)	(4 747)
Other expenses	10	(354)	(366)
<b>Result from operating activities</b>		<b>(640)</b>	<b>2 043</b>
Finance income	11	1 398	631
Finance costs	11	(510)	(582)
<b>Profit before income tax</b>		<b>248</b>	<b>2 092</b>
Income tax	12	(54)	(301)
<b>Net profit</b>		<b>194</b>	<b>1 791</b>
<b>Other comprehensive income</b>			
Items that will never be reclassified to profit or loss		0	0
Items that are or may be reclassified to profit or loss		0	0
<b>Total other comprehensive income</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>194</b>	<b>1 791</b>
Basic earnings per share	30	0.01	0.11

The notes on pages 14–49 are an integral part of these financial statements.

Managing Director Dalius Gesevičius

29/03/2018

Chief Accountant Danguolė Širvinskienė

29/03/2018

Entity's code: 147732969  
Address: P. Puzino 1, LT-35173 Panevėžys

Approved on  
Minutes No. \_\_\_\_\_

## Statement of changes in equity

In thousand EUR	Notes	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2015</b>		<b>4 742</b>	<b>475</b>	<b>1 386</b>	<b>31 610</b>	<b>38 212</b>
<b>Total comprehensive income for the year</b>						
Net profit (loss)					1 791	1 791
Total comprehensive income for the year					1 791	1 791
Depreciation transfer for buildings				(74)	74	0
<b>Contributions by and distributions to owners of the Company</b>						
Dividends to owners of the Company	30				(262)	(262)
Total contributions by and distributions to owners of the Company					(262)	(262)
<b>Balance as at 31 December 2016</b>		<b>4 742</b>	<b>475</b>	<b>1 312</b>	<b>33 212</b>	<b>39 741</b>
<b>Total comprehensive income for the year</b>						
Net profit (loss)					194	194
Total comprehensive income for the year					194	194
Depreciation transfer for buildings				(74)	74	(0)
<b>Contributions by and distributions to owners of the Company</b>						
Dividends to owners of the Company	30				(1 063)	(1 063)
Total contributions by and distributions to owners of the Company					(1 063)	(1 063)
<b>Balance as at 31 December 2017</b>		<b>4 742</b>	<b>475</b>	<b>1 238</b>	<b>32 417</b>	<b>38 872</b>

The notes on pages 14–49 are an integral part of these financial statements.

Managing Director Dalius Gesevičius

29/03/2018

Chief Accountant Danguolė Širvinskienė

29/03/2018

Entity's code: 147732969  
Address: P. Puzino 1, LT-35173 Panevėžys

Approved on \_\_\_\_\_  
Minutes No. \_\_\_\_\_

## Statement of cash flows

for the year ended 31 December  
In thousand EUR

	Note	2017	2016
<b>Cash flow from operating activities</b>			
Net profit		194	1 791
Adjustments for:			
Depreciation and amortization	13, 14	1 009	908
Result from disposal of property, plant and equipment		(25)	(65)
Income tax expense	12	54	301
Financial activity	11	(888)	0
Other non-cash items		2 513	120
		<u>2 857</u>	<u>3 055</u>
Change in long-term receivables		(7)	1
Change in inventories	18	(769)	(74)
Change in trade receivables	19	769	(1 268)
Change in prepayments		(439)	364
Change in other assets		(586)	(1 216)
Change in trade payables	24	(534)	(1 641)
Change in prepayments received		3 133	(1 019)
Change in other liabilities		80	(354)
		<u>4 504</u>	<u>(2 152)</u>
Income tax paid		0	(439)
<b>Net cash flows from operating activities</b>		<u>4 504</u>	<u>(2 591)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets	13, 14	(734)	(1 017)
Disposal of property, plant and equipment		54	117
Acquisition of subsidiary	16	0	(1 600)
Loans granted		(451)	(243)
Loans recovered		369	5 301
Dividends and interest received	11	1 367	855
<b>Net cash flows from / (used in) investing activities</b>		<u>605</u>	<u>3 413</u>
<b>Cash flows from financing activities</b>			
Dividends paid	11	(1 056)	(262)
Interest paid for bank guarantees	11	(30)	(46)
<b>Net cash flows (used in) financing activities</b>		<u>(1 086)</u>	<u>(308)</u>
<b>Net increase in cash and cash equivalents</b>		<u>4 023</u>	<u>514</u>
Cash and cash equivalents at 1 January	21	21 410	20 896
Effect of exchange rate fluctuations on cash held		-	-
<b>Cash and cash equivalents at 31 December</b>	21	<u>25 433</u>	<u>21 410</u>

In 2017, Shareholders meeting made the decision to pay out EUR 1 063 thousand as dividends (2016 – EUR 262 thousand). During year 2017 and 2016 the Company paid 99% of total amount. Remaining payable amount at 31 December 2017 is EUR 25 thousand (31 December 2016 – EUR 19 thousand).

The notes on pages 14–49 are an integral part of these financial statements.

Managing Director Dalius Gesevičius

29/03/2018

Chief Accountant Danguolė Širvinskienė

29/03/2018

## **Notes**

### **1. General information**

AB Panevėžio Statybos Trestas (hereinafter “the Company”) was established in 1957. The entity’s code is 147732969 and it is registered at P. Puzino 1, LT-35173 Panevėžys, the Republic of Lithuania. The ordinary registered shares of the Company are listed on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006. The Company is primarily involved in construction of buildings, plant, equipment as well as other facilities and networks, etc. in Lithuania and abroad. The Company employed 770 employees as at 31 December 2017 (767 employees as at 31 December 2016).

The Company has the following branches in Lithuania: Genranga, Gerbusta, Pastatų Apdaila, Klaipstata, Stogas, Betonas and Konstrukcija. The Company also has permanent establishments in the Republic of Latvia and the Kingdom of Sweden.

The main shareholders of the Company as of 31 December 2017 and 2016 are:

- AB Panevėžio Keliai, S. Kerbedžio g. 7, Panevėžys, company code 147710353, (49.78%);
- Swedbank AS (Estonia) clients, Liivalaia 8, 15040 Tallinn, Estonia, company code 10060701, (7.57 %);
- Freely traded shares, owned by private persons and legal entities (42.65 %). No one owns more than 5%.

AB Panevėžio Keliai is the ultimate controlling party which prepares its own separate and consolidated financial statements based on Business Accounting Standards (BAS) of the Republic of Lithuania. Shareholders of AB Panevėžio Keliai are private persons. There is no controlling ultimate private person.

These financial statements are the Company’s separate financial statements. The Company also prepares consolidated financial statements for the Company and its subsidiaries. The consolidated financial statements are available at the Company’s office at P. Puzino 1, LT-35173 Panevėžys, the Republic of Lithuania. Details of subsidiary companies are disclosed in Note 16.

The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements. These financial statements were approved by the management for issue on 29 March 2018.

### **2. Basis of preparation**

#### **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter IFRSs).

#### **Basis of measurement**

The financial statements have been prepared on the historical cost basis except for land and buildings within property, plant and equipment, which are measured using the revaluation model and investment property that is valued at fair value.

#### **Functional and presentation currency**

The financial statements are presented in the national currency of the Republic of Lithuania, euro, which is the Company’s functional currency.

Due to rounding of certain amounts to thousand, figures in the tables may differ. Such rounding bias is immaterial in these financial statements.

#### **Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.



### **Use of estimates and judgments (continued)**

Information about significant areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 12 – deferred taxes recognition. Deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences could be utilized.
- Note 13 – fair value of land and buildings, useful lives of property, plant and equipment. The Company verifies economic useful lives of property, plant and equipment and intangible assets at least once a year.
- Note 16 – measurement of recoverable amounts of investments in subsidiaries. A key factor in estimating the recoverable amounts of the investment in subsidiaries is the recoverability of ongoing construction projects. Therefore, the Company engaged external appraisers to estimate the fair values of these projects based on discounted cash flow or comparable price technique.
- Note 19 – impairment of trade receivables and estimation of stage of completion of construction contracts. The accurate recording of revenue on contracts in progress is highly dependent on judgment exercised by management in assessing the completeness and accuracy of forecasted costs as it is a key assumption in the assessment of the stage of completion of the contracts in progress. Estimating recoverable amounts of receivables is a process, which requires significant management judgement and estimates, particularly those that are related to future cash flows. The judgment was applied in estimating the amounts to be repaid and their timing.
- Note 17 and 20 – the part of loans granted are classified as long term, despite the fact that their contractual maturity date is 31 December 2018. Based on management judgement and assessment of subsidiaries ability to repay their debts, these loans are expected to be recovered only after 31 December 2018.
- Note 25 – warranty provision is calculated by the Company on a monthly basis based on monthly revenue. Warranty provision is being calculated by taking into account revenue, actual warranty expenses incurred in previous periods, its proportion against actual sales and historical information.
- Note 27 - Contingent liabilities are not recognised in the financial statements as based on management judgement it is more likely than not, that the Company will win the legal disputes mentioned in the note.

### **3. Significant accounting policies**

#### **Foreign currency**

Transactions in foreign currencies are translated to the functional currency at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate by the European Central Bank ruling at that date. The foreign currency gain or loss on monetary items is recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost are translated to the functional currency at the exchange rate at the date that the asset or liability is recognized in statement of financial position. Foreign currency differences arising on translation are recognized in profit or loss.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. The Company has no held-to-maturity investments, available-for-sale financial assets or financial assets at fair value through profit or loss.

Cash and cash equivalents comprise cash balances and call deposits with maturities of less than 3 months.

### **Non-derivative financial instruments (continued)**

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the trade date. Financial assets are derecognized if the contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if they expire or are discharged or cancelled.

Loans and receivables are non-derivative financial assets and are not quoted in an active market. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment losses, if any. Current receivables are not discounted.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

Loans and borrowings and other financial liabilities, including trade payables, are subsequently stated at amortized cost using the effective interest rate method. Current liabilities are not discounted.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

### **Property, plant and equipment**

Items of property, plant and equipment except for land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Land and buildings are carried at revalued amount which is their fair value as at the revaluation date less subsequently accumulated depreciation and impairment. Revaluations are carried out regularly ensuring that the carrying amount of land and buildings do not significantly differ from their fair values as at reporting date. The fair value of land and buildings is established by certified independent real estate appraisers. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The revaluation reserve of land and buildings is reduced by an amount equal to the difference between the depreciation based on the revalued carrying amount and the depreciation based on the original cost of the land and buildings each year and is transferred directly to retained earnings.

In case of revaluation, when the estimated fair value of the assets exceeds their carrying value, the carrying value is increased to the fair value and the amount of increase is included into revaluation reserve of property, plant and equipment as other comprehensive income in equity. However, such increase in revaluation is recognized as income to the extent it does not exceed the decrease of previous revaluation recognized in profit or loss. Depreciation is calculated from the depreciable amount which is equal to acquisition cost or revaluated amount less residual value of an asset.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to qualifying assets are capitalized.

### **Property, plant and equipment (continued)**

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of the assets are the following:

- |                            |            |
|----------------------------|------------|
| • Buildings and structures | 8–40 years |
| • Plant and equipment      | 5–10 years |
| • Vehicles                 | 5–10 years |
| • Fixtures and fittings    | 3–6 years  |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

### **Intangible assets**

Software and other intangible assets, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life is 3 years.

The Company does not have any intangible assets with infinite useful life.

### **Investment property**

Investment properties of the Company consist of buildings that are held to earn rentals or for capital appreciation, rather than for use in the production, or supply of goods, or services or for administration purposes, or sale in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Acquisition cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of raw materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs are capitalized in assets that comply with capitalisations requirements.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

### **Investment property (continued)**

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **Leased assets**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognized on the Company's statement of financial position.

The Company's buildings that are leased according to operating lease agreements are accounted in the statement of financial position as *investment property*. Lease income is recognized on a straight line basis over the lease period.

### **Investments in subsidiaries and joint ventures**

Investments in subsidiaries are accounted for at cost less impairment.

A joint arrangement is an arrangement of which two or more parties have joint control. These arrangement has the following characteristics:

- The parties are bound by a contractual arrangement.
- The contractual arrangement gives two or more of those parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company has a joint arrangement that is a joint operation.

As a joint operator the Company recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

### **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories related with specific ongoing projects are accounted for under inventories caption in the statement of financial position until inventories are used in construction process and further are accounted for as cost of sales. Specific project related inventories' accounting policy is the same as stated above.

Unrealisable inventory is fully written-off.

### **Construction work in progress of specific projects**

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade receivables in the statement of financial position. If payments received from customers exceed the income recognized, then the difference is presented as deferred income in the statement of financial position.

### **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income and expense over the relevant period.

Impairment loss is recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

### **Impairment of non-financial assets**

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount is the greater of the asset's value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. An impairment loss on a non-revalued asset is recognised in profit or loss. However, an impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **Dividends**

Dividends are recognized as a liability in the period in which they are declared.

### **Provisions**

A provision is recognized in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for warranties is recognized when the underlying construction services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### **Employee benefits**

The Company does not have any defined contribution and benefit plans and has no share based payment schemes. Post-employment obligations to employees retired on pension are borne by the State.

According to the requirements of Lithuanian Labour Code, each employee leaving company at the age of retirement is entitled to a one-off payment in the amount of 2 month salary.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred. The past service costs are recognized in the statement of comprehensive income in other comprehensive income as incurred. The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognized in statement of other comprehensive income as incurred.

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits.

## **Revenue**

Construction contract revenue includes the initial amount agreed in the contract plus any variations in contract work and other payments to the extent that it is highly probable that they will result in revenue and can be measured reliably. As soon as the outcome of a customer specific construction contract can be estimated reliably, contract revenue and expenses are recognized in proportion to the stage of completion of the contract. The stage of completion is assessed by proportion of actual cost incurred and the budgeted cost of construction contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

Revenue from services is recognised when service is provided.

Onerous contracts provision is recognised when the Company has a present obligation (legal or constructive) to complete a construction work to a third party for a price lower than its cost of sales at the reporting date. The difference between the value of the contract and its selling price at the reporting date is charged to cost of sales in the statement of comprehensive income.

## **Finance income and costs**

Finance income comprises interest income and dividend income. Interest income is recognized as it accrues, using the effective interest method. Dividend income is recognized on the date that the Company's right to receive payment is established. Finance costs comprise interest expense and impairment losses recognized on financial assets. All borrowing costs are recognized using the effective interest method. Foreign currency gains and losses are reported on a net basis in profit or loss.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. Other borrowing costs are expensed as incurred.

## **Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date.

Deferred taxes are calculated using the liability method. Deferred tax is recognized, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Starting from 1 January 2014 the tax loss carried forward cannot exceed 70% of the taxable profit of current financial year in Lithuania. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

### **Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, such as convertible notes and share options granted to employees.

The Company has no dilutive potential ordinary shares. The diluted earnings per share are the same as the basic earnings per share.

### **Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by management of the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. For management purpose, the Company is considered as a single construction activity business segment. Due to this no additional disclosures are presented in these financial statements regarding segments on the Company level.

In 2017 and 2016, the Company also does not distinguish geographical segments, as the Company's income did not account for more than 10% of the total income in any of foreign countries and most of its non-current assets are also located in Lithuania.

### **Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and/or disclosure purposes based on the methods and assumptions described in Note 29. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.



### **Off-setting**

When preparing the financial statements, assets and liabilities as well as revenues and expenses are not set off except for the cases where the International Financial Accounting Standards specifically requires such off-setting.

### **Changes in accounting policies**

Except for the changes below, the Company has consistently applied the accounting policies set out in these financial statements to all periods presented in the financial statements.

### ***Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations***

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2017:

- **IAS 12 “Profit taxes”: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**  
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Amendments had no applicable for the Company as there were no deferred tax assets related to unrealized losses.
- **IAS 7 “Cash flow statement”: Disclosure Initiative (Amendments)**  
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The Company does not have significant financial activity, the amendments were not applicable.

### **Standards issued but not yet effective**

The Company has not adopted the below described standards or amendments that have been issued, but not yet effective.

- **IFRS 9 Financial Instruments: Classification and Measurement**  
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The management of the Company preliminary assessed the effect of this standard on the financial statements of the Company and concluded that it will not have a material effect except for the loans granted, which is currently under more detailed investigation by the Company.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed the application of the standard and based on the preliminary analysis performed, the Company does not expect significant impact on its Financial Statements (except extended disclosure requirements) as the Company does not have long-term contracts with multi-element arrangements, no take-or-pay agreements, no sales incentives are provided, no material contract costs are generally incurred or contract modifications are rare etc.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed the application of the standard and standard adoption will not have a significant impact for the Company (as described above).

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Company has not yet evaluated the impact of the implementation of this standard.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this amendment.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Company does not have share based payment transactions and these amendments will not have any impact on Company's financial statements.

- **IAS 40: Transfers to Investment Property (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this amendment.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this amendment.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The Amendments are not expected to be applicable for the Company.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this standard.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities (adopted by Europe Union in 2018) and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These amendments will not have any impact on the financial statements of the Company.

➤ **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

➤ **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.

➤ **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

• **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of this interpretation.

The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The Company's Management has assessed the application of the improvements and they will not have any impact on Company's financial statements.

➤ **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

➤ **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

➤ **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The Company plans to adopt the above mentioned standards and interpretations not earlier than their effective date provided they are endorsed by the EU.

#### 4. Financial risk management

##### Overview

The Company has exposure to the following financial risks: credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

##### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company's trade receivables and loans granted.

The Company controls credit risk by credit policies and procedures. The Company has established a credit policy under which each new customer is analysed for creditworthiness before the standard payment terms and conditions are offered. Customers that fail to meet the benchmark creditworthiness may transact with the Company only on a prepayment basis.

