AB Panevėžio statybos trestas

Financial statements for the year 2018, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, presented together with the independent auditor‘s report and annual report

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Information about the Company

AB Panevėžio statybos trestas

Company code:	147732969
Phone no.:	+370 45 505 503
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Address:	P. Puzino st. 1, LT-35173 Panevėžys

The Board

Remigijus Juodviršis, Chairman
Justas Jasiūnas
Audrius Butkūnas
Audrius Balčėtis
Vilius Gražys

Management

Dalius Gesevičius, Managing Director

Auditor

Ernst & Young Baltic, UAB

Banks

AB Luminor bank
AB SEB bank
AB Swedbank
AB Šiaulių bank
AB Citadele bank
OP Corporate Bank plc Lithuania

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Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

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Code of legal entity 110878442
VAT payer code LT108784411
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 2018, 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 2018 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 on the Company a fine of EUR 8.5 million. The management disagrees with the decision of the Competition Council and filed an appeal to the Supreme Administrative Court of Lithuania with the request to cancel the fine imposed after the unfavourable decision taken by Vilnius Regional Administrative Court on this matter,	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 and resulting management's disclosure of the contingent liability in the financial statements. Our procedures also included reading the appeal filed by the Company to the Vilnius Regional Administrative Court, discussing with the external legal advisor of the

The key audit matter

and the payment of the fine is currently deferred till the resolution of the case by the Court. Considering the expected outcome of this uncertainty the management recorded no provision as of 31 December 2018 and 2017 in respect of the fine imposed by the Competition Council in the Company's financial statements.

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 significant management judgement to assess the probable outcome of this uncertainty and consequently the amount of provision to be recorded and/or contingent liability to be disclosed in the financial statements.

How the matter was addressed in the audit

Company the progress of the case since our last year's audit procedures as well as reading the external legal advisor's letter responding to our inquiries about this uncertainty. Furthermore, we have considered the adequacy of the disclosures in Note 27 of the financial statements on this matter.

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, 3.14 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.

Our audit procedures included, among others:

- Analysing the Company's assessment of IFRS 15 *Revenue from Contracts with Customers* implementation.
- Testing the 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 2018 with the total cost estimates and forecasted margins for those contracts used for revenue recognition as of 31 December 2017.
- Considering whether all loss making contracts were properly identified and accounted for.
- Selecting a sample of contracts with greatest potential impact on the Company's financial statements for the year ended 31 December 2018, 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 performing 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

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The key audit matter	How the matter was addressed in the audit
	completion to the costs included in the statement of comprehensive income, considering also whether they are 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; - and tracing actual contract revenues accounted for in the statement of comprehensive income 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.
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 amounts to EUR 5.7 million and the total balance of receivables from these subsidiaries, including loans granted and accrued interest, amounts to EUR 7.5 million as at 31 December 2018 (Notes 17, 20 and 28). 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 recorded in prior years. This matter was important to our audit due to significance of the amounts involved and high degree of related management estimation.	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 accounts 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 the recoverable values of the investments. We have also compared the price indicated in the third party commercial offer provided to us by the management to the management estimate where the management has used it as a basis to determine the

The key audit matter	How the matter was addressed in the audit
	value of the real estate projects being developed by subsidiary. 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 flow forecasts. 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.

Other matter

As described in Note 1 to the financial statements, these financial statements replace the previous version of the financial statements of the Company for the year ended 31 December 2018 that have been approved by the management on 5 April 2019, on which we issued unmodified audit opinion dated 5 April 2019. Consequently, this auditor's report represents a re-issued auditor's report on the amended financial statements of the Company for the year ended 31 December 2018 and approved by the management on 25 April 2019.

Other information

Other information consists of the information included in the Company's 2018 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 Annual Report, including Corporate Governance Report, corresponds to the financial statements for the same financial year and if the Company's 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 Annual Report, including Corporate Governance Report, corresponds to the financial information included in the financial statements for the year ended 31 December 2018; and
- The Company's 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 two years.

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 Gudinaitė.

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

Inga Gudinaitė
Auditor's licence
No. 000366

25 April 2019

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 2018 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

April 25, 2019

Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Approved
Minutes No. ____________

Statement of comprehensive income

For the year ended December 31

EUR thousand

	Note	2018	2017
Revenue from contracts with customers	5	94 797	0
Sales revenue	5	0	56 351
Cost of sales	6	(92 655)	(52 277)
Gross profit		**2 142**	**4 074**
Other income	10	491	524
Selling expenses	7	(346)	(303)
Administrative expenses, total:	8	**(4 838)**	**(4 581)**
Expenses of impairment of trade debts, contract assets and other receivables		(818)	0
Other administrative expenses		(4 020)	0
Other expenses	10	(354)	(354)
Profit (loss) from operating activities		(2 905)	(640)
Financial income	11	103	1 398
Financial expenses, total:	11	**(2 152)**	**(510)**
Expenses of impairment of investments and loans granted	16	(2 083)	(476)
Other financial expenses		(69)	(34)
Profit (loss) before taxes		**(4 954)**	**248**
Income tax expenses	12	102	(54)
Net profit (loss)		(4 852)	**194**
Other comprehensive income			
Items that will never be transferred to profit (loss)		**1 115**	**0**
Impact of real estate revaluation		1 312	0
Impact of income tax		(197)	0
Items that can or will be transferred to profit (loss)		**0**	**0**
Other comprehensive income, total		**1 115**	**0**
Comprehensive income, total		**(3 737)**	**194**
Basic earnings (loss) per share	30	(0,30)	0,01

Notes disclosed in pages 14–54 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	25/04/2019
Chief accountant	Danguolė Širvinskienė	25/04/2019

Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Approved
Minutes No. ____________

Statement of financial position

As at December 31

EUR thousand

	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	6 181	4 808
Intangible assets	14	66	109
Investment property	15	2 650	1 300
Investments in subsidiaries	16	5 719	7 390
Loans granted	17	5 678	2 563
Long-term trade receivables	19	2 912	1 060
Other non-current financial assets		45	37
Deferred tax assets	12	0	55
Non-current assets, total		**23 251**	**17 322**
Current assets			
Inventories	18	4 378	1 527
Trade receivables and contract assets	4, 19	15 630	7 977
Prepayments		467	686
Loans granted	20	0	388
Other current assets	21	1 346	2 198
Prepaid income tax	21	206	394
Cash and cash equivalents	22	13 708	25 433
Current assets, total		**35 735**	**38 603**
TOTAL ASSETS		**58 986**	**55 925**