The measure of credit risk is the maximum credit risk for each class of financial instruments, which is equal to their carrying amount. The maximum amount of exposure to credit risk in relation to particular classes corresponds to their book value.

The maximum exposure to credit risk can be specified as follows:

(in thousand EUR)	2017	2016
Trade receivables	9 037	11 879
Current and non-current loans granted	2 951	2 786
Current other financial assets (Note 21)	1 722	1 937
Cash and cash equivalents	25 433	21 410
<b>Total</b>	<b>39 143</b>	<b>38 012</b>

Trade receivables:

(in thousand EUR)	2017	2016
Municipalities and state institutions	82	340
Corporate entities	8 955	11 539
<b>Total trade receivables</b>	<b>9 037</b>	<b>11 879</b>

In the statement of financial position, trade receivables (including unbilled accrued receivables in accordance with the stage of completion) are accounted for under trade receivables and non-current trade receivables, as disclosed in Note 19.

**Credit risk (continued)**

The largest credit risk related to trade receivables according to customers as at the reporting date:

(in thousand EUR)	2017	%	2016	%
Client 1	1 013	11.2	3 488	29.4
Client 2	949	10.5	1 749	14.7
Client 3	657	7.3	714	6.0
Client 4	523	5.8	438	3.7
Client 5	408	4.5	366	3.1
Client 6	376	4.2	311	2.6
Client 7	328	3.6	272	2.3
Other clients	5 626	62.2	5 211	43.8
Impairment	(843)	(9.3)	(670)	(5.6)
<b>Total</b>	<b>9 037</b>	<b>100.0</b>	<b>11 879</b>	<b>100.0</b>

Trade receivables according to geographic regions:

(in thousand EUR)	2017	2016
Local market (Lithuania)	8 661	11 565
Latvia	376	29
Russia	0	13
Sweden	0	272
<b>Total</b>	<b>9 037</b>	<b>11 879</b>

Ageing of gross trade receivables as at the reporting date can be specified as follows:

(in thousand EUR)	2017	Impairment	2016	Impairment
Not overdue	7 689		10 950	
Overdue 0–30 days	684		211	
Overdue 30–90 days	559		288	
More than 90 days	948	843	1 100	670
<b>Total</b>	<b>9 880</b>	<b>843</b>	<b>12 549</b>	<b>670</b>

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance are a specific loss component that relates to individually significant exposures. Methodology used for establishing the allowance is reviewed regularly to reduce any differences between loss estimate and actual loss experience.

Loans maturity and overdue analysis is presented in Notes 17 and 20.

Current other financial assets include term deposits at banks and receivable from the bankrupt subsidiary, which is partly impaired (Note 21).

Cash and cash equivalents comprise cash on hand and at bank; therefore, the related credit risk is relatively low.

Although collection of loans and receivables could be influenced by economic factors, the management believes that there is no significant risk of loss to the Company beyond the impairment already recorded.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Typically the Company ensures that it has sufficient cash on demand to meet expected operating expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Payment maturities of liabilities as at 31 December 2017, including calculated interest, as to the agreements, are presented below:

(In thousand EUR)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
<b>Liabilities</b>				
Trade creditors	8 655	8 655	8 655	0
<b>Total</b>	<b>8 655</b>	<b>8 655</b>	<b>8 655</b>	<b>0</b>

Payment maturities of liabilities as at 31 December 2016, including calculated interest, as to the agreements, are presented below:

(In thousand EUR)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
<b>Liabilities</b>				
Trade payables	9 248	9 248	9 248	0
<b>Total</b>	<b>9 248</b>	<b>9 248</b>	<b>9 248</b>	<b>0</b>

On 14 December 2017, an overdraft agreement was signed with bank with the limit of EUR 15 million. Overdraft is planned to be used for development of UAB Šeškinės projektai project and its maturity is 14 December 2019. Overdraft limit was not used as of 31 December 2017.

### Market risk

Market risk is the risk that changes in market prices, such as changes in foreign currency rates and interest rates will affect the results of the Company or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at 31 December 2017 and 2016 the Company did not use any derivative financial instruments.

Currency risk. The Company is exposed to the risk of changes in foreign currency rates on sales, purchases and borrowings that are denominated in a currency other than the functional currency.

During the year, currency exchange rates in respect of the euro were as follows:

	31 December 2017	Average 2017	31 December 2016	Average 2016
1 SEK =	0,1016	0,1038	0,1046	0,1057
1 RUB =	0,0144	0,0152	0,0158	0,0135

**Market risk (continued)**

The Company's is not exposure to foreign currency risk since majority of monetary assets and liabilities are in EUR.

The functional currency of the Company is euro. The Company faces the risk of changes in foreign currency rates on purchases and payable amounts as well as on sales and amounts receivable that are denominated in currencies other than euro.

Interest rate risk. The Company's issued loans and borrowings are subject to variable interest rates linked to EURIBOR. No financial instruments are used to manage the risk. Taking into consideration the current level of issued loans, the change of interest rate would not have a material effect.

Variable interest rate financial assets (no liabilities) were as follows:

	Currency	2017	2016
Issued non-current loans	Thousand EUR	2 563	0
Issued current loans	Thousand EUR	388	2 786
<b>Total</b>		<b>2 951</b>	<b>2 786</b>

With an increase in the interest rate by 0.5%, the Company's profit would increase by approximately EUR 15 thousand.

**Capital management**

The Board's of directors policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Company's financial results and strategic plans.

The Board also aims to keep balance between bigger return which could be available if there was higher level of borrowed assets and security which is provided by higher level of equity. The Company adheres to the requirement set in the Law on Companies of the Republic of Lithuania under which the equity of the Company must not be less than ½ of the authorised capital. As at 31 December 2017 and 2016 the Company was in line with this regulation. The Company's capital management policy did not change during the year.

For capital management purpose, capital consists of share capital, retained earnings, revaluation reserve and legal reserve.



## 5. Sales revenue

Revenue is derived from construction-installation work (approx. 99 % in 2017 and 2016).

(In thousand EUR)	2017	2016
Lithuania	54 605	83 639
Sweden	94	218
Latvia	1 652	53
<b>Total sales revenue</b>	<b>56 351</b>	<b>83 910</b>

Revenue from the largest customer of the Company in 2017 amounted to approximately EUR 6 712 thousand (2016: EUR 36 073 thousand) of the Company's total revenues.

## 6. Cost of sales

(In thousand EUR)	2017	2016
Constructions sub-contractors	24 385	39 960
Raw materials and consumables	12 044	20 771
Salary related expenses	9 231	9 223
Depreciation	612	550
Amortization	71	57
Other costs	5 934	6 470
<b>Total cost of sales</b>	<b>52 277</b>	<b>77 031</b>

## 7. Selling expenses

(In thousand EUR)	2017	2016
Advertising and other expenses	50	80
Salary related expenses	253	239
<b>Total sales expenses</b>	<b>303</b>	<b>319</b>

**8. Administrative expenses**

(In thousand EUR)

	2017	2016
Salary related expenses	2 199	2 642
Purchased services for administration purposes	832	744
Operating lease expense	16	0
Depreciation	221	208
Board remuneration	354	66
Operating taxes	99	169
Support, charity	42	361
Amortization	2	1
Impairment of trade receivables/reversal (-)	237	430
Other expenses	579	126
<b>Total administrative expenses</b>	<b>4 581</b>	<b>4 747</b>

**9. Salary related expenses**

(In thousand EUR)

	2017	2016
Wages and salaries	9 292	8 595
Compulsory social security contributions	2 333	2 662
Daily and illness allowances	631	512
Change in accrued vacation reserve and bonuses	(593)	267
Change in pension provision	51	89
<b>Total salary related expenses</b>	<b>11 714</b>	<b>12 125</b>
Included into:		
Cost of sales	9 231	9 223
Administrative expenses	2 199	2 642
Selling expenses	253	239
Other operating expenses	31	21
<b>Total salary related expenses</b>	<b>11 714</b>	<b>12 125</b>

**10. Other income and expenses**

(In thousand EUR)

	2017	2016
Gain from disposed property, plant and equipment	36	80
Change in fair value of investment property	30	0
Rent income	146	191
Other income	312	325
<b>Total other income</b>	<b>524</b>	<b>596</b>
Depreciation of rented premises and other expenses	(354)	(366)
<b>Total other expenses</b>	<b>(354)</b>	<b>(366)</b>
<b>Total other income and expenses, net</b>	<b>170</b>	<b>230</b>

## 11. Finance income and costs

(In thousand EUR)

	2017	2016
Interest income	115	194
Dividend income	1 283	305
Foreign currency exchange gain	0	132
<b>Total finance income</b>	<b>1 398</b>	<b>631</b>
Interest expense	(30)	(46)
Foreign currency exchange loss	(4)	0
Impairment of investments and loans granted	(476)	(535)
Other expenses	0	(1)
<b>Total finance costs</b>	<b>(510)</b>	<b>(582)</b>
<b>Total finance income and costs, net</b>	<b>888</b>	<b>49</b>

## 12. Income tax

Income tax expense:

(In thousand EUR)

	2017	2016
Current income tax expense	3	404
Change in deferred tax	51	(103)
<b>Total income tax expense</b>	<b>54</b>	<b>301</b>

In 2017 and 2016, the Company applied a standard rate of 15% in Lithuania, a 22% rate in the Kingdom of Sweden and a rate of 15% in Latvia. Reconciliation of effective tax rate:

(In thousand EUR)

	2017		2016	
Profit before tax		248		2 092
Income tax applying the Company's domestic tax rate	15.0 %	37	15.0 %	314
Non-deductible expenses		269		130
Non-taxable income		(252)		(143)
	<b>21.8%</b>	<b>54</b>	<b>14.4 %</b>	<b>301</b>

Deferred tax:

(In thousand EUR)

	2017		2016	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment of trade receivables	843	126	670	100
Accrued bonuses	112	17	735	110
Pension provision	162	24	111	18
Vacation reserve	323	48	315	47
Warranty provision	531	80	601	90
Stock write-down to NRV	51	8	45	7
Loss on onerous contracts	324	49	0	0
<b>Total deferred tax assets</b>		<b>352</b>		<b>372</b>
<b>Not recognized deferred tax assets (trade receivable allowance)</b>		<b>(78)</b>		<b>(34)</b>
<b>Recognized deferred tax assets</b>		<b>274</b>		<b>338</b>
Revaluation of land and buildings	(1 458)	(219)	(1 544)	(232)
<b>Deferred tax liability</b>		<b>(219)</b>		<b>(232)</b>
<b>Deferred tax, net</b>		<b>55</b>		<b>106</b>

**12. Income tax (continued)**

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Part of deferred tax has not been recognized due to uncertainty of deferred tax realisation.

Change in deferred tax:

(In thousand EUR)

	2017	2016
Net deferred tax at 1 January	106	2
Recognized in other comprehensive income	0	0
Recognized in profit or loss	(51)	104
<b>Net deferred tax at 31 December</b>	<b>55</b>	<b>106</b>

The Company does not recognize deferred tax in respect of taxable temporary differences associated with investments in subsidiaries as the Company controls timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

### 13. Property, plant and equipment

	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Total
(in thousand EUR)					
<b>Cost (revalued carrying value of land and buildings)</b>					
<b>Balance at 1 January 2016</b>	3 513	5 602	3 315	2 682	15 112
Additions	49	289	401	144	883
Disposals		(357)	(266)	(76)	(699)
<b>Balance at 1 January 2017</b>	3 562	5 534	3 450	2 750	15 296
Additions	141	295	67	195	698
Disposals	(22)	(150)	(247)	(75)	(494)
<b>Balance at 31 December 2017</b>	3 681	5 679	3 270	2 870	15 500
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2016</b>	572	4 627	2 320	2 499	10 018
Depreciation for the year	196	321	242	95	854
Impairment (reversal of impairment)	(3)				(3)
Depreciation of the assets disposed		(357)	(217)	(74)	(648)
<b>Balance at 1 January 2017</b>	765	4 591	2 345	2 520	10 221
Depreciation for the year	199	360	269	111	939
Impairment (reversal of impairment)	(3)				(3)
Depreciation of the assets disposed	(16)	(149)	(227)	(73)	(465)
<b>Balance at 31 December 2017</b>	945	4 802	2 387	2 558	10 692
<b>Carrying amounts</b>					
<b>At 1 January 2016</b>	2 941	975	995	183	5 094
<b>At 1 January 2017</b>	2 797	943	1 105	230	5 075
<b>At 31 December 2017</b>	2 736	877	883	312	4 808

### 13. Property, plant and equipment (continued)

(In thousand EUR)

	2017	2016
Depreciation included into:		
Cost of sales	612	550
Operating expenses	223	208
Other expenses	101	93
<b>Total depreciation</b>	<b>936</b>	<b>851</b>

Land and buildings are stated at revalued amount. The last external revaluation was performed as at 31 December 2013 based on the consultations on possible market prices of the Company's land and buildings provided by independent valuation company, having appropriate recognized professional qualifications and necessary experience in valuation of property at certain location and of certain category. The valuation was performed using the market comparison technique. Significant unobservable data was used in fair value measurement, i.e. price per square meter/are. The fair value would increase with an increase in price per square meter/are and decrease with a decrease in price per square meter/are.

Management considers, if there are any indications that the carrying value of land and buildings is significantly different from the market value on an annual basis for financial reporting purposes. To verify management assessment, every five years external valuation report by valuation expert is performed.

If the buildings and land were stated at cost model, their carrying amount as at 31 December 2017 would be equal to EUR 1 383 thousand (31 December 2016: EUR 1 357 thousand).

Land and buildings, including accounted for under investment property, with a net carrying amount of EUR 3 140 thousand as at 31 December 2017 are pledged to banks (refer to Note 27). As at 31 December 2017, the Company had no leased property, plant and equipment.

### 14. Intangible assets

(In thousand EUR)

	Software	Other	Total
<b>Cost</b>			
<b>Balance at 1 January 2016</b>	338	7	345
Additions	135		135
<b>Balance at 1 January 2017</b>	473	7	480
Additions	32	4	36
<b>Balance at 31 December 2017</b>	<b>505</b>	<b>11</b>	<b>516</b>
<b>Amortization and impairment losses</b>			
<b>Balance at 1 January 2016</b>	270	6	276
Amortization for the year	57	1	58
<b>Balance at 1 January 2017</b>	327	7	334
Amortization for the year	73		73
<b>Balance at 31 December 2017</b>	<b>400</b>	<b>7</b>	<b>407</b>
<b>Carrying amount</b>			
<b>At 1 January 2016</b>	<b>68</b>	<b>1</b>	<b>69</b>
<b>At 1 January 2017</b>	<b>146</b>		<b>146</b>
<b>At 31 December 2017</b>	<b>105</b>	<b>4</b>	<b>109</b>

#### 14. Intangible assets (continued)

(In thousand EUR)	2017	2016
Amortization included into:		
Cost of sales	71	57
Administrative expenses	2	1
<b>Total amortization</b>	<b>73</b>	<b>58</b>

#### 15. Investment property

(In thousand EUR)	2017	2016
Balance at 1 January	1 270	1 270
Additions	0	0
Change in fair value	30	0
<b>Balance at 31 December</b>	<b>1 300</b>	<b>1 270</b>

During the year 2015, the Company acquired a 14-floor hotel *Panevėžys* in Panevėžys, 16,73% of which is rented out to third parties, and the rest of the hotel is not used. The Company has no detailed plans regarding the use of the remaining part of the building yet; however, the building is not planned to be used in the Company's activities; therefore, the whole building is classified as an investment property.

The fair value measurement has been determined by valuation of the building carried out by the independent property appraisers UAB Ober-Haus, having appropriate professional qualification and relevant valuation experience. While carrying out the valuation the discounted cash flows method was used (discount rate – 9%, exit yield – 7%, occupation rate 80–90%; the same assumptions were used in 2017 and 2016).

If the discount rate would increase by 1% (remaining assumptions would not be changed), then investment property fair value would decrease approximately by EUR 90 thousand and if exit yield would increase by 1% (remaining assumptions would not be changed) fair value of investment property would decrease by EUR 80 thousand.

The change in fair value was accounted for under other income (refer to Note 10).

The identified fair value of the investment property of EUR 1 300 thousand (EUR 1 270 thousand in 2016) was attributed to Level 3 under the fair value hierarchy.

At the end of the financial year, future minimum lease payments receivable under non-cancellable lease agreements were the following: EUR 90 thousand in less than one year, EUR 49 thousand between one and five years (31 December 2016: EUR 109 thousand in less than one year, EUR 164 thousand between one and five years). Revenue from lease in 2017 amounted to EUR 93 thousand (in 2016: EUR 90 thousand) and was accounted for under other income.

## 16. Investments in subsidiaries and joint operations

### a) Subsidiaries

(In thousand EUR)

Subsidiary	2017		2016	
	Ownership	Cost	Ownership	Cost
UAB „PST investicijos“ Verkių 25C, Vilnius	68.3 %	8 877	68.3 %	8 877
UAB „Šeškinės projektai“ Verkių 25C, Vilnius	100 %	1 600	100 %	1 600
OOO „Baltlitstroj“ ul. Rostovskaja 5/7, Kaliningrad, Russia	-	-	100 %	341
UAB „Vekada“ Marijonų 36, Panevėžys	95.6 %	225	95.6 %	225
UAB „Skydmedis“ Pramonės 5, Panevėžys	100 %	145	100 %	145
UAB „Alinita“ Tinklų 7, Panevėžys	100 %	70	100 %	70
UAB „Metalų meistrai“ Tinklų 7, Panevėžys	100 %	24	100 %	24
AB „PST Nordic“ Krossgatan 25, 162 50 Vallingby, Stokholm, Sweden	-	-	100 %	6
SIA „PS Trests“ Skultes iela 28, Skulte, Marupes nov., Latvia	100 %	4	100 %	4
„Kingsbud“ Sp.z.o.o A. Patli g. 12, 16-400 Suwalki, Poland	100 %	1	100 %	1
OOO „Teritorija“ Lunačiarsko pr. 43/27, Čerepovecas, Vologdos sr., Russia	87.5 %	0	87.5 %	0
Impairment:				
UAB „PST investicijos“		(3 482)		(3 170)
OOO „Baltlitstroj“		-		(341)
UAB „Alinita“		(70)		(70)
AB „PST Nordic“		-		0
SIA „PS Trests“		(4)		(4)
<b>Total investments</b>		<b>7 390</b>		<b>7 708</b>

Financial information about the subsidiaries can be specified as follows:

### Subsidiaries of AB Panevėžio Statybos Trestas:

(In thousand EUR)	Type of activities	Equity as at 31/12/2017	Net profit (loss) for 2017	Equity as at 31/12/2016	Net profit (loss) for 2016
UAB PST Investicijos (consolidated – see below)	Real estate development	4 409	(1 108)	4 975	2 571
OOO Baltlitstroj	Constructions	-	-	(2 432)	(1 151)
UAB Vekada	Constructions: electricity instalments	1 251	196	1 456	167
UAB Skydmedis	Constructions: wooden houses	597	464	1 033	350
UAB Alinita	Constructions: conditioning equipment	(470)	12	(482)	51
UAB Metalų Meistrai	Constructions	391	214	177	62
SIA PS Trests	Constructions	(161)	54	(215)	6
UAB Šeškinės Projektai	Real estate development	1 219	(4)	1 223	(22)
Kingsbud Sp.z.o.o	Constructions	91	13	71	7
AB PST Nordic	Constructions	-	-	15	13
OOO Teritorija	Real estate development	(1 206)	(194)	(1 119)	(431)



## 16. Investments in subsidiaries (continued)

### Subsidiaries of UAB PST Investicijos:

(In thousand EUR)	Ownership	Equity as at 31/12/2017	Net profit (loss) for 2017	Equity as at 31/12/2016	Net profit (loss) for 2016
ZAO ISK Baltevro market	100%	(8 139)	(1 339)	(7 438)	1 840
UAB Ateities Projektai	100%	249	(3)	251	(10)

In 2017 the Company lost control of AB PST Nordic and OOO Baltlistroj due to their bankruptcy. Losses incurred due to bankruptcy of AB PST Nordic resulted in 100 % allowance for trade receivables in the total amount of EUR 309 thousand and EUR 400 thousand guarantee paid to AB Aksa according to surety agreement signed (these expenses accounted for under administrative expense), also impairment expenses of EUR 6 thousand for financial asset (accounted for under financial expenses). All related impairment expenses with OOO Baltlistroj were accounted for in prior periods, no additional impairment resulted from 2017 bankruptcy.

As at 31 December 2017 and 2016 based on the management's assessment, the investments in UAB Alinita, SIA PS Trests and OOO Teritorija are fully impaired; therefore, 100% impairment was recognized. The recoverable amount was assessed for investments into UAB PST Investicijos and UAB Šeškinės projektai (see below), which were compared with their book values as of 31 December 2017. According to the management, other investments are not impaired. The change in the recoverable value of investments is recognized in the financial activities.

*UAB PST investicijos recoverable amount is calculated as follows:*

The fair value assessment of the project developed by ZAO ISK Baltevro market	9 470
The fair value assessment of the project developed by UAB Ateities projektai	400
Other entity's assets less liabilities at estimated FV	(1 977)
UAB PST investicijos total recoverable value	7 893
Amount of controlled shares by AB Panevėžio statybos trestas	68,344 %
UAB PST investicijos recoverable value attributed to AB Panevėžio statybos trestas	5 394
Investicijos į UAB „PST investicijos“ acquisition value at 31 December 2017	8 877
Impairment	(3 483)
Accounted for in financial statements:	
<b>Impairment accounted for as of 31 December 2016</b>	<b>(3 170)</b>
Additional impairment accounted for under 2017 financial expenses	(313)
<b>Total impairment accounted for as of 31 December 2017</b>	<b>(3 483)</b>

Estimation of investment recoverable amount is mainly based on the real estate project, which is developed by AO ISK Baltevro market in Kaliningrad. In order to support recoverable value, the Company received the fair value assessment from independent valuator. According to real estate expert's CB Richard Ellis LLC valuation, AO ISK Baltevro market project's market value as of 31 October 2017 is EUR 9 470 thousand. There were no significant changes in real estate market during the last quarter of 2017, based on management assessment, due to this reason the project value as of 31 December 2017 is estimated by the management to be EUR 9 470 thousand.

## 16. Investments in subsidiaries (continued)

Six out of seven of AO ISK Baltevro market developed land plots were valued using the market price technique, based on which the value of the land plots are EUR 2 343 thousand; remaining land plot was valued using the discounted cash flows method, based on which the value of the land plot is EUR 7 130 thousand. The key inputs used by the valuator in the discounted cash flows method could be detailed as follows:

- discount rate – 20%;
- exit yield – 11.5%;
- shopping centre area: annual rent prices – from 45 to 372 EUR/sq. m., occupancy rate – from 70% in the first year to 95% in the last year of the model for different premises;

While assessing the fair value, significant not observable input data was used – price per 1 hectare, planned construction cost, discount rate, rent price and exit yield.

The fair value of land plots valued by market price technique would increase if the price per 1 hectare would be higher and decrease if price per 1 hectare be lower. If the discount rate would increase by 0.25% (remaining assumptions would not be changed), the fair value of land plot, which was valued by discounted cash flows method, would decrease by EUR 500 thousand; if the rent price would decrease by 5%, it would result in fair value decrease by EUR 3 500 thousand and if exit yield would decrease by 0.25%, the fair value would decrease by EUR 960 thousand. If cost of construction would increase by 5%, the estimated net realizable value would decrease by EUR 3 060 thousand.

The recoverable value of project developed by UAB „Ateities projektai“ was assessed by independent real estate appraiser’s „Ober-Haus nekilnojamas turtas“ consultation on possible market price as of 31 December 2017. Market price technique was used. Fair value would increase if price per 1 hectares would be higher and decrease if price per hectares would be lower for land plot.

*UAB Šeškinės projektai recoverable amount is calculated as follows:*

The fair value assessment of the project developed by UAB Šeškinės projektai	2 000
Other entity’s assets less liabilities at estimated FV	(457)
UAB Šeškinės projektai total recoverable value	<u>1 543</u>
UAB Šeškinės projektai acquisition cost as of 31 December 2017	1 600
Impairment	<u>(57)</u>

Based on management assessment, potential impairment identified above is immaterial as UAB Šeškinės projektai started construction of administration purpose building with total project value of EUR 22 million only at the end of 2017.

Key assumptions used in valuation are: profit on cost ratio – 20 %, sales prices – from 1 754 to 6 510 EUR/sq. m. (parking lot) and construction cost – 917 EUR/sq. m.

### **b) Joint operations**

In 2016 Company made an agreement with limited liability company SIA ARMS GROUP, Gobu iela 1-129, Baloži, Kekavas novads, Latvia, regarding joint control and solidarity responsibility for newly established general partnership enterprise PST Un Arms. According to agreement, 50 % of operating expenses, assets and liabilities of PST Un Arms of the joint operations belongs to the Company. General partnership enterprise PST Un Arms is established for certain project developed in Latvia.

## 17. Non-current loans granted

(In thousand EUR)	Interest rate	Maturity	2017	2016
UAB „Metalo meistrai“	6 m. EURIBOR+2,0 %	2019-12-31	200	0
UAB „PST investicijos“ (loan)	6 m. EURIBOR+2,2 %	2018-12-31	1 533	0
UAB „PST investicijos“ (loan)	6 m. EURIBOR+1,9 %	2018-12-31	138	0
OOO „Baltlitstroj“ (loan)	9 % fixed	2016-12-31	281	0
OOO „Baltlitstroj“ loan impairment	-	-	(281)	0
„Kingsbud“ Sp.z.o.o	1,5 % fixed	2018-12-31	230	0
UAB „Šeškinės projektai“	6 m. EURIBOR+2,0 % 12 % fixed, from 30 November 2017 - 6 %	2018-12-31	342	0
OOO „Teritorija“			988	0
OOO „Teritorija“ loan impairment			(988)	0
UAB „Alinita“	6 m. EURIBOR+2,0 %	2018-05-31	120	0
<b>Total</b>			<b>2 563</b>	<b>0</b>

The part of loans granted are accounted for as non-current despite the fact that their contractual maturity date is 31 December 2018. Based on management assessment, the loans' maturities will be prolonged beyond 2018.

## 18. Inventories

(In thousand EUR)	2017	2016
Raw materials and consumables	1 578	809
Write-down to net realizable value	(51)	(45)
<b>Total inventories</b>	<b>1 527</b>	<b>764</b>

In 2017 and 2016, change in write-down of inventory to the net realizable value was accounted for under administrative expenses.

## 19. Trade receivables

(In thousand EUR)	2017	2016
Trade receivables due from customers	8 447	9 359
Accrued (unbilled) receivables in accordance with the stage of completion	853	2 753
Trade receivables due from controlled companies	580	437
Impairment at the beginning of the year	(670)	(396)
Write-off, repayment of doubtful trade receivables	123	40
Additional impairment during the period	(296)	(314)
Impairment at the end of the year	(843)	(670)
<b>Total trade receivables, net</b>	<b>9 037</b>	<b>11 879</b>

The part of trade receivables due from customers as of 31 December 2017 is accounted for as non-current trade receivables: EUR 1 060 thousand, 2016 – EUR 555 thousand. These amounts are related with non-current retentions as described below.

## 19. Trade receivables (continued)

As at 31 December 2017 aggregate costs incurred under construction contracts in progress and recognized profits, net of recognized losses, amounted to EUR 51 567 thousand (2016: EUR 67 980 thousand). Progress billings under open construction contracts amounted to EUR 52 687 as at 31 December 2017 (2016: EUR 66 072 thousand). Billings in excess of costs incurred and recognized profits are presented as deferred income (disclosed in Note 26) and earned but not yet billed amounts are presented as accrued income (Note 19).

As at 31 December 2017, trade receivables include retentions (retention – a fixed percentage of the total contract price which shall be repaid when the construction is completed and the bank guarantee in the amount of the retained payment is provided or warrantee document of the insurance company is provided to the customer) of EUR 1 748 thousand (2016: EUR 1 607) relating to construction contracts in progress. For impairment of trade receivables refer to Note 4.

Prepayments received from customers amounted to EUR 3 171 thousand as at 31 December 2017 (31 December 2016: EUR 38 thousand).

Information about customer specific contracts in progress as of 31 December 2017 and 2016:

	2017	2016
Sales according to specific customers' projects in progress recognized in income statement during the year	34 221	57 898
Sales according to specific customers' projects in progress recognized in income statement during total contract period	51 566	67 980
Expenses incurred carrying out specific customers' projects in progress recognized in income statement during the year	31 272	52 838
Expenses incurred carrying out specific customers' projects in progress recognized in income statement during total contract period	48 610	61 822
Accrued income (not billed invoices)	853	2 753
Deferred income (billed but not yet earned income) (Note 26)	1 649	845
Accrual for onerous contracts (Note 26)	324	0
Trade receivables from customers (included in trade receivables from customers and related parties caption)	6 859	6 618

## 20. Current loans granted

(In thousand EUR)

	Interest rate	Maturity	2017	2016
UAB PST Investicijos (loan)	6-month EURIBOR +2.2%	2018-12-31	326	1 821
UAB PST Investicijos (loan)	6-month EURIBOR +1.9%	2018-12-31	0	135
OOO Teritorija	12% fixed	2018-12-31	0	929
Impairment of OOO Teritorija loan	-	-	0	(772)
OOO Baltlitstroj (loan)	9% fixed	2016-12-31	0	550
Impairment of OOO Baltlitstroj loan	-	-	0	(550)
Kingsbud Sp.z.o.o	1.67% fixed	2018-12-31	0	330
UAB Metalo Meistrai	6-month EURIBOR +2.0%	2018-06-30	62	321
UAB Šeškinės Projektai	2,0% fixed	2018-12-31	0	8
Other current loans	1,5% fixed	2017 05-12	0	14
<b>Total</b>			<b>388</b>	<b>2 786</b>

## 21. Other current assets

(In thousand EUR)

	2017	2016
<i>Financial assets</i>		
Receivable from the subsidiary OOO Baltlitstroj related to prepayment paid to the supplier on behalf of this subsidiary	1 240	1 240
Impairment of receivable from OOO Baltlitstroj	(518)	(303)
Bank deposit	1 000	1 000
<i>Non-financial assets</i>		
VAT overpayment	462	240
Other current assets	14	10
<b>Total other current assets</b>	<b>2 198</b>	<b>2 187</b>

As noted in Note 1, OOO Baltlitstroj is under bankruptcy procedure. Legal proceedings are in progress to recover trade receivables from OOO Baltlitstroj. OOO Baltlitstroj has repaid to the Company EUR 238 thousand during 2017. The management considered the net assets available in this former subsidiary to satisfying the needs of its creditors and based on this assessment recognized an impairment of receivables in the amount of EUR 518 thousand as of 31 December 2017.

In additional, in February 2018 the Company won a case in Saint Petersburg administrative court for EUR 1 752 thousand in relation to OOO Baltlitstroj. However, unstable Russian business environment can negatively impact return of this debt. This impact cannot be evaluated at the moment, due to this management assessment of the impairment of the receivables could significantly change in the future.

As at 31 December 2017 the Company had a term deposit bearing a 0.65% interest with original maturity of 12 months (as at 31 December 2016: with original maturity of 12 months 0.9% interest).

## 22. Cash and cash equivalents

(In thousand EUR)

	2017	2016
Cash at banks	25 431	21 386
Cash on hand	2	24
<b>Total cash and cash equivalents</b>	<b>25 433</b>	<b>21 410</b>

## 23. Capital and reserves

The Company's authorized share capital consists of 16,350,000 ordinary shares with a nominal value of 29 euro cents each. The Company's authorized share capital is fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital. There were no changes in the share capital in 2017. The Company did not hold its own shares in 2017 and 2016. As at 31 December 2017 and 2016, the subsidiaries did not hold any shares of the Company.

Reserves are as follows:

(In thousand EUR)

	2017	2016
Revaluation reserve	1 238	1 312
Legal reserve	475	475
<b>Total reserves</b>	<b>1 713</b>	<b>1 787</b>

The revaluation reserve relates to the revaluation of land and buildings and is equal to the carrying amount of revaluation less the related deferred tax liability.

## 23. Capital and reserves (continued)

Movement of revaluation reserve:	2017	2016
<b>Revaluation reserve at 1 January</b>	<b>1 312</b>	<b>1 386</b>
Depreciation of revaluation reserve	(74)	(74)
<b>Revaluation reserve at 31 December</b>	<b>1 238</b>	<b>1 312</b>

Legal reserve is a compulsory reserve allocated in accordance with the legislation. An annual allocation of at least 5% of the net profit is required until the reserve is not less than 10% of the authorized share capital. The reserve cannot be paid out in dividends. Legal reserve at 31 December 2017 and 2016 amounts to 10% of the authorized share capital and was fully formed.

## 24. Trade creditors

Trade creditors according to geographic regions:

(in thousand EUR)

	2017	2016
Local market (Lithuania)	8 284	9 095
Latvia	351	76
Poland	10	54
Germany	7	17
Russia	2	5
Estonia	1	0
Sweden	0	1
<b>Total</b>	<b>8 655</b>	<b>9 248</b>

Trade payables are non-interest bearing and are normally settled on 30-90 day terms.

## 25. Provisions

Warranty provisions are related to constructions built in 2013–2017. Based on the legislation of the Republic of Lithuania, the Company has a warranty liability for construction works. The term of liability varies from 5 to 10 years after delivery of construction works. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs.

Change of provisions is as follows:

	Warranty	Pension	Warranty	Pension
	2017	2017	2016	2016
<b>Provisions at the beginning of the period</b>	<b>601</b>	<b>111</b>	<b>499</b>	<b>22</b>
Used and recognized under cost of sales and operating costs	(255)	(5)	(116)	(22)
Accrued during the period	185	56	218	111
<b>Provisions at the end of the period</b>	<b>531</b>	<b>162</b>	<b>601</b>	<b>111</b>

## 26. Other liabilities

(In thousand EUR)

### Non-financial liabilities

	2017	2016
Deferred income in accordance with the stage of completion (Note 19)	1 649	845
Accrued vacation reserve	1 354	1 322
Payable salaries and related taxes	973	930
Loss on onerous contracts	324	0
Other liabilities	122	70
Salary bonuses for employees	112	735
<b>Total other liabilities</b>	<b>4 534</b>	<b>3 902</b>

## 27. Contingencies

### Guarantees

As of 31 December 2017 guarantees to third parties of EUR 3 866 thousand, related to liabilities in the construction contracts of the Company, have been issued by banks (EUR 993 thousand as of 31 December 2016). The guarantees expire between 24 January 2018 to 27 October 2022. In addition, the Company has guarantees issued by insurance companies for the amount of EUR 10 474 thousand, which are also related to liabilities in the construction contracts (EUR 8 410 thousand as of 31 December 2016). The guarantees expire between 1 January 2018 to 30 December 2020. No additional liabilities are recorded in respect of these guarantees in the financial statements other than estimated warranty reserve (Note 25).