Notes disclosed in pages 14–54 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	25/04/2019	
Chief accountant	Danguolė Širvinskienė	25/04/2019	

Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Approved
Minutes No. ____________________

Statement of financial position (cont'd)

As at December 31

EUR thousand

	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Share capital	23	4 742	4 742
Reserves	23	2 755	1 713
Retained earnings		26 657	32 417
Total equity		**34 154**	**38 872**
Non-current liabilities			
Warranty provision	25	656	531
Deferred tax liability	12	40	0
Pension fund provision	25	199	162
Total non-current liabilities		**895**	**693**
Current liabilities			
Trade payables	24	17 368	8 655
Prepayments received	19	-	3 171
Payable income tax		0	0
Other liabilities	19, 26	6 569	4 534
Current liabilities		**23 937**	**16 360**
Total liabilities		**24 832**	**17 053**
TOTAL EQUITY IR LIABILITIES		**58 986**	**55 925**

Notes disclosed in pages 14–54 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	25/04/2019
Chief accountant	Danguolė Širvinskienė	25/04/2019

Company code: 147732969
Address: P. Puzino st. 1, LT-35173 Panevėžys

Approved
Minutes No. ____________

Statement of changes in equity

EUR thousand	Note	Share capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 12/31/2017		**4 742**	**475**	**1 238**	**32 417**	**38 872**
Total comprehensive income for the year						
Gross profit (loss)					(4 852)	(4 852)
Total other comprehensive income	23			1 115		1 115
Total comprehensive income				1 115	(4 852)	(3 737)
Building depreciation transfer				(73)	73	0
Contributions by and distributions to owners of the Company						
Dividends to the owners of the Company	30				(981)	(981)
Total contributions by and distributions to owners of the Company					(981)	(981)
Balance as at 12/31/2018		**4 742**	**475**	**2 280**	**26 657**	**34 154**
Balance as at 12/31/2016		**4 742**	**475**	**1 312**	**33 212**	**39 741**
Total comprehensive income for the year						
Net profit (loss)					194	194
Total comprehensive income					194	194
Building depreciation transfer				(74)	74	0
Contributions by and distributions to owners of the Company						
Dividends to the owners of the Company	30				(1 063)	(1 063)
Total contributions by and distributions to owners of the Company					(1 063)	(1 063)
Balance as at 12/31/2017		**4 742**	**475**	**1 238**	**32 417**	**38 872**

Notes disclosed in pages 14–54 are an integral part of these financial statements.

Managing Director Dalius Gesevičius 25/04/2019

Chief accountant Danguolė Širvinskienė 25/04/2019

Statement of cash flows

For the year ended December 31
EUR thousand

	Note	2018	2017
Cash flows from (to) operating activities			
Net profit (loss)		(4 852)	194
Adjustments for:			
Depreciation and amortisation	13, 14	1 194	1 009
Result from disposal of property, plant and equipment		(13)	(25)
Income tax expenses	12	(102)	54
Financial activities	11	58	(888)
Other non-cash items		2 297	2 513
		(1 418)	2 857
Changes in long-term receivables in one year		(29)	(7)
Changes in inventories	18	(2 862)	(769)
Changes in trade receivables and contract assets	19	(9 101)	769
Changes in prepayments		220	(439)
Changes in other assets		710	(586)
Changes in trade payables	24	8 252	(534)
Changes in prepayments received	19	(2 437)	3 133
Changes in other liabilities		1 557	80
		(5 108)	4 504
Paid income tax		0	0
Cash flows from (to) operating activities, net		**(5 108)**	**4 504**
Cash flows from (to) investment activities			
Acquisition of non-current intangible assets and property, plant and equipment	13, 14	(2 194)	(734)
Disposal of property, plant and equipment		26	54
Acquisition of subsidiary	16	(412)	0
Loans granted	28	(3 168)	(451)
Loans received		136	369
Dividends and income received	11	10	1 367
Cash flows from (to) investment activities, net		**(5 602)**	**605**
Cash flows from (to) financial activities			
Dividends paid*		(979)	(1 056)
Paid interest for bank guarantees	11	(36)	(30)
Cash flows from (to) financial activities, net		**(1 015)**	**(1 086)**
Net increase (decrease) in cash and cash flows		(11 725)	4 023
Foreign exchange currency fluctuation impact on cash		-	-
Cash and cash equivalents as at January 1	22	25 433	21 410
Cash and cash equivalents as at December 31	22	**13 708**	**25 433**

In 2018, the Company's general meeting of shareholders made a decision to pay EUR 981 thousand dividends (in 2017, EUR 1 063 thousand). In 2018 and 2017, the Company paid 99,8 % of dividends. As at 31 December 2018, total balance of payable dividends was EUR 26 thousand (as at 31 December 2017, EUR 25 thousand).

Non cash items:		
Non current assets acquired by netting a loan balance	367	-

Notes disclosed in pages 14–54 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	25/04/2019
Chief accountant	Danguolė Širvinskienė	25/04/2019

Notes

1. General information

AB Panevėžio statybos trestas (hereinafter the Company) was established in 1957. Its company code is 147732969, its registered address is P. Puzino st. 1, LT-35173 Panevėžys, the Republic of Lithuania. Since 13 July 2006, the Company's ordinary shares are included in the Official trading list of the Vilnius Stock Exchange (VSE). The main activities of the Company are construction of buildings, structures, plant and communication facilities in Lithuania and abroad. As at 31 December 2018, the Company had 775 employees (as at 31 December 2017, 770 employees).

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

As at 31 December 2018 and 2017, the principal shareholders of the Company were as follows:

- AB Panevėžio keliai, S. Kerbedžio st. 7, Panevėžys, company code 147710353, (49,78 %);
- Swedbank AS (Estonia), Liivalaia 8, 15040 Talinas, Estonia, company code 10060701, (7,87 %);
- The freely traded shares, owned by natural and legal persons (42,35 %). No one owns more than 5 %.

There is no ultimate controlling shareholder.

These financial statements are the Company's separate financial statements. The Company is also preparing the Company's and its subsidiaries' consolidated financial statements. The Company has prepared a separate set of consolidated financial statements, which is kept at the Company's registered office at P. Puzino 1, LT-35173 Panevėžys, the Republic of Lithuania. The information about the subsidiaries' activities is presented in Note 16.