Property with a carrying amount of EUR 2 106 thousand as at 31 December 2017 has been pledged to banks for the guarantee limit issued and guarantees issued by bank. The guarantee limit amounts to EUR 10 000 thousand, the used amount as at 31 December 2017 is EUR 2 988 thousand. The guarantee limit agreement is effective until 30 June 2019 with the possibility to issue guarantees until 30 June 2019 that would be valid for 3 years following their date of issue. Guarantees are valid for 5 year following their date of issue if the amount does not exceed EUR 1 500 thousand.

Property with a carrying amount of EUR 1 034 thousand as at 31 December 2017 has been pledged to a bank for the guarantee limit issued. The guarantee limit amounts to EUR 3 000 thousand, the used amount as at 31 December 2017 is EUR 878 thousand. Additional agreement to a guarantee limit agreement as signed on 7 December 2016 is valid until 31 December 2018.

### Legal contingencies

The Company is involved in several legal cases. Based on management assessment, they will not have a significant impact for the financial statements, except below mentioned cases:

The Competition Council has made a decision as of 21 December 2017 „*regarding UAB Irdaiva and AB PST actions in joint participation in public tenders of buildings renovation and modernization works meeting the requirements of 5<sup>th</sup> article of the Competition law of the Republic of Lithuania*”. Based on the Competition Council decision joint activity agreement signed between the Company and UAB Irdaiva for providing joint offers in 24 public tenders organized by UAB Vilniaus vystymo kompanija intended to limit competition and violated the requirements of 5th article 1p of the Competition Law of Republic of Lithuania. A fine was set to the Company in total amount of EUR 8 514 thousand. The Company’s management does not agree with the decision of the Competition Council and argues it in full extent, having the position that cooperation with UAB Irdaiva was incorrectly considered as agreement with intention to limit competition. The Company has already appealed to Vilnius county court asking to cancel the fine set by the Competition Council. On 19th January 2018 the court accepted the Company’s claim. The payment term of the fine is suspended until final resolution of the court.

The Company’s management based on all know facts and circumstances, believes that this is more likely than not that the Company will receive a positive decision and did not account for any provision related with the decision made by the Competition Council described above in these financial statements.

In civil case with RUAB “Arno vila” the Company has received a claim to reduce construction price by EUR 304 thousand. At the moment there is court’s expert’s assessment of the construction works taking place. Management assessed the arguments of the claim and believes in positive result of the claim. In addition, the Company initiated criminal proceedings to RUAB “Arno vila” owner A. Stravinskis for EUR 2 609 thousand damages made.

## 28. Transactions with related parties

Related parties are defined as shareholders, employees, members of the Management Board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

The Company had sales and purchase transactions during 2017- 2016 with subsidiaries, the parent company AB Panevėžio Keliai and with subsidiaries of AB Panevėžio Keliai (reported under other related companies caption below). Transactions with related parties during 2017-2016 are as follows:

(In thousand EUR)	Type of transaction	2017	2016
<b>Sales:</b>			
<b>Companies under control</b>			
UAB Alinita	Goods and services	91	483
UAB Vekada	Goods and services	279	243
AB PST Nordic	Interest and services	0	223
UAB Metalo Meistrai	Goods, services, interest	109	100
OOO Teritorija	Interest	60	79
UAB PST Investicijos	Interest and services	34	53
UAB Skydmedis	Goods and services	52	51
OOO Baltlitstroj	Interest	0	47
SIA „PS Trests	Services	193	0
UAB „Šeškinės projektai“	Interest and services	124	0
PS UN Arms	Service	650	0
Other		8	27
<b>Other related companies</b>			
AB Panevėžio Keliai	Goods, services	469	135
UAB Ukmergės Keliai	Goods and services	20	77
UAB „Sostinės gatvės“	Services	53	0
Other		15	17
<b>Purchases:</b>			
<b>Companies under control</b>			
UAB Alinita	Goods and services	1 395	2 567
Kingsbud Sp.z.o.o	Goods and services	641	1 024
UAB Vekada	Goods and services	2 621	2 251
UAB Metalo Meistrai	Goods and services	206	72
SIA PS Trests	Services	81	72
Other		20	58
<b>Other related companies</b>			
UAB Ukmergės Keliai	Goods and services	26	523
AB Panevėžio Keliai	Goods and services	477	425
UAB Sostinės Gatvės	Goods and services	2	396
UAB Panevėžio Ryšių Statyba	Goods and services	92	77
Other		90	66



## 28. Transactions with related parties (continued)

(In thousand EUR)	2017	2016
<b>Amounts receivable</b>		
<i>Companies under control</i>		
OOO Baltlitstroj	0	1 253
AB PST Nordic	0	272
UAB Metalo Meistrai	0	119
PS UN Arms	199	22
Other	71	23
Other related companies	54	2
<b>Amounts payable:</b>		
<i>Companies under control</i>		
UAB Vekada	721	684
UAB Alinita	14	66
Other	68	8
<i>Other related companies</i>		
UAB Panevėžio Keliai	173	328
UAB Sostinės Gatvės	0	103
UAB Ukmergės Keliai	0	72
Other	46	10
<b>Loans receivable:</b>		
UAB PST Investicijos	1 997	1 956
OOO Teritorija	988	929
OOO Baltlitstroj	0	550
UAB Metalo Meistrai	262	321
Kingsbud Sp.z.o.o	230	331
UAB Šeškinės Projektai	342	8
UAB „Alinita“	120	0

Receivables and payables payment terms between the related parties are up to 30-90 days, except for the loans, which are disclosed in Note 17.

Outstanding balances at the year-end are unsecured and settlement occurs in cash, unless agreed otherwise. There have been no guarantees provided or received for any related party receivable or payable and no allowance has been made for the receivables from related parties by the Company except for receivables from OOO Teritorija, OOO Baltlitstroj and AB PST Nordic as disclosed in Notes 17, 19 and 20. The balances outstanding with related parties of the Company were not overdue as at 31 December 2017 and 2016.

### Management remuneration

Wages, salaries and social insurance contributions, calculated to the Company's directors and board members for the year 2017, amounted to EUR 950 thousand (2016: EUR 818 thousand). For Company's directors and board members there were no guarantees issued, any other paid or accrued amounts or assets transferred, except board remuneration.

## 29. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction under current market conditions in the main (or the most favourable) market independent on whether this price is directly observable or established using valuation techniques.

## 29. Fair value of financial instruments (continued)

### 31 December 2017

	Carrying amount	Fair value		
	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables	9 037	-	-	9 037
Loans granted	2 951	-	-	2 951
Other financial assets	722	-	-	722
Cash and cash equivalents	25 433	25 433	-	-
<b>Total financial assets</b>	<b>38 143</b>	<b>25 433</b>	-	<b>12 710</b>
<b>Financial liabilities</b>				
Trade payables	(8 655)	-	-	(8 655)
<b>Total financial liabilities</b>	<b>(8 655)</b>	-	-	<b>(8 655)</b>

### 31 December 2016

	Carrying amount	Fair value		
	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables	11 878	-	-	11 878
Loans granted	2 786	-	-	2 786
Other financial assets	937	-	-	937
Cash and cash equivalents	21 410	21 410	-	-
<b>Total financial assets</b>	<b>37 011</b>	<b>21 410</b>	-	<b>15 601</b>
<b>Financial liabilities</b>				
Trade payables	(9 248)	-	-	(9 248)
<b>Total financial liabilities</b>	<b>(9 248)</b>	-	-	<b>(9 248)</b>

There were no transfers between levels of the fair value hierarchy in 2017 and 2016 at the Company.

The following methods and assumptions are used by the Company to estimate the fair value of the financial instruments not carried at fair value:

#### Cash

Cash represents cash in banks and on hand stated at value equal to the fair value.

#### Receivables and loans granted

The fair value of trade and other receivables and loans granted is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of short-term trade and other receivables with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial.

The fair value of non-current trade receivables was estimated to approximate carrying value as discounting effect was determined to be not material.

The fair value of loans granted was estimated to approximate carrying value as majority of the loans are subject of market level variable interest.

## 29. Fair value of financial instruments (continued)

### Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of current trade payables with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial.

## 30. Earnings and dividends per share

(In EUR)

	2017	2016
Net result for the year	194 143	1 791 365
Dividends declared	1 062 750	261 977
Average number of shares	16 350 000	16 350 000
<b>Basic and diluted earnings per share</b>	<b>0.01</b>	<b>0.11</b>
<b>Dividends declared per share</b>	<b>0.07</b>	<b>0.02</b>

## 31. Subsequent events

On 25 January 2018 the Company signed shares purchase – sale agreement in amount of EUR 400 thousand for UAB Ateities projektai acquisition from UAB PST investicijos.

After financial year-end up until the date these financial statements are approved, no other significant subsequent events occurred.

Managing Director

Dalius Gesevičius

29/03/2018

Chief Accountant

Danguolė Širvinskienė

29/03/2018



**Company's and Consolidated Annual Report,  
Corporate Governance Report and Social Responsibility  
Report of *Panevezio statybos trestas AB*  
for 2017**

## 1. Accounting period covered by the Annual Report

This Consolidated Annual Report for 2017 covers the period from 1 January 2017 till 31 December 2017.

## 2. References and additional clarifications on the data included in the Annual Report

All financial data in this consolidated report have been calculated in accordance with the International Financial Reporting Standards in the EU, based on the audited financial statements in the national Lithuanian currency – Euros.

The auditor of the company is *Ernst & Young Baltic UAB*.

In this report, *Panevezio statybos trestas AB* can also be called ‘the Company’, and the Company together with its subsidiary companies can be called ‘the Group’.

## 3. The main data about the Company (the issuer)

Name of issuer	Public limited liability company <i>Panevezio statybos trestas</i>
Authorised capital	4,741,500 Euros
Address of registered office	P. Puzino Str. 1, LT-35173 Panevezys, Lithuania
Telephone	(+370 45) 505 503
Fax	(+370 45) 505 520
Legal-organisational form	Public limited liability company
Date and place of registration	30 October 1993, Panevezys City Board
Registration No.	AB 9376
Register code	147732969
VAT code	LT477329610
LEI code	52990000VPCGEWIDCX35
Administrator of Legal Entity Register	State Enterprise <i>Centre of Registers</i>
E-mail	<a href="mailto:pst@pst.lt">pst@pst.lt</a>
Website	<a href="http://www.pst.lt">www.pst.lt</a>

## 4. Nature of the main activities of the issuer

The main area of activities of the Company and its subsidiaries (the Group) is designing and construction of buildings, structures, equipment and communications and other objects for various applications in and outside Lithuania, sale of building materials and real estate development. In addition to the above activities, the company is engaged in rent of premises and machinery.

### Vision

To become a well-known company of the construction sector in Europe, which uses advanced technologies and ensures quality as well as agreed work completion terms.

### Mission

While honestly fulfilling our obligations, developing long-term cooperation and proposing mature solutions in construction, we increase the value to the shareholders and develop activities of the company, ensure safe, stable environment to employees, create environment of higher quality to business, society and people.

## 5. The companies included in the Group of *Panevezio statybos trestas AB*

As of 31 December 2017, the Group of *Panevezio statybos trestas AB* included the following companies:

<i>Subsidiary company</i>	<i>Registration date, register administrator</i>	<i>Company code</i>	<i>Registered address</i>	<i>Telephone, fax, e-mail, website</i>	<i>Portion of controlled shares (per cents)</i>
<i>Skydmedis UAB</i>	17 June 1999 State Enterprise Centre of Registers	148284718	Pramones Str. 5, Panevezys	Tel. (+370 45) 467626 Fax (+370 45) 460259 <a href="mailto:info@skydmedis.lt">info@skydmedis.lt</a> <a href="http://www.skydmedis.lt">www.skydmedis.lt</a>	100
<i>Metalomeistrai UAB</i>	16 June 1999 State Enterprise Centre of Registers	148284860	Tinklų Str. 7, Panevezys	Tel.+370 45 460377 Fax. +370 45 585087 <a href="mailto:info@metalomeistrai.lt">info@metalomeistrai.lt</a> <a href="http://www.metalomeistrai.lt">www.metalomeistrai.lt</a>	100
<i>Vekada UAB</i>	16 May 1994 State Enterprise Centre of Registers	147815824	Marijonų Str. 36, Panevezys	Tel. (+370 45) 461311 Fax (+370 45) 461311 <a href="mailto:info@vekada.lt">info@vekada.lt</a> <a href="http://www.vekada.lt">www.vekada.lt</a>	95.6
<i>Alinita UAB</i>	8 December 1997 State Enterprise Centre of Registers	141619046	Tinklų Str. 7, Panevezys	Tel. (+370 45) 467630 Fax (+370 45) 467630 <a href="mailto:info@alinita.lt">info@alinita.lt</a> <a href="http://www.alinita.lt">www.alinita.lt</a>	100
<i>Kingsbud Sp.z.o.o.</i>	11 August 2010 District Court in Bialystok, XII Economic Department of National Court	200380717	A. Patli Str. 12, 16-400 Suwalki, Poland	Tel. (+48 875) 655 021 Fax (+48 875) 655 021 <a href="mailto:biuro@kingsbud.pl">biuro@kingsbud.pl</a> <a href="http://www.kingsbud.lt">www.kingsbud.lt</a>	100
<i>PS Trests SIA</i>	22 May 2000 Centre of Registers, Republic of Latvia	40003495365	Skultes Str. 28, Skulte, Marupes Parish, Riga Region, Latvia	Tel. +371 29525066	100
<i>Teritorija OOO</i>	3 June 2013 Kaliningrad Obl. Federal Tax Service Inspection No. 12	3528202650	Lunacharskogo Drive 43-27, Cherepovets, Bologda Obl., Russian Federation	Tel. +7 9097772202 Fax +7 9217234709 <a href="mailto:baltevromarketao@mail.ru">baltevromarketao@mail.ru</a> <a href="mailto:maslena11@mail.ru">maslena11@mail.ru</a>	87.5
<i>Seskinės projektai UAB</i>	9 November 2010 State Enterprise Centre of Registers	302561768	Verkių Str. 25C, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 <a href="mailto:info@psti.lt">info@psti.lt</a> <a href="http://www.psti.lt">www.psti.lt</a>	100
<i>PST investicijos UAB</i>	23 December 1998 State Enterprise Centre of Registers	124665689	Verkių Str. 25C, Vilnius	Tel. (+370 5) 2102130 <a href="mailto:info@psti.lt">info@psti.lt</a> <a href="http://www.psti.lt">www.psti.lt</a>	68

*Subsidiary companies of PST investicijos UAB:*

<i>Ateities projektai UAB</i>	25 April 2006 State Enterprise <i>Centre of Registers</i>	300560621	Verkiu Str. 25C, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 <a href="mailto:info@psti.lt">info@psti.lt</a> <a href="http://www.psti.lt">www.psti.lt</a>	100
<i>ISK Baltevro market AO</i>	13 July 2001 Independent Registration Company AB – Administrator of shareholders' register	3906214631	Rostovskaja Str. 5-7, Kaliningrad, Kaliningrad Obl., Russian Federation	Tel.+79097772202 <a href="mailto:baltevromarketao@mail.ru">baltevromarketao@mail.ru</a>	100

## 6. Principle nature of activities of the companies included in the Group

*Skvdmedis UAB* – production, construction and outfit of pre-fabricated timber panel houses.

Panel houses are the main product of the company. About 80% of products are successfully exported to Norway, Sweden, France, Switzerland, Iceland and other countries.

*Metalo meistrai UAB* – designing and fabrication of steel structures for construction purposes. The company also supplies steel structures for other industries where steel items are required.

*Vekada UAB* – installation of electrical systems. Alongside with the usual electrical engineering activities, works in the low current fields are carried out: video surveillance systems, security and fire alarm systems, utility system control.

*Alinita UAB* – installation of heating, ventilation and air-conditioning systems in buildings, indoor water supply, waste water and fire-fighting systems, designing, start-up and commissioning of indoor utility systems.

*Kingsbud Sp.zo.o.* – wholesale of construction materials.

*Kingsbud Sp.zo.o.* has a branch established in Lithuania, which focuses on wholesale of stoneware and glazed tiles for indoor and outdoor application.

*PS Trests SIA* – construction activities. The company was established for searching of new markets and carrying out construction activities in Latvia.

*Teritorija OOO* – real estate development.

*Seskines projektai UAB* – real estate preparation and sale.

*PST investicijos UAB* – real estate preparation and sale. *PST investicijos UAB* has the following subsidiary companies established for development of real estate projects: *Ateities projektai UAB*, *Baltevro market ZAO ISK*.

## 7. Contracts with the intermediary of public trading in securities

In 2013, the Company signed the contract with the Financial Brokerage Company *Finasta AB* for recording of securities and provision of services related with securities recording. On 21 December 2015, the Financial Brokerage Company *Finasta AB* had been rearranged by way of merge with *Siauliu bankas AB*, which took over all assets, rights and liabilities of the Financial Brokerage Company *Finasta AB* from the mentioned date.

## 8. Data on trading in securities of the issuer in regulated markets

The ordinary registered shares of *Panevezio statybos trestas AB* have been on the Official Trading List of *Nasdaq Vilnius AB* since 13 July 2006 (company symbol PTR1L).

<i>Share type</i>	<i>Number of shares, pcs.</i>	<i>Par value, Euros</i>	<i>Total par value, Euros</i>	<i>Emission code ISIN</i>
Ordinary registered shares (ORS)	16,350,000	0.29	4,741,500	LT0000101446

Comparison of PTR1L Panevezio statybos trestas and OMX Vilnius Benchmark GI indexes in 2017



Company share price variation at the stock exchange market Nasdaq Vilnius for the period 2013 through 2017 (Euros)



Company share price variation at the stock exchange market Nasdaq Vilnius in 2017 (Euros)





*Table 1. Information on the Company share price at the stock exchange market Nasdaq Vilnius in 2017 (Euros):*

<i>Last price 31 Dec. 2016</i>	<i>Average share price for 2017</i>	<i>Highest price for 2017</i>	<i>Lowest price for 2017</i>	<i>Last price 31 Dec. 2017</i>
0.94 EUR	1.078 EUR	1.34 EUR	0.85 EUR	0.916 EUR

*Table 2. Capitalization of the Company (mln. Euros):*

<i>Capitalization</i>				
<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
18.47	14.03	15.12	15.37	14.98

#### **9. Fair review of position, performance and development of the Company and the Group, description of the principal risks and uncertainties the company faces**

*Panevezio statybos trestas* AB (PST) is one of the largest construction companies in the country, which has been operating in construction sector for more than 60 years. Honesty, responsibility, professionalism, high quality work and effective solutions are the values that allowed us achieving the set objectives.

The Company gets approximately 80 per cents of orders from private clients. PST is actively involved in such private projects as Reconstruction of the Former Hospital Building in Boksto Street in Vilnius, Construction of Guest House at Paplaukio Str. 9a, Vilnius, Construction of Production and Storage Building of *Elmoris* UAB, Construction of a New Production Building – a Printing-House with Offices at *Industrijos* Str. 12, *Biruliskiu* Vlg., Kaunas District, Designing and Construction of a Business Centre *U219* in Vilnius. The Company continues its activities in construction of a new production building for *Schmitz Cargobull Baltic* UAB, carries our expansion of *LTP Texdan* UAB factory in Kedainiai. The Company is also involved in reconstruction of water supply and waste water network in Panevezys, Siauliai and Grinkiskis. In 2017 the work was successfully completed in *Lidl* stores, storage facilities at *Lemora* UAB, *Wirtgen Lietuva* UAB, Shopping and Leisure Centre *Mega* in Kaunas.

The Company has won more than one award for successfully implemented projects, their complexity, high quality and organization of complicated activities. In 2017, the Company was awarded the gold medal for implementation of the expansion project at the Shopping and Leisure Centre *Mega* at the competition *Lithuanian Product of the Year 2017* arranged annually by the Lithuanian Confederation of Industrialists. *Panevezio statybos trestas* AB performs the function of the general contractor, project management and designing. This is the strength of the Company. Being able to offer a full package of required services, the Company executes large projects in terms of scope and successfully implements them.

The Company withdrew from the Russian and Swedish markets in 2017 but continues implementing projects in Latvia successfully. There is a subsidiary company established here.

In 2017, the following branches continued their operation in the structure of the company: *Gerbusta*, focusing on construction of utility networks and landscaping, *Pastatu apdaila*, carrying out indoor and outdoor finishing works, *Betonas*, *Konstrukcija*, *Stogas* where production capacities were concentrated, Vilnius branch *Genranga*, performing general contracting activities and project management in Vilnius Region, and *Klaipstata*, performing general contracting activities and project management in Klaipeda Region. The company has permanent establishments in the Republic of Latvia and Kingdom of Sweden.

In 2017, the companies of the Group successfully continued their activity both inside and outside Lithuania. *Metalo meistrai* UAB completed a few large orders in Sweden and Norway. *Skydmedis* UAB, which is producing pre-fabricated timber panel houses, sold 87 per-cents of its products in the foreign market in such countries as Norway, Sweden, France, Switzerland and Iceland.

*Vekada* UAB, *Alinita* UAB, which specialize in installation of building heating, ventilation and conditioning systems, and in installation of electric systems, renewable energy and low current fields,

worked on the projects in Lithuania and had a profitable year. *PS Trests* SIA operating in Latvia continued construction activities successfully in 2017. The real estate development companies *Seskinės projektai* UAB and *PST investicijos* UAB had no income from development of real estate projects. During the reporting year the wholesale of building materials is further developed. *Kingsbud Sp.zo.o*, the company operating in Poland, is engaged in this.

The companies of the Group are actively searching for new sales markets and innovative products.

*Risk factors related to the company's activities:*

In performance of business, both the Company and the Group face various types of risks:

- legal regulation;
- severe competition;
- shortage of qualified labour;
- variation in the value of the Russian Rouble;
- cyclical nature of economy;
- macroeconomic factors;
- damping.

Information on the types of financial risks and risk management is provided in the Notes to the Separate Financial Statements (Note 4) and the Notes to the Consolidated Financial Statements (Note 4).

**10. Analysis of financial and non-financial performance, information related to environment and employee matters**

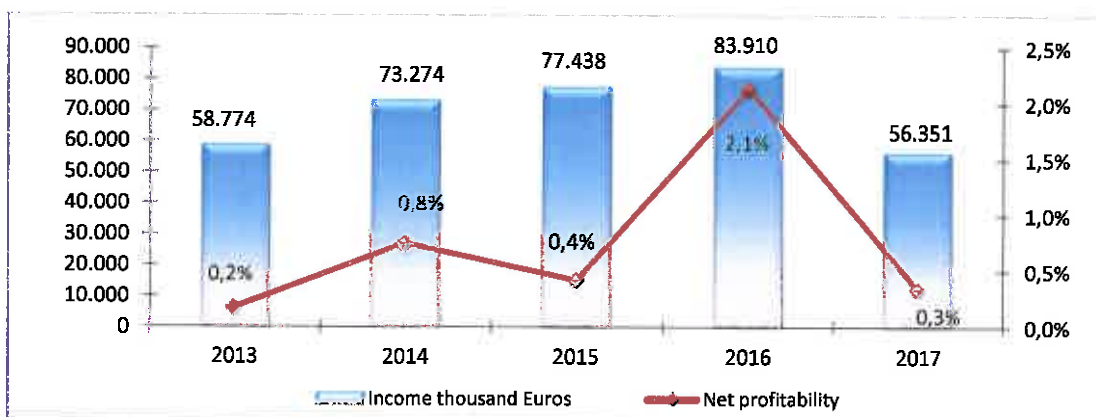
Over the twelve months of 2017, the turnover of *Panevezio statybos trestas* AB was 56.351 mln. Euros. In 2017, the income was lower by 1.49 times compared to the year 2016. During the accounting period, the Company had the net profit in the amount of 0.194 mln. Euros, whereas in 2016 the net profit was as high as 1.791 mln. Euros.

Reduction in the income and results of the Company was conditioned by a few large projects close to completion and preparation activities for a new projects.

Referring to the same period, the total consolidated income of the PST Group amounted to 73,816 mln. Euros and decreased by 25.7 per cents compared to the income for the twelve months of 2016, which amounted to 99.36 mln. Euros. The consolidated profit of the Group before taxes for 2017 was 0.753 mln. Euros, i. e. lower by 4.2 times compared to the twelve months of 2016.

EBITDA, i. e. earnings before interest, taxes, depreciation and ammortization, was lower by 2.4 times for the Company and lower by 2.3 times for the Group compared to twelve months of 2016. That is, for the twelve months of 2017 EBITDA of the Company was 1.286 mln. Euros (3.046 mln. Euros in 2016), of the Group – 2.148 mln. Euros (4.970 mln. Euros in 2016).

*Income and net profitability variation for the Company:*



*Income and net profitability variation for the Group:*

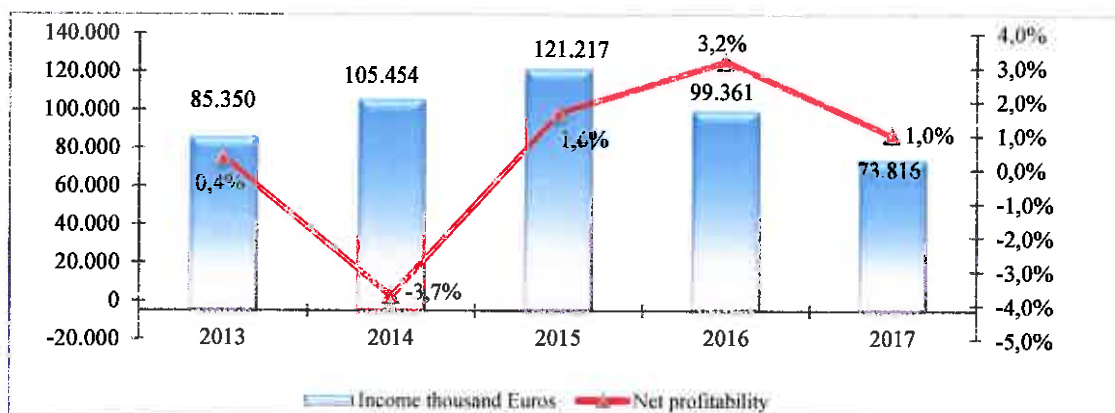


Table 3. The results (thousands Euros) of the Company and the Group of Panevezio statybos trestas AB for the period 2015 through 2017:

Group			Items	Company		
2015	2016	2017		2015	2016	2017
121,217	99,361	73,816	Income	77,438	83,910	56,351
109,278	90,221	68,085	Cost of sales	70,226	77,031	52,277
11,939	9,140	5,731	Gross profit	7,212	6,879	4,074
9.85	9.20	7.76	Gross profit margin (per cents)	9.31	8.20	7.23
3,155	1,085	-1,281	Typical operating result	1,619	1,813	-809
2.60	1.09	-1.73	Typical operating result from turnover (per cent)	2.09	2.16	-1.44
4,260	4,970	2,148	Profit before taxes, interest, depreciation and amortization EBITDA	1,590	3,046	1,286
3.51	5.00	2.91	EBITDA margin (per cents)	2.06	3.63	2.28
1,996	3,167	753	Net profit	328	1,791	194
1.65	3.19	1.02	Nets profit (loss) margin (per cents)	0.42	2.13	0.35
0.12	0.194	0.046	Profit (loss) per share (Euros)	0.02	0.11	0.012
5.52	8.61	2.01	Return on equity (per cents) (ROE) Net profit Equity capital	0.86	4.51	0.50
3.02	5.17	1.26	Return on assets or asset profitability (ROA) Net profit Assets	0.59	3.34	0.35
5.14	8.06	1.90	Return on investments (ROI) Net profit Assets – Current debt	0.84	4.43	0.49
2.11	2.42	2.55	Current liquidity ratio Current assets Current liabilities	2.59	2.94	2.36

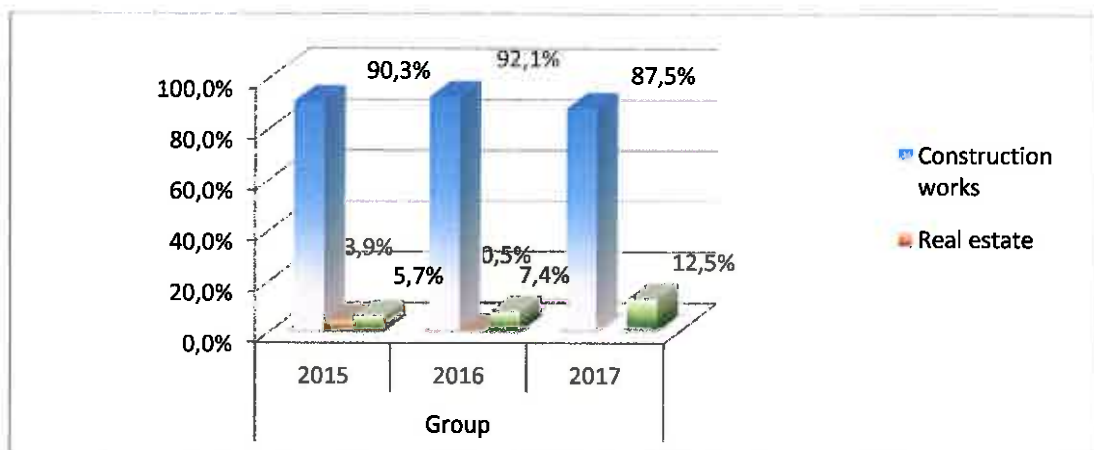
Group			Items	Company		
2015	2016	2017		2015	2016	2017
1.78	1.97	2.01	Critical liquidity ratio Current assets - Inventories Current liabilities	2.52	2.88	2.27
0.55	0.60	0.63	Asset to equity ratio	0.69	0.74	0.70
2.21	2.25	2.29	Book value per share	2.34	2.43	2.38
0.42	0.42	0.40	Ratio of share price and book value (P/BV)	0.40	0.39	0.38

*Table 4. Income (mln. Euros) by activity types:*

	Group			Company		
	2015	2016	2017	2015	2016	2017
Construction works	109.49	91.51	64.61	77.44	83.91	56.35
Real estate	4.79	0.45	0			
Products produced and other income	6.94	7.40	9.21			

The main income of the Company by activity types is from building and erection activities. In 2017, the income of the Group from building and construction activities totalled 87.5 %, the income from made products and other income amounted to 12.4 %. In 2016, the income of the Group from building and construction activities totalled 92.1 %, income from real estate amounted to 7.4 %, income from made products and other income amounted to 0.5 %.

*Income distribution for the Group by activity types (per cents):*



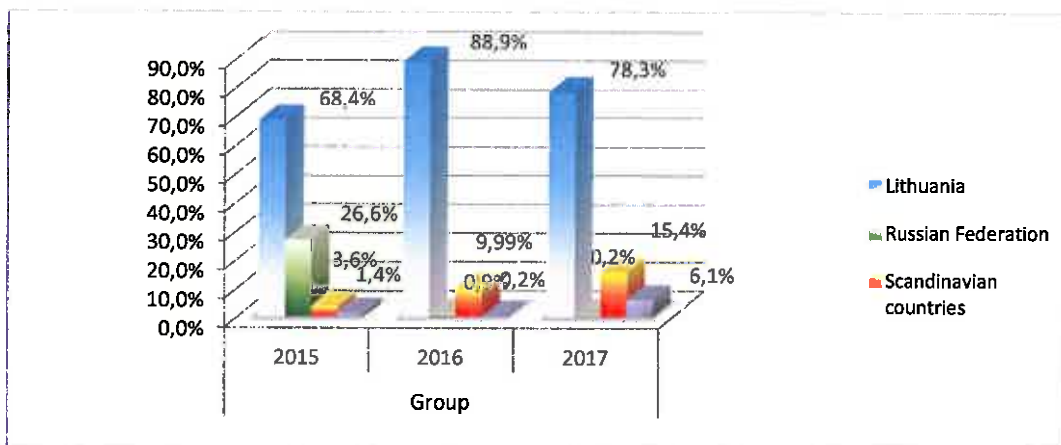
*Table 5. Operating income (mln. Euros) by countries:*

	Group			Company		
	2015	2016	2017	2015	2016	2017
Lithuania	82.88	88.30	57.79	77.07	83.88	54.60
Russian Federation	32.22	0.90	0.15	0.36		
Scandinavian countries	4.39	9.93	11.40			0.09
Other countries	1.73	0.23	4.48	0.01	0.03	1.65

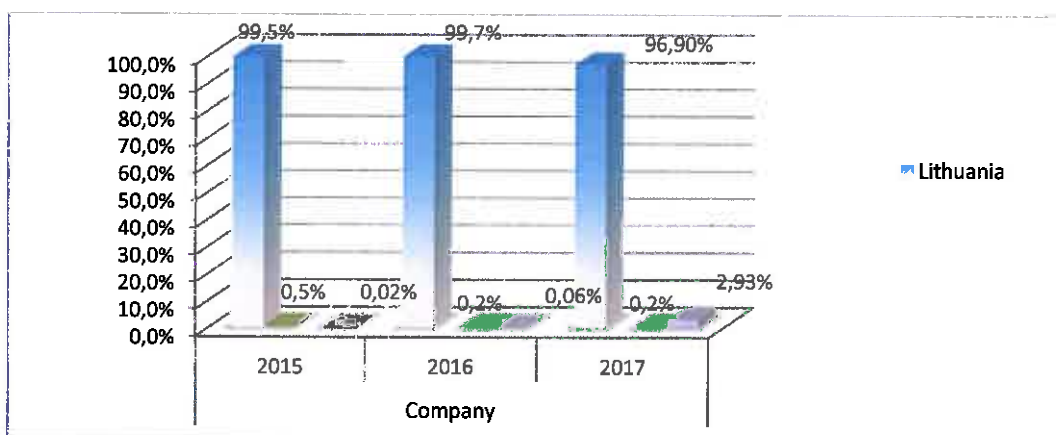
In the year 2017, the main activities of the Company were performed in Lithuania and made 96.88 per cents of all works carried out by the Company (99.96 per cents in 2016), the income of the Company in Latvia increased up to 2.95 per cents. The income of the Group from the works performed inside the country made

78.3 per cents of the income whereas in 2016 it was 88.9 per cents. In 2017, the income in the Scandinavian countries made 15.4 per cents of the Group income (10 per cents in 2016).

Operating income distribution by countries for the Group (per cents):



Operating income distribution by countries for the Company (per cents):



*Environment protection*

Quality, environment protection, occupational health and safety play a very important role in activities of *Panevezio statybos trestas AB*. Quality (ISO 9001), environmental (ISO 14001) and occupational health and safety (OHSAS 18001) management systems introduced and available at the company allow taking proper care of these significant factors. Assessment of occupational risk is carried out, analyses are performed and measures for risk reduction or elimination are taken on each site. For the purposes of environment and resource protection and sustainability, ensuring pollution prevention, in the beginning of each project the environmental plan including specific measures for control of significant aspects of environment protection and activities performed is prepared.

In 2013, the Lithuanian National Accreditation Bureau accredited the Construction Laboratory of the company for the period of 5 years in accordance with LST EN ISO/IEC 17025:2005, thus granting it the right to perform tests of building materials.