The Company's management authorized these separate financial statements on 25 April 2019. These financial statements replace the financial statements for the year ended 31 December 2018 that had been previously approved by the management on 5 April 2019. Previously issued financial statements are reissued based on the decision of the management and the Board in order to take into account the latest available information that has an effect on the significant estimate of the fair value of the real estate project developed by ZAO ISK Baltevromarket in Kaliningrad. The previous financial statements included management estimate of the fair value of the project of EUR 9,700 thousand (that was based on the external valuator's appraisal) and this estimate has been revised to EUR 6,500 thousand based on the third party commercial offer received on the sale of part of the land plots of the project (1,200 thousand EUR) and information received from this potential customer that he considers providing the commercial offer to acquire the remaining land plots of the project for the price of EUR 5,300 thousand in the near future. The management intends to accept and exercise this offer at the suggested price, therefore this resulted in the additional increase in the impairment of investment in subsidiary recorded in 2018 as disclosed in detail in Note 16 of these financial statements. The management took a decision not to re-issue the consolidated financial statements of the Group also approved by the management on 5 April 2019 and prepared using the estimate of EUR 9,700 thousand because the revision of this estimate to EUR 6,500 thousand would not result in additional impairment as at 31 December 2018 and thus would not have an impact on the carrying value of assets presented in the consolidated statement of financial position and the financial results of the Group.

The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require a new set of financial statements to be prepared. The Company's management approved these financial statements on 25 April 2019.

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 IFRS).

Basis of preparation of financial statements

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 valuated at fair value.

Functional and presentation currency

These 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.

Estimates

The preparation of financial statements in compliance with IFRS 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.

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 which are measured using the revaluation model, useful lives of property, plant and equipment. The Company assesses the economic useful lives of property, plant and equipment and intangible assets at least once a year (Note 3.3).
- 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, as well as used commercial offer received from the third party and related information.
- Note 19 – impairment of trade receivables and estimation of revenue from contracts with customers and contract assets also contract liabilities based on the stage of completion of the construction contracts. The accuracy of the recognition of revenue on contracts in progress is highly dependent on the judgment exercised by management in assessing the completeness and accuracy of planned costs as it is the key assumption in the assessment of revenue, contract assets and contract liabilities based on the stage of completion of the contracts in progress. Estimating the recoverable amounts of receivables is a process, which requires significant management judgement and estimates, particularly those that are related to future cash flows. Estimates were applied in assessing the amounts to be collected and their timing.
- Notes 17 and 20 –part of loans granted is classified as long term, despite the fact that their contractual maturity date is 31 December 2019. Based on the management judgement and assessment of the subsidiaries ability to repay their debts, these loans are expected to be recovered only after 31 December 2019. The impairment test of loans granted is based on liquidity situation of subsidiaries according to their financial statements and cash flows forecasts.
- 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 the management judgement it is more likely than not, that the Company will win the legal disputes mentioned in the note, or it is not possible to make a reasonable estimate of the outcome of the contingency at the moment.

3. Summary of significant accounting policies

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 2018:

IFRS 9 Financial Instruments
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 Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018, no practical expedients have been used. Adoption of the standard had no material impact on the Company's financial statements (therefore there is no adjustment to the opening balance of retained earnings as of 1 January 2018), except for the presentation of the required additional disclosures described in accounting policy (Note 3.2). The Company has not restated the comparative information, which continues to be reported under IAS 39

15 TFAS: Revenue from contracts with customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. The standard requirements are as well applied recognising and assessing sales income and losses of a particular financial asset that is not attributable to the Company's usual activities (e.g. sales of property, plant and equipment or intangible assets). IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive additional disclosures, which are presented in these financial statements as relevant.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. According to the modified approach, the standard can be initially applied either to all contracts on 1 January 2018 or only to contracts not completed as of the date of initial application. The Company applied it to the contracts not yet completed as of 1 January 2018, no practical expedients have been used, except as disclosed in Note 3.14.

The adoption of IFRS 15 had no material impact on the financial statements of the Company (therefore there is no adjustment to the opening balance of retained earnings as of 1 January 2018), except for the presentation of the required additional disclosures described in accounting policy in Note 3.14 and Note 19. The comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

IFRS 15 had an effect on the presentation of the following line items in the statements of financial position and comprehensive income as of 31 December 2018 and for the year then ended:

As at 31December 2018	In accordance with IFRS 15	According to previous IFRSs
Received prepayments	0	734
Other liabilities	734	0
2018		
Income from contracts with clients	94 797	-
Sales income	-	94 797

In addition, as described in Notes 19 and 26 as a result of adoption of IFRS 15 accrued income as of 31 December 2017 is presented as contract assets as of 31 December 2018, while deferred income and prepayments received as of 31 December 2017 are presented as contract liabilities as of 31 December 2018.

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
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. As disclosed above, adoption of the standard and its clarifications had no material impact on the Company's financial statements.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
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. Amendments had no material impact on the Company's financial statements as the Company does not have share based transactions.

- **IAS 40: Transfers to Investment Property (Amendments)**
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. Amendments had no material impact on the Company's financial statements.

- **IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration**
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. Interpretation had no material impact on the Company's financial statements.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. Management has adopted improvements and they had no impact on the Company's financial statements.

- ***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.

Standards issued but not yet effective

The Company has not applied the following IFRS and IFRIC interpretations that have been issued but not yet effective:

- **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 exceptions. Lessor accounting remains substantially unchanged. The Company's management has made a preliminary evaluation of standard adoption impact and considers it not significant as the Company only has a few lease contracts that are insignificant.

- **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 9: Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. 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. The Company has not yet evaluated the impact of the implementation of these amendments.

- **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. It is not expected that the amendments will be significant to the Company.

- **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 guid-

ance 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.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of these amendments.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU. The Company has not yet evaluated the impact of the implementation of these amendments.

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. It is not expected that the improvements will be significant to the Company.

- **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.

Conceptual Framework in IFRS standards
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

The Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

3.1 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.

3.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables and contract assets that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables and contract assets that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A regular way purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
After initial recognition, the Group/Company measures a financial asset at:

a) Amortised cost (debt instruments);
b) Fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments). The Company did not have such items as at 31 December 2018 and 2017;
c) Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Company did not have such items as at 31 December 2018 and 2017;
d) Fair value through profit or loss. The Company did not have such items as at 31 December 2018 and 2017.

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade, other current and non-current receivables, loans granted and contract assets.

Impairment of financial assets

Following IFRS 9, in common case scenario, the Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(a) Assessment of impairment of trade receivables and contract assets

Based on assessment of the Management, trade receivables and contract assets that do not contain a significant financing component and accordingly their impairment is assessed by applying a simplified approach, i.e. for material individual customers the management performs an assessment of specifically expected credit losses, taking into account the customer's credit history as well as forward looking factors and risk factors specific to the debtor. For all remaining receivables the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(b) Assessment of impairment of loans granted

The Company is granting loans to the other entities of the Group under the agreements with defined repayment terms as disclosed in Note 17. In a common case scenario the expected 12-months credit losses are assessed and accounted upon issue of the loan. In subsequent periods, given the absence of significant increase in the credit risk associated with the debtor, the Company re-assesses the 12-months ECL balance based on the loan amount still outstanding as of the date of the re-assessment. If it is determined that the financial position of the debtor has significantly deteriorated in comparison with the position when the loan was issued, the Company accounts for ECL over the remaining life of the loan. Loans subject to assessment of lifetime ECL is considered to be credit-impaired financial assets.

The Company considers that the debtor has defaulted on the obligations associated with the financial assets, if the contractual payments are overdue more than 90 days or when there are indications that the debtor, or the group of debtors, are facing significant financial difficulties, default on the payments of principal amount or interest, and there is a probability that bankruptcy or reorganization procedures will be initiated, as well as when observable data indicates that the decrease of expected future cash flows is likely, e.g. change in the overdue days or change in the economic factors that correlate with the defaults on the obligations.

Impairment losses on trade receivables and loans granted are recognized in profit (loss) using contra-asset accounts. Financial assets are derecognized when there is no reasonable expectation to recover contractual cash flows.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans received, including bank overdrafts and finance lease liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below.

Loans received and other payables

After initial recognition, loans and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income, when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

IFRS 9 adoption impact as of 1 January 2018

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. Trade receivables and other non-current and current financial assets classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018. The Company had no financial assets or liabilities measured at fair value under IAS 39. There are no changes in classification and measurement for the Company's financial liabilities.

As described above, the adoption of IFRS 9 has fundamentally changed accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. Upon adoption of IFRS 9 the Company recognized additional impairment on the trade receivables in the amount of EUR 83 thousand in 2018 and as additional impairment was not material as of 1 January 2018, the Company has not adjusted the opening retained earnings balance in equity upon adoption of the IFRS 9. IFRS 9 adoption had no material effect on the impairment of the loans granted and other financial assets, as in accordance to the management estimate considering the Company's clients creditworthiness and amounts repayment, estimated potential credit losses are immaterial or are not present at all.

Financial instrument accounting until 1 January 2018

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

Financial instruments are recognized on the trade date. 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.

After initial recognition, loans and receivables are 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, financial 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.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

i) The rights to receive cash flows from the asset have expired or
ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay (amount of the guarantee).

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3.3 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. Depreciation is calculated using a straight-line method over the assessed useful life of an asset.

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. 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 (loss).

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.

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.

3.4 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.

3.5 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.

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.

3.6 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.

3.7 Investments in subsidiaries and joint arrangements

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.

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.

3.8 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 (FIFO) 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 ongoing construction 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. Project related inventories' accounting policy is the same as stated above.

Unrealisable inventory is fully written-off.

3.9 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term equal to or less than 3 months and tax bank accounts.

3.10 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.

3.11 Dividends

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

3.12 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, i.e.assurance type warranties, as the Company does not grant additional warranties to the clients. The provision is based on historical warranty costs data and probabilities.

3.13 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 borned 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 as expense in the statement of comprehensive income as incurred.

The 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 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.

3.14 Revenue

Revenue from contracts with customers (since 1 January 2018)

The Company's primarily business activity is the construction of buildings, structures, plant and equipment and communication facilities. Revenue from contracts with customers is recognised when control of the services or goods are transferred to the customer at an amount that reflects the consideration to which the Company.

Company expects to be entitled in exchange for those services or goods. Generally the Company has no material variable price components in its contracts with customers.
The Company has concluded that generally it is the principal in its construction services contracts even when the subcontractors are used in the implementation of the projects, because:
- The entity controls the goods or services before transferring them to the customer;
- The entity is primarily responsible for the general completion of the contract with the customer and bears risk of non-performance;
- The entity has latitude in establishing price.

Significant management judgments made in relation to revenue recognition from the contracts with customers are disclosed in Note 2.

Performance obligations arising from the construction contracts with customers are fulfilled over time and respectively revenue from the construction and installation services are recognized over time if any of the following criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

When if the Company can reasonably measure its progress towards complete satisfaction of the performance obligation, the Company recognizes revenue and expenses in relation to each construction contract over time, based on the progress of performance. The progress of performance is assessed based on the proportion of the costs incurred in fulfilling the contract up to date over to the total estimated costs of the construction contract.

When the Company is not be able to reasonably measure the outcome of a performance obligation (for example, in the early stages of a contract), but the entity expects to recover the costs incurred in satisfying the performance obligation, the Company recognizes revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. When it is determined that the costs of the contract are expected to exceed the revenue, the entire estimated loss amount is recognized in profit (loss).

Contract modification (scope or price, or both) is accounted for either as a separate contract with customer, if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling prices of the additional promised goods or services in the circumstances of the particular contract. Otherwise the contract modification is accounted as (a) termination of the existing contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification or (b) part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the entity's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification.

Provisions for loss making contracts are recognized when the Company has a present obligation (legal or constructive) to complete the construction contract for the third party for the price that is lower than the total estimated cost to perform the contract as of the date of the financial statements. The difference (loss) between the contract price and the total estimated cost of delivery under the contract is recognized in the statement of comprehensive income.

When fulfilling the contracts the Company can receive short term prepayments from its customers. Applying the practical expedient, the Company is not adjusting the price allocation by the financing component, if at the inception of the contract it is expected that the time period from the customer payment for goods/services till the delivery of these goods/services will not exceed one year.

Contract balances

Contract assets

Contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration, except any amounts that are recognized as receivables.

Trade receivables

Trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Receivables are accounted in accordance with IFRS 9 (Note 3.2).

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

Income from other services or sales of goods is recognized when the control over service/goods is transferred to the customer, although such transactions are relatively not material.

Income from sales (until 1 January 2018)

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.

If receivables from customers are bigger than recognised income under unfinished construction contracts, the difference is presented in the statement of financial position as deferred income. Prepayments for construction contracts not yet started are presented in the statement of financial position as received prepayments. If receivables from customers are lower than recognised income under unfinished construction contracts, the difference is presented in the statement of financial position as accrued income.

3.15 Financial income and expenses

Financial 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. Financial costs comprise interest expense and other financial expenses. 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.

3.16 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.

3.17 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.