Quality, environmental and occupational health and safety management systems in accordance with the requirements of ISO 9001, ISO 14001 and OHSAS 18001 are also successfully operating in the companies of the Group. The constant aim is to minimize the impact of construction processes on the environment.

*Employees*

Professional, competent and responsible employees are the biggest asset of *Panevezio statybos trestas* AB. Therefore, much attention is paid to motivation of employees: environment favourable for generation and implementation of new ideas is being created and sharing of information is being promoted. In modern environment competence of employees is one of the key factors describing competitiveness of the company. Taking this factor into account, the company encourages employees in all organizational levels to learn and improve their skills. The employees are motivated not only by material incentives – competitive salaries, progressive bonus system but also by exceptional quality of working environment. As of 31 December 2017, the number of employees in the Group was 1,043, in the Company – 771.

*Table 6. Average number of employees in 2016 and 2017:*

Average number of employees	2016		2017	
	Group	Company	Group	Company
Managers	27	13	24	13
Specialists	313	236	292	223
Workers	731	525	714	526
<b>Total</b>	<b>1,071</b>	<b>774</b>	<b>1,030</b>	<b>762</b>

*Table 7. Education level of the Group employees as of the end of the period:*

PST Group employees	Payroll number	Higher university level education	Higher non-university education	Junior college education	Secondary education	Incomplete secondary education
Managers	24	21	0	3	0	0
Specialists	303	244	17	27	15	0
Workers	716	29	14	148	469	56
<b>Total:</b>	<b>1,043</b>	<b>294</b>	<b>31</b>	<b>178</b>	<b>484</b>	<b>56</b>

*Table 8. Average gross pay per employee per month (Euros) in 2016 and 2017:*

	2016		2017	
	Group	Company	Group	Company
Managers	2,836	3,641	3,193	4,032
Specialists	1,186	1,198	1,261	1,244
Workers	927	891	914	917

During the twelve months of 2017, the natural turnover of employees took place. Employment contracts do not include any special rights and obligations of employees or some part of them.

In 2017, the Company also paid much attention to qualification improvement. Training in the Company is done in three directions using:

1. Services of training arranging institutions (external training);
2. Services of higher education institutions (employee studies).

## **11. Important events having occurred since the end of the preceding financial year**

Information on important events having occurred after the end of the financial year is provided in the Notes to Separate Financial Statements (Note 31) and the Notes to the Consolidated Financial Statements (Note 32).

## **12. Information on research and development activities performed by the Company and the Group**

The company keeps on successfully introducing innovative technologies in its activities. *Panevezio statybos trestas* AB aims that preparation for construction, work planning for future projects was done and construction activities were carried out especially fluently.

For that purpose, investments are made in the modern designing software. The company continues improving design preparation using not only the currently available software but also a new software package, which allows preparing complete designs covering its all parts in the environment of BIM (Building Information Modelling).

Site construction activities are planned considering the BIM model where the forth (4D) dimension of the digital model, time, is added. Application of the digital (BIM) model in planning and performance of works allows reducing probability of delay in work, taking immediate corrective actions in work organisation, if necessary, and improving performance quality. Both the construction schedule and computer simulation are prepared using specific software at the preparation stage. This allows choosing optimum construction methods and comparing the actually completed work quantities with the planned ones.

Use of the Building Information Modelling (BIM) is started during transportation of the items to be used to the site. With the help of the BIM model and work schedules the required items are delivered to the site at the time required. This allows reducing the logistics costs to the most extent, eliminating large storage areas on the site.

To speed up production and improve quality, the companies of the Group make investments in production by means of process computerization and automatization.

### 13. Performance plans and forecasts of the Company and the Group

The objective of the Company remains the same, i.e. to be competitive, one of the largest construction companies in Lithuania.

In 2018, the Group expects to increase the number of executed projects, continue the started activities and implement new projects in both inside and outside Lithuania.

### 14. Authorised capital of the issuer and its structure

As of 31 December 2017, the authorised capital of the company amounted to 4,741,500 Euros divided into 16,350,000 ordinary registered shares (ORS) the nominal value of each share being 0.29 Euros.

All shares are non-certificated and fully paid. The proof of ownership is the record in the securities accounts.

The Company has not acquired any shares of the Company.

On 31 December 2017, the total number of the shareholders was 1,537.

*Table 9. Distribution of the shareholders by residence country and legal form:*

Investors	Number of shares, pcs	Portion of authorized capital, per cents
<b>Foreign investors</b>		
<i>Legal entities</i>	3,095,953	18.9%
<i>Natural persons</i>	1,008,914	6.2%
<b>Local investors</b>		
<i>Legal entities</i>	8,410,055	51.4%
<i>Natural persons</i>	3,835,078	23.5%

*Table 10. The shareholders holding or controlling more than 5 per cents of the authorised capital of the Company:*

Full name of a shareholder (company name, type, headquarter address, company code)	Number of ordinary registered shares held by a shareholder under ownership right (pcs )	Portion of the authorized capital held (%)	Portion of votes granted by the shares held under ownership right (%)	Portion of votes owned by a shareholder along with acting persons (%)
<i>Panevezio keliai</i> AB S. Kerbedzio Str. 7, Panevezys Company code: 147710353	8,138,932	49.78	49.78	---
Clients of Swedbank AS Liivalaia 8, 15040 Tallinn, Estonia Company code: 10060701	1,238,250	7.57	7.57	---
Freely floating shares	6,972,818	42.65	42.65	---

None of the shareholders of the issuer has any special control rights. All shareholders have equal rights prescribed by Section 4 of the Law on Companies of the Republic of Lithuania.

The number of shares carrying votes at the General Meeting of Shareholders of *Panevezio statybos trestas* AB is 16,350,000.

## 15. Dividends

The decision to pay dividends is taken and the amount to be paid as dividends is set by the General Meeting of Shareholders. The company pays the allocated dividends within 1 month from the date when decision on profit appropriation has been taken.

The persons who were the shareholders of the Company at the end of the tenth business day from the General Meeting of Shareholders that adopted the relevant decision are entitled to the dividends.

Dividends are taxable in accordance with the Law on Income Tax of Individuals and the Law on Corporate Income Tax of the Republic of Lithuania.

The General Meeting of Shareholders of *Panevezio statybos trestas* AB that took place on 21 April 2017 made the resolution to pay dividends in the amount of 1,062,750 Euros for the year 2016. As of 31 December 2017, 99.4 per cents of dividends were paid.

*Table 11. History of dividends paid over the previous years:*

	<i>Profit of financial year allocated for dividends</i>					
	<i>2009</i>	<i>2010</i>	<i>2012</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Total amount allocated for dividends, Euros	331,470	331,470	118,382	1,079,100	261,977	1,062,750
Dividends per share	0.0203	0.0203	0.0072	0.066	0.016	0.065
Ratio of dividends to net profit, per cents	23.80	11.30	28.20	164.80	79.80	59.33
Dividend profitability (dividends per share / share price as of the end of the period), per cents	1.80	1.00	0.80	7.70	1.7	6.9

## 16. All restrictions of security transfer

None

## 17. Description of main investments made during the reporting period including their amount



Investments of the Group for acquisition of non-current assets in the year 2017 amounted to 983,566 Euros. *Panevezio statybos trestas* AB acquired non-current assets for 733,481 Euros. In 2017, depreciation and amortization costs of non-current assets amounted to 1,257,220 Euros in the Group including 1,00,003 Euros accounted for in the Financial Statements of *Panevezio statybos trestas* AB. All investments in the subsidiary companies are provided in the Notes to the Separate Financial Statements (Note 16).

**18. All agreements between shareholders which are known to the issuer and which may restrict transfer of securities and/or voting right**

None

**19. Authorizations of issuer's bodies to issue and purchase issuer's shares**

None

**20. All material agreements to which the issuer is a party and which would come into effect, be amended or terminated in case of change in the issuer's control, also their impact except the cases where the disclosure of the nature of the agreements would cause significant damage to the issuer**

None

**21. All agreements of the issuer and the members of its management bodies or the employee agreements providing for a compensation in case of the resignation or in case they are dismissed without due reason or their employment is terminated in view of the change of control of the issuer**

None

**22. Information on significant transactions between the related parties**

All transactions with related parties are provided in the Notes to the Separate Financial Statements (Note 28) and the Notes to the Consolidated Financial Statements (Note 28).

**23. Publicly disclosed information**

*Table 12. Summary of published information:*

<i>Description of notification</i>	<i>Category of notification</i>	<i>Language</i>	<i>Date</i>
<i>Panevezio statybos trestas AB Will Build Jekabpils Multifunctional Sports Centre in Latvia</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>9 March 2018</i>
<i>Resolution by the Director of the Supervision Service of the Bank of Lithuania</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>7 March 2018</i>
<i>Panevezio statybos trestas AB Will Build a Complex of Apartment Buildings in Vilnius</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>2 Feb. 2018</i>
<i>Panevezio statybos trestas AB Has Acquired Shares of Ateities projektai UAB</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>26 Jan. 2018</i>

<i>Description of notification</i>	<i>Category of notification</i>	<i>Language</i>	<i>Date</i>
<i>Appeal against Decision of Competition Council</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>10 Jan. 2018</i>
<i>Decision Adopted by Competition Council</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>21 Dec. 2017</i>
<i>Calendar for Publishing Performance Results of Panevezio statybos trestas AB in 2018</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>21 Dec. 2017</i>
<i>Panevezio statybos trestas AB Will Finance Project under Development by Seskinės projektai UAB</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>1 Dec. 2017</i>
<i>Resolutions of Extraordinary General Meeting of Shareholders</i>	<i>General Meeting of Shareholders</i>	<i>Lt, En</i>	<i>9 Nov. 2017</i>
<i>Draft Resolutions of Extraordinary General Meeting of Shareholders</i>	<i>General Meeting of Shareholders</i>	<i>Lt, En</i>	<i>18 Oct. 2017</i>
<i>Convening of Extraordinary General Meeting of Shareholders</i>	<i>General Meeting of Shareholders</i>	<i>Lt, En</i>	<i>10 Oct. 2017</i>
<i>Panevezio statybos trestas AB Will Reconstruct Physical Training and Sports Centre in Panevezys</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>19 Sept. 2017</i>
<i>Panevezio statybos trestas AB Will Build a New Factory in Vilnius</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>18 Sept. 2017</i>
<i>Panevezio statybos trestas AB Will Reconstruct Lithuanian Embassy in Moscow</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>5 Sept. 2017</i>
<i>Notification of Transactions in Issuer's Securities by Manager</i>	<i>Notifications on transactions concluded by managers of the companies</i>	<i>Lt, En</i>	<i>1 Sept. 2017</i>
<i>Unaudited Performance Results of Panevezio statybos trestas AB and the Group for the First Half of 2017</i>	<i>Half-Yearly information</i>	<i>Lt, En</i>	<i>31 Aug. 2017</i>
<i>Regarding opening of bankruptcy proceedings</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>17 Aug. 2017</i>
<i>Cessation of PST Nordic AB Activities</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>27 July 2017</i>
<i>Panevezio statybos trestas AB Will Carry Out Work in Panevezys and Pasvalys</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>10 July 2017</i>
<i>Initiation of Bankruptcy Proceedings</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>25 May 2017</i>
<i>Panevezio statybos trestas AB Will Build Water Supply and Waste Water Networks in Radviliskis District</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>24 May 2017</i>
<i>Annual Information Approved by Annual General Meeting of Shareholders of Panevezio statybos trestas AB</i>	<i>Annual information</i>	<i>Lt, En</i>	<i>21 April 2017</i>
<i>Resolutions of Annual General Meeting of Shareholders</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>21 April 2017</i>
<i>Panevezio statybos trestas AB Will Reconstruct Water Supply and Sewage Water Networks in Siauliai</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>20 April 2017</i>
<i>Panevezio statybos trestas AB Will Build a Printing-House</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>18 April 2017</i>
<i>Draft Resolutions of Annual General Meeting of Shareholders</i>	<i>General Meeting of Shareholders</i>	<i>Lt, En</i>	<i>4 April 2017</i>
<i>Draft Resolutions of Annual General Meeting of Shareholders</i>	<i>General Meeting of Shareholders</i>	<i>Lt, En</i>	<i>31 March 2017</i>

<i>Description of notification</i>	<i>Category of notification</i>	<i>Language</i>	<i>Date</i>
<i>Panevezio statybos trestas AB Will Build the Guest House in Vilnius</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>22 March 2017</i>
<i>Convening of Annual General Meeting of Shareholders</i>	<i>General Meeting of Shareholders</i>	<i>Lt, En</i>	<i>21 March 2017</i>
<i>Calendar for Publishing Performance Results of Panevezio statybos trestas AB in 2017</i>	<i>Notification on material event</i>	<i>Lt, En</i>	<i>2 Jan. 2017</i>

All notifications of *Panevezio statybos trestas AB* to be made public in accordance with the legal requirements are published following the timelines prescribed by the laws and legal acts of the Republic of Lithuania. Information on the material events of the company is presented through the information system of *NASDAQ OMX Vilnius* Stock Exchange (Globe Newswire) and published on the website of the company.

## **24. Corporate governance report**

### *Information on compliance with the Corporate Governance Code*

The information on compliance with the Corporate Governance Code is presented in Appendix 1 to the Annual Report.

*Panevežio statybos trestas AB* in principle complies with the recommendatory Governance Code for the companies listed at *NASDAQ OMX Vilnius*. Referring to the Articles of Association of the Company, the governance bodies of the Company include the General Meeting of Shareholders, the Board and the Managing Director. According to the Law on Companies of the Republic of Lithuania, either two (supervisory and management) or one collegial management body may be set up in the Company at the discretion of the Company. No Supervisory Board is set up in the Company. Following the Articles of Association of the Company, the Board is set up of 5 members, which are elected for the period of for years. The members of the Board represent the shareholders and perform the supervisory and control functions. Only the Audit Committee, which is elected for the period of one year, is formed in the Company. The functions of the Nomination and Remuneration Committees are performed by the Board.

The system of the corporate governance ensures fair treatment of all shareholders, including minority and foreign shareholders, and protects the rights of the shareholders.

The Company does not prepare and make public the remuneration statement. In the opinion of the Company, such information should not be made public commercially. Following the procedure prescribed by the legal acts, in the Annual Report the Company provides information on the total amounts calculated to the members of the Board, the Chief Executive Officer and Chief Accountant over the accounting period. The management system of the Company ensures that any information on all essential issues, including financial situation, operation and company management, is disclosed in a timely and accurate manner.

The audit company is proposed by the Board and elected by the Meeting of Shareholders, thus ensuring independence of the conclusions and opinion provided by the audit company.

### *Information on extent of risk and risk management*

The following financial risks are faced within the Group: credit risk, liquidity risk and market risk.

The Board is responsible for setting up and maintaining the risk management structure. The risk management policy of the Group is aimed at identifying and analysing the risks faced by the Group, introduction and maintenance of appropriate limits and controls. The risk management policy and risk management systems are reviewed at regular intervals to reflect changes in market conditions and performance of the Group. The Group seeks to create a disciplined and constructive environment for risk management where all employees know their roles and responsibilities.

Based on the credit risk policy established by the Group, standard payments and terms are only offered when assessing credit standing of each new client. The clients failing to meet the established limit of credit standing may only make purchases with the Group after paying prepayments.

The Group manages liquidity risk to ensure, as far as possible, sufficient liquidity, which allows fulfilling its obligations under both normal and complex conditions without incurring unacceptable losses and

without risking to lose goodwill of the Group. As a general rule, the Group maintains sufficient cash to cover its planned operating expenses, including financial debt repayment.

The market risk is the risk that changes in market prices, for example, changes in exchange rates and interest rates will affect the result of the Group or the value of available financial instruments. The purpose of the market risk management is to manage open positions of risk in order to optimize returns.

*Information on any harmful transactions (not complying with the company's targets, existing usual market conditions, violating any interests of the shareholders or any other groups of persons, etc.), which had or might have in future negative impact on operation and/or performance results of the issuer, and information on any transactions, concluded in the event of a conflict of interests between managers of the issuer, controlling shareholders or any other obligations to the issuer by any related parties and their private interests and/or any other obligations*

There were no such transactions concluded.

*Information on any transactions with related parties as prescribed by Paragraph 2, Article 37 of the Law on Companies.*

There were no such transactions concluded.

*Information on significant directly or indirectly held share portfolios*

The Company has no information available on directly or indirectly held share portfolios.

*Information on shareholders with special control rights*

There are no shareholders with special control rights in the Company. The ordinary registered shares of the Company grant equal voting rights to all shareholders of the Company.

*Information on all existing limitations on voting rights*

The Company has no information available on limitations on voting rights.

*Information on rules regulating election and replacement of the Board members, and amendment of Articles of Association*

The Board of the Company consisting of five members is elected by the General Meeting of Shareholders for a period not longer than 4 years. At present there are five members in the Board. The procedure of electing and dismissing the members of the Board is not different from that prescribed by the Law on Companies.

The Articles of Association may be amended only by the General Meeting of Shareholders by the qualified majority of at least 2/3 of the total votes of the shareholders attending the meeting. The resolution amending the Articles of Association is adopted following the procedure set forth in the Law on Companies of the Republic of Lithuania.

*Information on powers of members of the Board*

The powers of the members of the Board are set forth in the Law on Companies of the Republic of Lithuania and the Articles of Association. The Articles of Association of *Panevezio statybos trestas* AB are published on the website at <http://www.pst.lt/en/investuotojams>.

*Information on powers of General Meeting of Shareholders, rights of shareholders and their exercising*

The powers of the General Meeting of Shareholders and the rights of shareholders are set forth in the Articles of Association and are not different from that prescribed by the Law on Companies.