3.18 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 2018 and 2017, the Company also does not distinguish geographical segments, as the Company's income from foreign countries did not account for more than 10% of the total income and most of its non-current assets are also located in Lithuania.

3.19 Determination of fair value

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 Notes 13, 15 and 29. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3.20 Offsetting

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 Reporting Standards specifically require such off-setting.

3.21 Changes in accounting policies

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

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.

Credit risk (cont'd)

The maximum exposure to credit risk is set out below:

(EUR thousand)	2018	2017
Trade receivables and contract assets	18 542	9 037
Current and non-current loans granted	5 678	2 951
Other current financial assets (Note 21)	0	1 722
Cash and cash equivalents	13 708	25 433
Total	**37 928**	**39 143**

Trade receivables and contract assets:

(EUR thousand)	2018	2017
Municipalities and state institutions	104	82
Corporate entities	18 438	8 955
Total trade receivables and contract assets	**18 542**	**9 037**

In the statement of financial position, trade receivables (except for contract assets, i.e. accrued receivables based on the stage of completion) are accounted for under trade receivables and non-current trade receivables, as disclosed in Note 19.

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

(EUR thousand)	2018	%	2017	%
Client 1	2 209	12.0	1 013	11.2
Client 2	1 951	10.5	949	10.5
Client 3	1 746	9.4	657	7.3
Client 4	1 615	8.7	523	5.8
Client 5	910	4.9	408	4.5
Client 6	808	4.4	376	4.2
Client 7	727	3.9	328	3.6
Other clients	9 014	48.6	5 626	62.2
Impairment	(438)	(2.4)	(843)	(9.3)
Total	**18 542**	**100.0**	**9 037**	**100.0**

Trade receivables according to geographic regions:

(EUR thousand)	2018	2017
Local market (Lithuania)	17 173	8 661
Latvia	1 369	376
Total	**18 542**	**9 037**

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

(EUR thousand)	2018	Impairment	2017	Impairment
Not overdue	16 392	62	7 689	
Overdue 0–30 days	1 783	15	684	
Overdue 30–90 days	297	3	559	
More than 90 days	508	358	948	843
Total	**18 980**	**438**	**9 880**	**843**

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are specific losses that relate to individually significant accounts receivable and expected credit losses recognised using ELCs method (after applying the requirements of IFRS 9). Methodology used for establishing the allowance is reviewed regularly to reduce any differences between loss estimate and actual loss experienced.

Maturity of and loans granted ageing analysis is presented in Notes 17 and 20.

As at 31 December 2017, other current financial assets comprised of term deposits at banks and receivables from the subsidiary under bankruptcy, for which impairment was recognised, while as at 31 December 2018, the Company had no current financial assets (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 2018, including calculated interest, as to the agreements, are presented below:

(EUR thousand)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
Liabilities				
Trade payables	17 368	17 368	17 368	0
Total	**17 368**	**17 368**	**17 368**	**0**

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

(EUR thousand)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
Liabilities				
Trade payables	8 655	8 655	8 655	0
Total	**8 655**	**8 655**	**8 655**	**0**

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 2018 and 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. 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 2018 and 2017, 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 is as follows:

	31 December 2018	Average 2018	31 December 2017	Average 2017
1 SEK =	0,0973	0,0975	0,1016	0,1038
1 RUB =	0,0126	0,0135	0,0144	0,0152

The Company is not exposed to foreign currency risk since majority of monetary assets and liabilities as at 31 December 2018 and 2017, are denominated in EUR.

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 impact on financial assets is as follows:

	Contract currency	2018	2017
Non-current loans issued	EUR thousand	5 678	2 563
Current loans issued	EUR thousand	0	388
Total		**5 678**	**2 951**

With an increase in the interest rate by 0.5%, the Company's profit would increase by approximately EUR 28 thousand.

As at 31 December 2018 and 2017, the Company had no any liabilities with variable interest rates.

Capital management

The policy of the Board of directors 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 2018 and 2017 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. Revenue from contracts with customers. Sales revenue

Revenue is derived from construction-installation work (approx. 99 % in 2018 and 2017).

(EUR thousand)	2018	2017
Lithuania	90 176	53 894
Latvia	2 105	1 652
Russia	2 516	711
Sweden	0	94
Total sales revenue	**94 797**	**56 351**

Revenue from the largest customer of the Company in 2018 amounted to approximately EUR 2 209 thousand (in 2017, EUR 6 712 thousand) of the Company's total revenues.

In 2018, the Company recognised EUR 1 649 thousand of revenue from contracts with customers that were included to the balance of contract liabilities at the beginning of the period.

Information on contracts in progress at the financial year-end is disclosed in Note 19.

6. Cost of sales

(EUR thousand)	2018	2017
Construction sub-contractors	45 686	24 385
Raw materials and consumables	25 711	12 044
Salary related expenses (Note 9)	11 242	9 231
Depreciation	775	612
Amortization	79	71
Other costs	9 162	5 934
Total cost of sales	**92 655**	**52 277**

7. Selling expenses

(EUR thousand)	2018	2017
Advertising and other expenses	29	50
Salary related expenses (Note 9)	317	253
Total sales expenses	**346**	**303**

8. Administrative expenses

(EUR thousand)	2018	2017
Salary related expenses (Note 9)	2 203	2 199
Purchased services for administrational purposes	739	832
Operating lease expense	33	16
Depreciation	237	221
Board remuneration	39	354
Operating taxes other than income tax	119	99
Support, charity	54	42
Amortization	6	2
Expenses of impairment of trade debts, contract assets and other receivables:	**818**	**237**
Impairment of trade receivables	65	237
Impairment of other receivables	753	0
Other expenses	590	579
Total administrative expenses	**4 838**	**4 581**

9. Salary related expenses

(EUR thousand)	2018	2017
Wages and salaries	9 911	9 292
Social security contributions	2 807	2 333
Daily and illness allowances	870	631
Change in accrued vacation reserve and bonuses	160	(593)
Change in pension provision	37	51
Total salary related expenses	**13 785**	**11 714**
Included into:		
Cost of sales	11 242	9 231
Administrative expenses	2 203	2 199
Selling expenses	317	253
Other operating expenses	23	31
Total salary related expenses	**13 785**	**11 714**

10. Other income and expenses

(EUR thousand)	2018	2017
Gain from disposed property, plant and equipment	17	36
Change in fair value of investment property	0	30
Rental income	164	146
Other income	310	312
Total other income	**491**	**524**
Depreciation of rented premises and other expenses	(354)	(354)
Total other expenses	**(354)**	**(354)**
Total other income and expenses, net	**137**	**170**

11. Income (expenses) from financial activities

(EUR thousand)	2018	2017
Interest income	102	115
Dividend income	1	1 283
Total financial income	**103**	**1 398**
Interest expense	(36)	(30)
Foreign currency exchange loss	(31)	(4)
Impairment of investments and loans granted (Note 16)	(2 083)	(476)
Other expenses	(2)	0
Total financial expenses	**(2 152)**	**(510)**
Total financial income and expenses, net	**(2 049)**	**888**

12. Income tax

Income tax expenses:

(EUR thousand)	2018	2017
Current income tax expense	0	3
Change in deferred tax	(102)	51
Total income tax expense	**(102)**	**54**

In 2018 and 2017, the Company applied a standard 15% rate in Lithuania, a 22% rate in the Kingdom of Sweden and a 0% rate in Latvia. Reconciliation of effective tax rate:

(EUR thousand)	2018		2017	
Profit before tax		(4 954)		248
Income tax applying the Company's domestic tax rate	15.0 %	(743)	15.0 %	37
Non-deductible expenses		336		269
Non-taxable income		(20)		(252)
Change in deferred income tax valuation allowance		325		-
	3,6%	**(102)**	**21.8%**	**54**

Deferred tax:

(EUR thousand)	2018		2017	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment of trade receivables and other amounts	2 942	443	843	126
Accrued bonuses	207	31	112	17
Pension provision	199	30	162	24
Vacation reserve	25	4	323	48
Warranty provision	656	98	531	80
Stock write-off to NRV	62	9	51	8
Accumulated taxable losses	927	139	0	0
Loss on onerous contracts	611	92	324	49
Total deferred tax assets				
Not recognized deferred tax assets (trade receivable allowance)		**846**		**352**
Recognized deferred tax assets		**(403)**		**(78)**
		443		**274**
Revaluation of land and buildings				
Difference in investment property value	(2 685)	(403)	(1 458)	(219)
	(523)	(80)		(0)
Deferred tax liability		**(483)**		**(219)**
Deferred tax, net		**(40)**		**55**

12. Income tax (cont'd)

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:

(EUR thousand)	2018	2017
Net deferred tax at 1 January	55	106
Recognized in other comprehensive income	(197)	0
Recognized in profit or loss	102	(51)
Net deferred tax at 31 December	**(40)**	**55**

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

(EUR thousand)	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
Cost (revalued carrying value of land and buildings)						
Balance as at 1 January 2018	3 681	5 679	3 270	2 870	0	15 500
Acquisitions	-	1 257	546	242	474	2 519
Revaluation of assets	165	-	-	-	-	165
Reclassification to investment property	(1 350)	-	-	-	-	(1 350)
Disposals	-	(47)	(170)	(262)	-	(479)
Balance as at 31 December 2018	2 496	6 889	3 646	2 850	474	16 355
Balance as at 1 January 2017	3 562	5 534	3 450	2 750	0	15 296
Additions	141	295	67	195	-	698
Disposals	(22)	(150)	(247)	(75)	-	(494)
Balance as at 31 December 2017	3 681	5 679	3 270	2 870	0	15 500
Depreciation and impairment						
Balance as at 1 January 2018	945	4 802	2 387	2 558	0	10 692
Depreciation for the year	219	439	317	137	-	1 112
Impairment (reversal of impairment)	(3)	-	-	-	-	(3)
Depreciation of the assets disposed	-	(47)	(159)	(260)	-	(466)
Revaluation impact	(1 161)	-	-	-	-	(1 161)
Balance as at 31 December 2018	0	5 194	2 545	2 435	0	10 174
Balance as at 1 January 2017	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)
Balance as at 31 December 2017	945	4 802	2 387	2 558	0	10 692
Carrying amount						
As at 1 January 2017	**2 797**	**943**	**1 105**	**230**	**0**	**5 075**
As at 1 January 2018	**2 736**	**877**	**883**	**312**	**0**	**4 808**
As at 31 December 2018	**2 496**	**1 695**	**1 101**	**415**	**474**	**6 181**

13. Property, plant and equipment (cont'd)

(EUR thousand)	2018	2017
Depreciation included into:		
Cost of sales	775	612
Operating expenses	237	223
Other expenses	97	101
Total depreciation	**1 109**	**936**

Land and buildings are stated at revalued amount. The last external revaluation was performed as on 31 December 2018 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 comparable price method (Level 3 in the fair value hierarchy). 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.

For the purpose of financial statements, the 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 2018 would be equal to EUR 1 250 thousand (as at 31December 2017, EUR 1 383 thousand).

As at 31 December 2018, acquisition cost of fully depreciated but still in use assets amounted to EUR 8 714 thousand, (as at 31 December 2017, EUR 7 903 thousand).

As at 31 December 2018, land and buildings with the carrying amount of EUR 3 946 thousand, were pledged to banks (refer to Note 27). As at 31 December 2018 the Company did not have any leased property, plant and equipment.

14. Intangible assets

(EUR thousand)	Software	Other assets	Total
Cost			
Balance as at 1 January 2018	505	11	516
Additions	42		42
Disposed and written-off from assets	(42)		(42)
Balance as at 31 December 2018	505	11	516
Balance at 1 January 2017	473	7	480
Additions	32	4	36
Balance at 31 December 2017	505	11	516
Amortisation and impairment			
Balance as at 1 January 2018	400	7	407
Amortisation for the year	84	1	85
Amortisation of disposed assets	(42)		(42)
Balance as at 31 December 2018	442	8	450
Balance at 1 January 2017	327	7	334
Amortisation for the year	73		73
Balance at 31 December 2017	400	7	407
Carrying amount			
As at 1 January 2018	**105**	**4**	**109**
As at 31 December 2018	**63**	**3**	**66**
As at 1 January 2017	**146**	**0**	**146**

14. Intangible assets (cont'd)

(EUR thousand)	2018	2017
Amortisation included into:		
Cost of sales	79	71
Administrative expenses	6	2
Total amortisation	**85**	**73**

As at 31 December 2018, acquisition cost of fully amortized intangible assets (but still in use) amounted to EUR 343 thousand, (as at 31 December 2017, EUR 282 thousand).

15. Investment property

(EUR thousand)	2018	2017
Balance as at January 1	1 300	1 270
Reclassification from property, plant and equipment	1 350	0
Change in fair value	0	30
Balance as at December 31	**2 650**	**1 300**

In 2015, the Company acquired a 14-floor hotel Panevėžys in Panevėžys, 16,74% 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 2018 and 2017).