*Information on composition of management, supervisory bodies and their committees, their activities and field of activities of the Chief Executive Officer*

Referring to the Articles of Association of *Panevezio statybos trestas AB*, the management bodies of the Company are the General Meeting of Shareholders, the Board and the Managing Director. The Supervisory Council is not formed in the Company.

The competence of the General Meeting of Shareholders is not different from that of the competence prescribed by the Law on Companies.

The Board is led by the Chairman of the Board. The Board elects the Chairman from the members of the Board.

The Board elects and dismisses the Chief Executive Officer of the company – the Managing Director, fixes his salary, sets other terms and conditions in the employment contract with him, approves his job description, gives incentives and imposes penalties. The Managing Director shall organize the activities of the company.

*The Board:*

REMIGIJUS JUODVIRŠIS – the Chairman of the Board. No membership in the capital of the company. Membership in the activities or capital of the companies below:

<i>Company</i>	<i>Position</i>	<i>Number of shares</i>	<i>Capital, %</i>	<i>Votes, %</i>
<i>Panevezio keliai AB</i>	Member of the Board	531,675	28.47	28.47
<i>Lauktuves jums UAB</i>	Chairman of the Board	11,069	50.15	50.15
<i>Pokstas UAB</i>		111	50	50
<i>Klovainiu skalda AB</i>		470,421	8.74	8.74
<i>Gustonių ZUT UAB</i>	Member of the Board	1,085	50.28	50.28
<i>PST investicijos UAB</i>	Member of the Board	16,407	3.32	3/32
<i>Convestus UAB</i>		50,000	50	50
<i>Alproka UAB</i>	Chairman of the Board	-	-	-
<i>Kauno tiltai UAB</i>		492	0.31	0.31
<i>Specializuota komplektavimo valdyba AB</i>		21,490	1.07	1.07
<i>Tertius UAB</i>		704,638	80	80
<i>Emulteka UAB (subject to liquidation proceedings)</i>		-	-	-

Term of office: November 2014 through November 2018

No previous convictions.

VIRMANTAS PUIDOKAS – the member of the Board. No membership in the capital of the company. Membership in the capital of the companies below:

<i>Company</i>	<i>Position</i>	<i>Number of shares</i>	<i>Capital, %</i>	<i>Votes, %</i>
<i>Panevezio keliai AB</i>	General Director	66,769	3.57	3.57

<i>Skalduva</i> UAB	Director	43	43	43
<i>Klovainiu skalda</i> AB	Member of the Board	541,785	10.1	10.1
<i>Avia invest</i> UAB		10,000	100	100
<i>Istros aviaparkas</i> UAB		2,000	100	100
<i>Akvalda</i> UAB	Director	750	50.00	50.00
<i>Emulteka</i> UAB		9	9	9

Term of office: November 2014 through November 2018

No previous convictions

ARTURAS BUCAS – the Member of the Board. No membership in the capital of the company. Membership in the activities or capital of the companies below:

<i>Company</i>	<i>Position</i>	<i>Number of shares</i>	<i>Capital, %</i>	<i>Votes, %</i>
<i>Dvarcioniu keramika</i> AB (subject to bankruptcy proceedings)	Shareholder	356	-	-
<i>Panevezio keliai</i> AB	Member of the Board	-	-	-

Terms of office: November 2014 through November 2018

No previous convictions

AUDRIUS BALCETIS – the Member of the Board. Membership in the capital of the companies below:

<i>Company</i>	<i>Position</i>	<i>Number of shares</i>	<i>Capital, %</i>	<i>Votes, %</i>
<i>Panevezio keliai</i> AB	Member of the Board	-	-	-
<i>Panevezio rysiu statyba</i> UAB	Director	279,507	27	27
<i>Linas</i> AB	-	33,634	0.14	0.14
<i>PST investicijos</i> UAB	Member of the Board	-	-	-

Terms of office: April 2015 through November 2017

No previous convictions

VILIUS GRAZYS – the Member of the Board. No membership in the capital of the company. Membership in the activities or capital of the companies below:

<i>Company</i>	<i>Position</i>	<i>Number of shares</i>	<i>Capital, %</i>	<i>Votes, %</i>
<i>Akvalda</i> UAB		750	50	50
<i>Emulteka</i> UAB		11	11	11
<i>Betono apsaugos sistemos</i> UAB		40	40	40
<i>Panevezio keliai</i> AB	Technical Director	83,058	4.45	4.45

Terms of office: November 2014 through November 2018

No previous convictions

*Administration:*

DALIUS GESEVICIUS– Chief Executive Officer. Managing Director. Holds 38,015 shares of the company. University education (VISI, 1984), Construction Engineering. Master Degree in Management and Business Administration.

No previous convictions.

DANGUOLE SIRVINSKIENE – Chief Accountant of the Company. Holds no shares of the Company. University Education (LZUA, 1983), Accounting - Economics.  
No previous conviction.

In 2017, no loans, guarantees, sureties were granted and no property was transferred to any members of the Boards or top managers of *Panevezio statybos trestas* AB.

#### *Audit Committee*

Following Article 52 of the Law on Audit of the Republic of Lithuania, the General Meeting of Shareholders of *Panevezio statybos trestas* AB elects the Audit Committee. The Audit Committee consists of three members, two of them being independent. The term of office of the Audit Committee is one year. The continuous term of office of a committee member cannot exceed 12 years.

The duties of the Audit Committee are as follows:

- 1) to monitor the financial reporting process;
- 2) to monitor effectiveness of the company's internal control, risk management and internal audit, if applicable, systems;
- 3) to monitor the process of the audit;
- 4) to monitor independence and objectivity of the auditor or audit company.

The following members were elected to the Audit Committee at the Annual General Meeting of Shareholders of *Panevezio statybos trestas* AB on 21 April 2017:

Drasutis Liatukas – an independent auditor, Head of *Finansu auditorius* UAB, auditor. Holds no shares of the company;

Irena Kriauciuniene – an independent auditor;

Lina Rageliene – Accountant of *Panevezio statybos trestas* AB. Holds no shares of the company.

#### *Information on the sums calculated to the top managers over the reporting period (Euros):*

In 2017, neither the members of the Board nor the top managers of *Panevezio statybos trestas* AB were granted special benefits.

Table 13. Information on salaries for the top managers of the issuer in 2017:

	thousands Euros	2017
Members of the Board (bonuses and salary)		388
Average per member of the Board		77.6
Administration (Managing Director and Chief Accountant)		133
Average per member of Administration		66.5

## **25. Social Responsibility**

In their activities both, the Company and the Group, follow the highest standards of business ethics and principles of social ethics. Social responsibility is based on its values and defines the Company's approach to its activities, integration of social, environmental and transparent business principles in the internal processes of the Company and the Group as well as in relations with its clients.

#### Environmental Protection

*Panevezio statybos trestas* AB and the companies of the Group have the Environmental Management System (EMS) consistent with the requirements of ISO 14001:2015, legal and other environmental regulations established, documented and, to ensure its suitability, adequacy and effectiveness, constantly reviewed.

In the process of implementation related to the established Environmental Policy, the Company seeks to preserve a healthy environment to any employee, biological and landscape diversity as well as optimal use of natural resources. The Environmental Policy is published in all branches, subsidiary companies and sites of *Panevezio statybos trestas* AB, available for public and all interested parties on the website at [www.pst.lt](http://www.pst.lt).

When making plans of the environmental system, external and internal issues with regard to the targets and strategic direction of the company as well as needs and requirements of interested parties are taken into account resulting in defining the risks and opportunities to make sure that the integrated management system is able to achieve the intended outcome, strengthen the desired impact, prevent or reduce undesired effects and achieve continual improvement. The Company plans actions to eliminate risks, actions to address and strengthen opportunities, how actions should be integrated and implemented in the EMS processes, assessment criteria and effectiveness of these actions. There is a Risk and Opportunity Register of *Panevezio statybos trestas* AB prepared.

The significant environmental aspects are determined in all branches, subsidiary companies and sites of the Company after significance of activity impact on environment is taken into account and legal requirements are identified. The environmental aspects are identified by analysing past, current and potential beneficial and adverse environmental impact of activities, services and products of the subdivisions. The review of these aspects is performed at least once per year and in case the nature of activities or any other conditions, such as process, materials used, technologies, etc., changes, provided they condition occurrence of new environmental aspects. The site aspects are identified individually for each project.

The significant environmental aspects can cause one or more significant environmental impacts and therefore can result in risks and opportunities to be assessed in order to ensure the Company is able to achieve the intended outcomes of the EMS. When determining environmental aspects, a life cycle perspective is taken into account. The following key life cycle stages of a product/service are thought and evaluated: raw material acquisition, design, production of construction products, transportation, construction of a building, use of a building, end-of-life treatment and final disposal (waste recycling and management). For each aspect possible legal and other requirements, which can affect activities of the Company and the Group, are identified.

For control of significant aspects and mitigation of adverse effects, targets and objectives are set, environmental management programmes and environmental plans covering specific actions, measures, terms and responsibilities are prepared. Measurements of environmental parameters are planned and a list of environmental effectiveness indicators is drawn up. In the process of a construction project implementation, monitoring of the EMS is performed.

In order to achieve the set environmental targets and objectives, training is performed at the Company and The Group. The purpose of such training is to familiarize those who work for and on behalf of the Company with the EMS policy, significant environmental aspects, targets and objectives, potential threats and emergencies as well as preventative measures to be used to avoid them, emergency preparedness and response plan, waste collection and segregation at the places of its forming, safe use of chemicals, information provided in safety data sheets.

All materials, including chemicals, are purchased and used in conformity with the applicable legal requirements. The suppliers are selected taking into account their possibilities to comply with the quality, environmental, occupational health and safety requirements applicable to products/services.

Internal audits are performed based on the Annual Internal Audit Plan. The information obtained is submitted for the management review. At least once per year the top managers analyse the EMS to ensure its continuing suitability, adequacy and effectiveness. The management review covers the environmental management system as well as environmental policy and targets.

The implemented EMS has been certified and is supervised by the certification company BM TRADA.

### *Relationship with Employees*

The main asset of the Company is employees, who are the most important link in achieving the targets. Therefore, much attention is paid to motivation of employees: environment favourable for development of new ideas and their implementation is being created, continuous exchange of information is taking place. In the present-day environment, competence of employees is one of the key factors



describing competitiveness of the company. Taking this factor into account, the Company encourages employees in all organizational levels to train and improve. Employees are given the opportunity to study, improve their qualifications, and participate in various seminars and trainings.

Employees are motivated not only by material incentives, such as competitive wages and salaries, progressive bonus system, but also by exceptional quality of working environment. The Company and the Group provides social guarantees: the allowance is paid in the event of the death of a family member or immediate family of the employee, in case of an employee's death, a gift to an employee when a baby is born, on the employee's anniversary birthday.

In order to create safe and healthy working environment, the Company and the Group pay much attention to occupational safety. The situation in the occupational health and safety system is analysed on a year-to-year basis resulting in targets and objectives, plans for improvement of occupational health and safety. Occupational risks are constantly assessed and risk eliminating measures are taken. Every year the Company makes investments in modern collective protective equipment. Employees are provided with certified personal protective equipment free of charge. To improve perception of safe work, occupational health and safety training is provided to managers and employees. Health checks for employees are arranged at health care establishments, analysis of the employee morbidity is performed followed by measures for morbidity reduction are taken.

On 5 January 2018, the Work Council for representation of the employees consisting of 11 members was elected at the Company. The Work Council submits proposals to the employer on economic, social and work issues, which are topical to the employees, employer's decisions, laws and other regulations governing work relations. The Council is elected for the period of three years, which starts from the beginning of their term of office.

#### Human Rights

The Company and the Group adhere to the principles for the protection of human rights and do not tolerate any violations of human rights in their activities. They are for the fair and transparent wage and salary policy, comply with the laws regulating overtime and working hours, respect the right of employees to rest and do not tolerate harassment and violence of any nature.

The Company opposes any discrimination and forced labour. Employees of the Company have equal rights and possibilities regardless their gender, nationality, social or family status, membership in public or political organisations or personal qualities. In 2017, there were no violations of human rights or relevant claims recorded.

#### Social Initiatives

The Company continuously participates in various support projects, co-operates with local universities, scientific establishments. The support funds of the Company are allocated for support of education, cultural, sports projects in the town.

In 2017, the Company contributed to the project *VGTU Graduates: 100 Perspectives* arranged by the Vilnius Gediminas Technical University. The aim of this project is to select promising, gifted, talented graduates of master and bachelor studies at the VGTU, increase their self-motivation and present them to Lithuanians and foreign business organizations, create conditions for establishing valuable contacts.

During the workshop organized by students of the Faculty of Civil Engineering and Architecture at Kaunas University of Technology (KTU) at the festival *Builders Days 2017*, employees of Panevezio statybos trestas AB shared information on successfully implemented unique projects, experience and available engineering competence.

The Company established the 1st place award for the team for the best architectural project at the national project *Smart City* organized by *Structum*, the magazine of architecture and construction Infrastructure.

In 2017 Panevezio statybos trestas AB contributed to the special preventive measures for the safe traffic of pedestrians and drivers implemented by the Panevezys County Police Headquarters. On occasion of the new school year, the Company gave safety reflectors to all the first formers of Panevezys.

#### Fight against Corruption and Bribery

The Company and its subsidiaries do not tolerate corruption or its manifestations of any nature and pursue open competition, ethical business conditions and proper ensuring of transparency and publicity in

their activities. The Company does not tolerate fraud, extortion, unofficial accounting, unofficial and inadequately executed transactions, accounting for fictitious expenses, use of forged documents and other forms of corruption. Provisions of corruption intolerance apply to all employees of the Company, members of the management and supervisory bodies, any third parties acting on behalf of the Company. The risk is mitigated by existing integrated internal controls for identifying potential risk factors for corruption. The company constantly monitors its activities and improves its activities.

Panevezio statybos trestas AB refrains from any form of influence on politicians and does not fund election campaigns of political parties, their representatives or their candidates. The company always co-operates with the institutions and is ready to provide all the necessary information.

The Company ensures that its procurement is carried out in compliance with the principles of equality, non-discrimination, transparency, mutual recognition, proportionality and requirements of confidentiality as well as impartiality at the same time using the Company's funds in a rational manner. Suppliers are selected on the basis of the most economically advantageous proposal or the lowest price under equal and non-discriminatory conditions.

In performing selection of subcontractors, the Company carries out assessment of subcontractors' qualification. Compliance with environmental, occupational health and safety requirements as well as honesty are the fundamental requirements for subcontractors.

Managing Director

Dalius Gesevicius

29/03/2018



**Disclosure form by *Panevėžio statybos trestas* AB concerning compliance with the Governance Code for the companies listed at the Vilnius Stock Exchange**

Following Paragraph 3, Article 21 of the Law on Securities of the Republic of Lithuania and Clause 24.5 of the Listing Rules of *NASDAQ OMX Vilnius* AB, the public limited liability company *Panevėžio statybos trestas* (hereinafter “the Company”) hereby discloses its compliance with the Governance Code for the companies listed at *NASDAQ OMX Vilnius* and its specific provisions or recommendations. In the event of non-compliance with the Code or certain provisions or recommendations thereof, it is indicated which specific provisions are not complied with and the reasons of such non-compliance and in addition to that any explanatory information prescribed in this form is also provided.

**Summary of Corporate Governance Report:**

*Panevėžio statybos trestas* AB in principle complies with the recommendatory Governance Code for the companies listed at *NASDAQ OMX Vilnius*. Referring to the Articles of Association of the Company, the governance bodies of the Company include the General Shareholders’ Meeting, the Board and the Managing Director. According to the Law on Companies of the Republic of Lithuania, either two (supervisory and management) or one collegial management body may be set up in the Company at the discretion of the Company. No Supervisory Board is set up in the Company. Following the Articles of Association of the Company, the Board is set up of 5 members, which are elected for the period of years. The members of the Board represent the shareholders and perform the supervisory and control functions. Only the Audit Committee, which is elected for the period of one year, is formed in the Company. The functions of the Nomination and Remuneration Committees are performed by the Board.

The system of the corporate governance ensures fair treatment of all shareholders, including minority and foreign shareholders, and protects the rights of the shareholders.

The Company does not prepare and make public the remuneration statement. In the opinion of the Company, such information should not be made public commercially. Following the procedure prescribed by the legal acts, in the Annual Report the Company provides information on the total amounts calculated to the members of the Board, the Chief Executive Officer and Chief Accountant over the accounting period.

The management system of the Company ensures that any information on all essential issues, including financial situation, operation and company management, is disclosed in a timely and accurate manner.

The audit company is proposed by the Board and elected by the Shareholders’ Meeting, thus ensuring independence of the conclusions and opinion provided by the audit company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p><b>Principle I: Basic Provisions</b></p> <p><b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b></p>		
<p>1.1. A company should adopt and make public the company’s development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.</p>	<p align="center">Yes</p>	<p>The Company’s strategy and objectives are made public on the website <a href="http://www.pst.lt">http://www.pst.lt</a> and in the notifications for the Vilnius Stock Exchange, periodic notifications to the BNS news agency, notifications in the newspapers and at the press conferences.</p>
<p>1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.</p>	<p align="center">Yes</p>	
<p>1.3. A company’s supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.</p>	<p align="center">Yes</p>	<p>The Board of the Company is responsible not only for the strategic management of the Company but also analyses and evaluates the material on all issues of the Company activities presented by the managers: implementation of activity strategy, activity arrangement, financial status, etc.</p>

1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
<p><b>Principle II: The corporate governance framework</b></p> <p><b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b></p>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Board, and one-person management body, the Managing Director, are set up in the Company. The collegial supervisory body – the Supervisory Board is not set up.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The supervision of the Company's activities and the responsibility and control of the Chief Executive Officer are ensured by the Board, which analyses and evaluates the material on all items of the Company operation presented by the Chief Executive Officer.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company in principle complies with this recommendation, though only one collegial management body, the Board, is set up, however the authority assigned to the Board by the Articles of Association essentially matches the authority assigned to the Supervisory Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body. <sup>1</sup>	Yes	

<sup>1</sup> Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure supervision of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.6 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies. <sup>2</sup>	Yes	The Board consists of 5 members and this number is considered to be sufficient.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Board, is set up in the Company. The Supervisory Board is not set up.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Board represents the main shareholder and has never been the Chief Executive Officer of the Company.
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b></p> <p>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.<sup>3</sup></p>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	Though there are no independent members of the Board at the Company, the Board ensures objective and fair monitoring of the Company's management bodies as well as representation of minority shareholders.