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 1 300 thousand in 2017) was attributed to Level 3 in 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 87 thousand in less than one year, EUR 35 thousand between one and five years (as at 31 December 2017, EUR 90 thousand in less than one year, EUR 49 thousand between one and five years). Revenue from lease in 2018 amounted to EUR 99 thousand (in 2017, EUR 93 thousand) and was accounted for under other income.

In addition, as at 31 December 2018, the Company reclassified to investment property the rented out to both subsidiaries and third parties the operational buildings, storages and other premises. Calculated fair value of these buildings as at 31 December 2018 amounted to EUR 1 350 thousand, which was evaluated in accordance with the reports of independent real estate appraisers and a percentage of rented space. The assessment of assets was carried out by UAB corporation Matininkai. Assets were evaluated using comparable and income methods, with regard to the larger value. An average discount rate of 11.91% was applied to income method in accordance with weighted average cost of capital.

The latter investment property was attributed to Level 3 in fair value hierarchy.

Expected rental receivables of this investment property under uncancellable contracts as at 31 December 2018 amounted to EUR 105 thousand in less than a year, and EUR 336 thousand within one to five years. In 2018, rental income comprised EUR 105 thousand and was accounted under other income.

16. Investments in subsidiaries and joint operations

a) Subsidiaries

(EUR thousand)	2018		2017	
Subsidiary	Ownership	Cost	Ownership	Cost
UAB PST investicijos, Verkių st. 25C, Vilnius	68.3 %	8 877	68.3 %	8 877
UAB Šeškinės projektai, Verkių st. 25C, Vilnius	100 %	1 600	100 %	1 600
UAB Ateities projektai, Verkių st. 25C, Vilnius	100 %*	400	-	-
UAB Tauro apartamentai, Verkių st. 25C-1, Vilnius	100 %	2	-	-
UAB Hustal, Tinklų st. 7, Panevėžys	100 %	10	-	-
UAB Vekada, Marijonų st. 36, Panevėžys	95.6 %	225	95.6 %	225
UAB Skydmedis, Pramonės st. 5, Panevėžys	100 %	145	100 %	145
UAB Alinita, Tinklų st. 7, Panevėžys	100 %	70	100 %	70
UAB Metalo meistrai, Tinklų st. 7, Panevėžys	100 %	24	100 %	24
SIA PS Trests, Skultes iela 28, Skulte, Marupes nov., Latvia	100 %	4	100 %	4
Kingsbud, Sp.z.o.o A. Patli st. 12, 16-400 Suvalkai, Poland	100 %	1	100 %	1
OOO Teritorija, Lunačiarsko av. 43/27, Cherepovec, Vologda, Russian Federation	87.5 %	0	87.5 %	0
Impairment:				
UAB PST investicijos		(5 565)		(3 482)
UAB Alinita		(70)		(70)
SIA PS Trests		(4)		(4)
Total investments		**5 719**		**7 390**

* On 25 January 2018, the Company acquired 100% of UAB Ateities projektai shares from its subsidiary UAB PST investicijos.

Financial information about subsidiaries can be specified as follows:

Subsidiaries of AB Panevėžio statybos trestas:

(EUR thousand)	Type of activity	Equity as at 31/12/2018	Net profit (loss) for 2018	Equity as at 31/12/2017	Net profit (loss) for 2017
UAB PST investicijos (group, see below)	Real estate development	3 938	(1 720)	4 409	(1 108)
UAB Vekada	Construction: electricity installation	1 534	220	1 251	196
UAB Skydmedis	Construction: wooden houses	972	376	597	464
UAB Alinita	Construction: conditioning equipment	(479)	(10)	(470)	12
UAB Metalo meistrai	Construction	499	108	391	214
UAB Hustal	Trade	10	0	-	-
SIA PS Trests	Construction	(165)	(5)	(161)	54
UAB Šeškinės projektai	Real estate development	1 107	(112)	1 219	(4)
Kingsbud, Sp.z.o.o	Trade	161	60	91	13
OOO Teritorija	Real estate development	(1 070)	(182)	(1 206)	(194)
UAB Ateities projektai	Real estate development	421	174	249	(3)
UAB Tauro apartamentai	Real estate development	3	0	-	-

16. Investments in subsidiaries and joint operations (cont'd)

Subsidiaries of UAB PST investicijos:

(EUR thousand)	Ownership	Equity as at 31/12/2018	Net profit (loss) for 2018	Equity as at 31/12/2017	Net profit (loss) for 2017
ZAO ISK Baltevromarket	100 %	(9 022)	(2 132)	(8 139)	(1 339)
UAB Ateities projektai*	100 %	-	-	249	(3)

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 from 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 expenses in the year 2017), also impairment expenses of EUR 6 thousand for financial asset (accounted for under financial expenses in the year 2017). All related impairment expenses with OOO Baltlistroj were accounted for in prior periods, no additional impairment resulted 2017 from bankruptcy, however, as it is disclosed in Note 21, due to an uncertainty in 2018, an additional impairment for receivable amount of EUR 722 thousand was recognised.

As at 31 December 2018 and 2017, based on the management's assessment, the investments in UAB Alinita, SIA PS Trests and OOO Teritorija were 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 2018 and 2017.There were no impairment indications for other investments, as at 31 December 2018 and 2017.

As at 31 December 2018, UAB PST investicijos recoverable amount was calculated as follows :

The fair value assessment of the project developed by ZAO ISK Baltevromarket	6 500
Other entity's assets less liabilities at estimated fair value	(1 655)
UAB PST investicijos total recoverable value	4 845
Amount of controlled shares by AB Panevėžio statybos trestas	68,344 %
UAB PST investicijos recoverable value attributed to AB Panevėžio statybos trestas	3 311
Investment in UAB PST investicijos acquisition value at 31 December 2018	8 877
Calculated impairment	(5 566)

Accounted for in the financial statements:	
Impairment accounted for as of 31 December 2016	(3 170)
Impairment recorded in 2017	(313)
Total impairment accounted for as of 31 December 2017	**(3 483)**
Additional impairment (increase) accounted for under 2018 financial expenses	(2 083)
Total impairment accounted for as of 31 December 2018	(5 566)

Estimation of investment recoverable amount is mainly based on the real estate project, which is developed by ZAO ISK Baltevromarket in Kaliningrad.