<sup>2</sup> Definitions 'executive director' and 'non-executive director' are used in cases when a company has only one collegial body.

<sup>3</sup> Attention should be drawn to the fact that in the situation where the collegial body elected by the general shareholders' meeting is the board, it is natural that being a management body it should ensure oversight not of all management bodies of the company, but only of the single-person body of management, i.e. the company's chief executive officer. This note shall apply in respect of item 3.1 as well.

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes</p>	<p>Information on the positions taken by the members of the board or their participation in other companies' operation is continuously collected and compiled, and at the end of every year it is revised and presented in the reports prepared by the Company.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>The information on the composition of the Board is provided in the semi-annual and annual reports prepared by the Company.</p>
<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>The Board is formed considering the Company's structure and activities, the experience of its members, diversity of knowledge related to the Company activities allow doing the work properly.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>The new members are introduced with the Company and the regulations of the Board. The members of the Board constantly participate at various refresher courses and seminars where they collect information about the essential changes in the legislation regulating the Company's activities.</p>
<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved</p>	<p>No</p>	<p>Historically the Company exhibits the situation that the sufficiency of the independent members has not been considered. As the trading of the Company shares takes place actively and the minority shareholders take an active part in the management of the Company, the Company will seek implementation of this principle.</p>

<p>properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>		
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) he/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) he/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> <li>4) he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</li> <li>5) he/she does not have and did not have any material business relations with the company or associated</li> </ol>	<p>No</p>	<p>All five members of the Board are related to the largest shareholder – <i>Panevėžio keliai</i> AB. The candidates to become the members of the Board are proposed to the Shareholders' Meeting by <i>Panevėžio keliai</i> AB, which holds 49.78 per cents of the authorised capital of the Company.</p>

<sup>4</sup> The Code does not provide for a concrete number of independent members to comprise a collegial body. Many codes in foreign countries fix a concrete number of independent members (e.g. at least 1/3 or 1/2 of the members of the collegial body) to comprise the collegial body. However, having regard to the novelty of the institution of independent members in Lithuania and potential problems in finding and electing a concrete number of independent members, the Code provides for a more flexible wording and allows the companies themselves to decide what number of independent members is sufficient. Of course, a larger number of independent members in a collegial body is encouraged and will constitute an example of more suitable corporate governance.

<sup>5</sup> It should be noted that in some companies all members of the collegial body may, due to a very small number of minority shareholders, be elected by the votes of the majority shareholder or a few major shareholders. But even a member of the collegial body elected by the majority shareholders may be considered independent if he/she meets the independence criteria set out in the Code.

<p>company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) he/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) he/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) he/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>Not applicable</p>	<p>The recommendation provided in 3.7 is not complied with.</p>
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>No</p>	<p>The practice of independence assessment and disclosure for the members of the Board is not applied at the Company. The recommendation provided in 3.7 is not complied with.</p>
<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>No</p>	<p>The practice of independence assessment of and disclosure for the members of the Board is not applied at the Company. The recommendation provided in 3.7 is not complied with.</p>



<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup> The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Yes</p>	<p>The Shareholders' Meeting approves the amount of tantiems allocated to the members of the Board. Referring to the International Accounting Standards, tantiems for the members of the Board are attributed to operating expenses of the Company.</p>
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b></p> <p><b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup></p>	<p>Yes</p>	<p>The Board hears the information on the economic activities of Company presented by the Chief Executive Officer and Chief Accountant. It analyses their performance, evaluates its efficiency and, if required, makes recommendations. The Board analyses, evaluates the draft Annual Financial Statement and draft Profit (Loss) Statement of the Company, and presents them to the General Shareholders' Meeting.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>Though historically the Company exhibits the situation that the sufficiency of the independent members has not been considered, based on the data available to the Company, all members of the Board act in good will in respect of the Company, they are guided by the interests of the Company and not those of their own or any third parties, the principles of good faith and reasonableness.</p>

<sup>6</sup> It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiems) in the manner prescribed by Article 59 of this Law, i.e. from the company's profit. The current wording, contrary to the wording effective before 1 January 2004, eliminates the exclusive requirement that annual bonuses (tantiems) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

<sup>7</sup> See Footnote 3.

<sup>8</sup> See Footnote 3. In the event the collegial body elected by the general shareholders' meeting is the board, it should provide recommendations to the company's single-person body of management, i.e. the company's chief executive officer.

<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The members of the Board participated at the meetings of the Board and each of them devoted sufficient time to perform the duties as a member of the Board.</p> <p>In all meetings of the Board taken place in 2017 there was quorum prescribed by the legislation. The members of the Board participating at the meeting are recorded in the Minutes of the Meeting. 13 meetings of the Board took place in 2017. Three members of the Board participated in all meetings and two members of the Board participated in 12 meetings of the Board.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The management bodies of the Company follow the principles of communication with the shareholders established by the laws.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Not applicable</p>	<p>Transactions with the members of managing bodies are not concluded.</p> <p>Only usual activity transactions are concluded with the main shareholder.</p>

<sup>9</sup> It is notable that companies can make this requirement more stringent and provide that shareholders should be informed about failure to participate at the meetings of the collegial body if, for instance, a member of the collegial body participated at less than 2/3 or 3/4 of the meetings. Such measures, which ensure active participation in the meetings of the collegial body, are encouraged and will constitute an example of more suitable corporate governance.

<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes</p>	<p>The collegial management body, which to a wide extent is dependent on the main shareholder acting in the similar business, passes decisions considering the interests only of the Company. The Company provides the Board with sufficient resources required for their function performance, and the employees of the Company who are responsible for the areas of operation under discussion participate at the meeting of the Board and present all necessary information.</p>
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>The collegial body of the Company's management is the Board performing the functions of Nomination Committee and the Remuneration Committees. The Board chooses and approves the candidacy of the Chief Executive Officer of the Company – Managing Director, and agrees with the candidacies of Directors of the Company proposed by the Managing Director. It continuously evaluates their experience, professional capabilities and implementation of the Company's strategic goals, hears out their reports. The Board selects the candidate for the external audit and provides proposals to the General Shareholders' Meeting for approval. On 21 April 2017 the Audit Committee was elected during the Annual General Shareholders' Meeting.</p>

<sup>10</sup> In the event the collegial body elected by the general shareholders' meeting is the board, the recommendation concerning its independence from the company's management bodies applies to the extent it relates to the independence from the company's chief executive officer.

<sup>11</sup> The Law on Audit of the Republic of Lithuania (*Official Gazette*, 2008, No 82-53233) determines that an Audit Committee shall be formed in each public interest entity (including, but not limited to, the public companies whose securities are traded in the regulated market of the Republic of Lithuania and/or any other member state).

<p>4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.</p>	<p>Yes/No</p>	<p>See commentary on the recommendation provided in 4.7. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.</p>
<p>4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members.</p> <p>Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.</p>	<p>Yes/No</p>	<p>See commentary on the recommendation provided in 4.7. The Audit Committee is composed of three members. Two member conform to the requirements for independence. The Audit Committee is elected for the period of one year.</p>
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.</p>	<p>Yes</p>	<p>See commentary on the recommendation 4.7. The authority, rights and duties of the Audit Committee are determined by the Rules of the Audit Committee following the applicable legislation, and the authority, rights and duties of the Audit Committee are approved by the General Shareholders' meeting. The authority, rights and duties of the Audit Committee do not differ from those determined by the legislation. The approved rules of the Audit Committee are made public on the Company's website.</p>
<p>4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.</p>	<p>Yes</p>	<p>See commentary on the recommendation provided in 4.7. Applicable to the Audit Committee. The members of the Board, Chief Executive Officer, Finance Director, Company employees may be invited to the meetings of the Audit Committee.</p>

<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the nomination committee should be the following:</p> <ol style="list-style-type: none"> <li>1) identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) properly consider issues related to succession planning;</li> <li>5) review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.</p>	<p>Not applicable</p>	<p>The Nomination Committee is not formed. The collegial management body of the Company, the Board, performs the function of the Nomination Committee. (See commentary on the recommendation provided in 4.7.)</p>
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ol style="list-style-type: none"> <li>1) make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</li> </ol>	<p>Not applicable</p>	<p>The committee is not formed. The collegial management body of the Company, the Board, performs the function of the Nomination Committee. (See commentary on the recommendation provided in 4.7.)</p>

<p>4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</p> <p>5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> <li>1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. the committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ol> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p>	<p>Yes</p>	<p>On 21 April 2017, the Audit Committee was elected during the Annual General Shareholders' Meeting. The Audit Committee is composed of three members, two of which are independent. The Audit Committee organizes its work following the rules of the Audit Committee approved at the Shareholders' Meeting.</p>
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<p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	<p>No</p>	<p>There is no practice for assessment of internal activities and informing about that available at the Company.</p>



**Principle V: The working procedure of the company's collegial bodies**

The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.

5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The meetings of the Board are chaired by the Chairperson. The Board Secretary assists in arranging the work of the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month <sup>12</sup> .	Yes	The meetings of the Company's collegial body, the Board, are carried out based on the periodicity approved in advance and in accordance with the planned agendas.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Three days before to the meeting date each member of the Board can familiarize himself/herself with the documents of the meeting, reports, and draft resolutions.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company is not able to implement this recommendation because the Supervisory Board is not set up.

<sup>12</sup> The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.

<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>		
<b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary registered shares granting equal personal and non-property rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. <sup>13</sup> All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Articles of Association do not assign the decision making to the General Shareholders' Meeting if they are related to the long-term assets, the balance sheet value of which is higher than 1/20 of the Company's authorized capital, investment transfer, rent, mortgage, purchase, etc.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The place, date and time of the General Shareholders' Meeting are chosen in a manner ensuring the possibilities to all shareholders to effectively participate at the Shareholders' Meeting. The shareholders are informed about the convening of the General Shareholders' Meeting in public and no later than 21 days prior to the Shareholders' Meeting are allowed to familiarize themselves with the draft resolutions.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The notices on the General Shareholders' Meeting to be convened, draft resolutions and documents proposed by the Board to the General Shareholders' Meeting as well as the resolutions adopted and documents approved are made public and are accessible on the Company's website. All information and documents for investors are made public in both Lithuanian and English through the information system of <i>NADAQ OMX Vilnius</i> and on the Company's website.

<sup>13</sup> The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) no longer assigns resolutions concerning the investment, transfer, lease, mortgage or acquisition of the long-terms assets accounting for more than 1/20 of the company's authorized capital to the competence of the general shareholders' meeting. However, transactions that are important and material for the company's activity should be considered and approved by the general shareholders' meeting. The Law on Companies contains no prohibition to this effect either. Yet, in order not to encumber the company's activity and escape an unreasonably frequent consideration of transactions at the meetings, companies are free to establish their own criteria of material transactions, which are subject to the approval of the meeting. While establishing these criteria of material transactions, companies may follow the criteria set out in items 3, 4, 5 and 6 of paragraph 4 of Article 34 of the Law on Companies or derogate from them in view of the specific nature of their operation and their attempt to ensure uninterrupted, efficient functioning of the company.

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder can participate in the meeting in person or delegating the participation to some other person. The Company allows the shareholders voting by filling in the general voting ballot as prescribed by the law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company does not comply with the provisions of this recommendation, as it is not possible to ensure text protection and identify the signature of a voting person. Furthermore, in the Company's opinion, so far there was no need for any modern technologies at the Shareholders' Meeting for the purposes of participation and voting via electronic means of communication.
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b></p> <p><b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b></p>		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the management bodies act in such a manner that there was no conflict of interests, therefore in practice there was not a single event thereof.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Not applicable	No transactions are concluded with the members of the Company's management bodies.
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions	Yes	

concerning transactions or other issues of personal or business interest are voted on.		
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b></p>		
<p>8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.</p>	No	<p>The Company does not prepare and make public the remuneration statement. In the opinion of the Company, such information should not be made public commercially. Following the procedure prescribed by the legal acts, in the Annual Report the Company provides information on the total amounts calculated to the members of the Board, the Chief Executive Officer and Chief Accountant over the accounting period.</p> <p>The Company observes the rules for the directors' remuneration, which are approved by the Board.</p>
<p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p>	No	<p>Recommendations provided in 8.1 are not complied with.</p>
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) an explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>5) sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>6) sufficient information on the linkage between the remuneration and performance;</li> <li>7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) sufficient information on the policy regarding termination payments;</li> <li>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this code;</li> <li>10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this code;</li> <li>11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> </ol>	No	<p>Recommendations provided in 8.1 are not complied with.</p>

<p>12) a description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) remuneration statement should not include commercially sensitive information.</p>		
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	The contracts with the Chief Executive Officers are executed and approved by the Board. These contracts are confidential and their content as well as provisions thereof are not made public.
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>2) the remuneration and advantages received from any undertaking belonging to the same group;</li> <li>3) the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>4) if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>5) compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>6) total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ol> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ol style="list-style-type: none"> <li>1) the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>2) the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>3) the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>4) all changes in the terms and conditions of existing share options occurring during the financial year.</li> </ol> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p>	No	Recommendations provided in 8.1 are not complied with.

<p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2) when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component (s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	Yes	The rules for the directors' remuneration approved by the Board provides for the evaluation criteria of their performance results.
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	Yes	
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	Yes	
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	Not applicable	The Company did not pay any variable components of remuneration which had been awarded on the basis of data which subsequently proved to be manifestly misstated.
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	No	Termination payments are paid following the laws of the Republic of Lithuania.
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	No	Termination payments are paid following the laws of the Republic of Lithuania.

8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	Recommendations provided in 8.1 are not complied with.
8.13. Shares should not vest for at least three years after their award.	Not applicable	Recommendations provided in 8.1 are not complied with. The directors are not remunerated in shears.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Recommendations provided in 8.1 are not complied with. The directors are not remunerated in shears, shear options or any other right to purchase the Company's shares.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	Recommendations provided in 8.1 are not complied with. The directors are not remunerated in shears, shear options or any other right to purchase the Company's shares.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	Recommendations provided in item 8.1 are not complied with. The directors are not remunerated in shears, shear options or any other right to purchase the Company's shares.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	Recommendations provided in item 8.1 are not complied with.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	Recommendations provided in item 8.1 are not complied with.

<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	<p>Not applicable</p>	<p>There is no scheme anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements adopted at the Company.</p>
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ol style="list-style-type: none"> <li>1) grant of share-based schemes, including share options, to directors;</li> <li>2) determination of maximum number of shares and main conditions of share granting;</li> <li>3) the term within which options can be exercised;</li> <li>4) the conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ol>	<p>Not applicable</p>	
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p>	<p>Not applicable</p>	
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	<p>Not applicable</p>	



<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.</p>	<p>Not applicable</p>	
<p><b>Principle IX: The role of stakeholders in corporate governance</b></p> <p><b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b></p>		
<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company respects all rights of the stakeholders, allows the stakeholders to participate in corporate governance in the manner prescribed by law. Detailed information on scheduled events of the shareholders is made public following the procedure prescribed by law, the investors (shareholders) have sufficient opportunities to familiarize themselves with the relevant information and vote in adopting decisions.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.</p>	<p>Yes</p>	
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>Yes</p>	

**Principle X: Information disclosure and transparency**

**The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**

<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"><li>1) the financial and operating results of the company;</li><li>2) company objectives;</li><li>3) persons holding by the right of ownership or in control of a block of shares in the company;</li><li>4) members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration;</li><li>5) material foreseeable risk factors;</li><li>6) transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li><li>7) material issues regarding employees and other stakeholders;</li><li>8) governance structures and strategy.</li></ol> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p>	Yes	The information mentioned in this recommendation is disclosed in notifications of material events through the information disclosure and distribution system <i>Globenewswire</i> used by NASDAQ OMX, on the Company's website, in the Company's annual and intermediate information statements to the extent required by the legislation and international financial reporting standards adopted in the European Union.
<p>10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p>	Yes	
<p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p>	Yes/No	See the commentary to recommendation 3.2, principle III. The Company does not prepare and make public the remuneration statement – see the commentary on recommendation 8.1, principle VIII.
<p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	Yes/No	

10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company presents the information through the information disclosure system <i>Globenewswire</i> used by NASDAQ OMX in the Lithuanian and English languages at the same time. The Company does not disclose any information that might have effect on the price of its securities in the comments, interviews or any other ways before such information is announced through the information system of the Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company plans to sign a contract with <i>Vilniaus vertybiniu popieriu birza</i> , AB (Vilnius Stock Exchange) regarding the creation of the column for the link with the investors in the website of the Company where all information published by the information disclosure and distribution system <i>Globenewswire</i> used by NASDAQ OMX will also be published on the Company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	

**Principle XI: The selection of the company's auditor**

**The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**

11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The audit of the annual financial statement and annual report is conducted by the independent audit company.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	The firm of auditors, <i>KPMG Baltics</i> UAB, which had performed the audit for the year 2016, in 2017 provided non-audit services for 5,375 Eur, VAT excl.