In order to assess the recoverable value, the Company used the third party commercial offer received on the sale of part of the land plots of the project (EUR 1,200 thousand) and the information received from this customer that he considers providing the commercial offer in the near future to acquire the remaining land plots of the project for the price of EUR 5,300 thousand. Taking into account that the Company's management intends to accept such price (Note 1), the management assessed that the value of EUR 6,500 thousand is the best estimate of the fair value of the project as of 31 December 2018.

The additional impairment of EUR 2,083 thousand for the investment into UAB PST Investicijos was accounted for in the statement of comprehensive income for the year 2018 under financial expenses caption (Note 11).

16. Investments in subsidiaries and joint operations (cont'd)

As at 31 December 2017, UAB PST investicijos recoverable amount was calculated as follows:

The fair value assessment of the project developed by ZAO ISK Baltevromarket	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
Investment in UAB „PST investicijos" acquisition value at 31 December 2017	8 877
Calculated impairment	(3 483)
Accounted for in financial statements:	
Impairment accounted for as of 31 December 2016	**(3 170)**
Additional impairment (increase) accounted for under 2017 financial expenses	(313)
Total impairment accounted for as of 31 December 2017	**(3 483)**

As at 31 December 2017, six land plots owned by ZAO ISK Baltevromarket were evaluated using comparable value method, the evaluated value was EUR 2 343 thousand, and one of them was evaluated using discounted cash flows method and its evaluated fair value amounted to EUR 7 130 thousand. The principal assumptions that were used in discounted cash flows method were 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;

As at 31 December 2018, UAB Šeškinės projektai recoverable amount was calculated as follows:

The fair value assessment of the project developed by UAB Šeškinės projektai	5 500
Other entity's assets less liabilities at estimated fair value	1 042
UAB Šeškinės projektai total recoverable value	6 542
UAB Šeškinės projektai acquisition cost as of 31 December 2018	1 600
There was no impairment	

As at 31 December 2017, UAB Šeškinės projektai recoverable amount was 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	1 543
UAB Šeškinės projektai acquisition cost as of 31 December 2017	1 600
Calculated impairment	(57)

According to the assessment of management, as at 31 December 2017, UAB Šeškinės projektai was not impaired as at the end of the year 2017, because UAB Šeškinės projektai started construction works for administrative purposes of EUR 22 million. During 2018 construction work costs amounted to EUR 4 529 thousand.

Key assumptions used in the valuation in the year 2018 were as follows: profit on cost ratio – 20 %, sales prices – from 1 961 to 3 189 EUR/sq. m. and construction cost – 1 046 EUR/sq. m.

Key assumptions used in the valuation in the year 2017 were as follows: 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.

UAB Ateities projektai project's recoverable amount as at 31 December 2018 and as at 31 December 2017, were evaluated based on the consultation of a real eastate valuater Ober-Haus for possible market prices. Comparable price method was employed. Fair value would increase if price per 1 hectare would be higher and decrease if price per hectares would be lower for land plot.

16. Investments in subsidiaries and joint operations (cont'd)

b) Joint operations

In 2016 Company made and 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.

As at 31 December 2018, summary financial information of PST un Arms was as follows: total assets amounted to EUR 1 029 thousand, liabilities amounted to EUR 1 052 thousand, equity amounted to EUR (22) thousand, income amounted to EUR 1 749 thousand and net result amounted to EUR (31) thousand. As at 31 December 2017 it was: total assets amounted to EUR 465 thousand, liabilities amounted to EUR 501 thousand, equity amounted to EUR 35 thousand, income amounted to EUR 1 674 thousand and net result was EUR 0.

17. Long-term loans granted

(EUR thousand)	Interest rate	Maturity	2018	2017
UAB Metalo meistrai	6 m. EURIBOR+2,0 %	31/12/2019	0	200
UAB PST investments (loan)	6 m. EURIBOR+2,2 %	31/12/2019	1 569	1 533
UAB PST investments (loan)	6 m. EURIBOR+1,9 %	31/12/2019	141	138
OOO Baltlitstroj (loan)	9 % fixed	31/12/2016	245	281
OOO Baltlitstroj loan impairment	-	-	(245)	(281)
Kingsbud Sp.z.o.o	1,5 % fixed	31/12/2019	185	230
UAB Šeškinės projektai	3 m. EURIBOR+0,98 %	31/12/2019	2 877	0
UAB Šeškinės projektai	6 m. EURIBOR+2,0 %	31/12/2019	449	342
OOO Teritorija	12 % fixed since 30 November 2017 - 6 %	31/12/2019	1 020	988
OOO Teritorija loans impairment	-	-	(1 020)	(988)
UAB Ateities projektai	6 m. EURIBOR+2,0 %	28/02/2020	336	0
UAB Alinita	6 m. EURIBOR+2,0 %	31/01/2021	100	120
Employees	0 %	25/02/2023	17	0
Employees	1,50 %	25/08/2022	4	0
Total			**5 678**	**2 563**

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 due to the subsidiaries' possibilities to return the loans, the maturities will be prolonged beyond 2019.

As at 31 December 2018, the recoverability of loans was assessed under the principles disclosed in Note 3.2, and the principal assumptions that impact the assessment are the same as disclosed in Note 16.

18. Inventories

(EUR thousand)	2018	2017
Raw materials and consumables	4 440	1 578
Write-down to net realizable value	(62)	(51)
Total inventories	**4 378**	**1 527**

In 2018 and 2017, change in write-down of inventory to the net realizable value was accounted for under administrative expenses.

19. Trade receivables and contract assets

(EUR thousand)	2018	2017
Receivables from customers	14 051	8 447
Contract assets / Accrued (invoices not yet issued) receivables according to the stage of completion	3 078	853
Receivables from controlled companies	1 851	580
Impairment at the beginning of the year	(843)	(670)
Write-off and repayment of doubtful trade receivables	490	123
Additional impairment during the period	(85)	(296)
Impairment at the end of the year	(438)	(843)
Total trade receivables and contract assets, net	**18 542**	**9 037**

As of 31 December 2018, a part of trade receivables due from customers is accounted for as non-current trade receivables at an amount of EUR 2 912 thousand, as of 31 December 2017 EUR 1 060 thousand. These amounts are related with non-current retentions as described below.

As at 31 December 2018, trade receivables include retentions (retention is 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 5 806 thousand (in 2016, EUR 1 748 thousand) relating to construction contracts in progress. For impairment of trade receivables refer to Note 4.

Information about customer specific contracts in progress as of 31 December 2018 and 31 December 2017:

(EUR thousand)	2018	2017
Sales according to specific customers' projects in progress, recognized in income statement during the year	66 439	34 221
Sales according to specific customers' projects in progress, recognized in income statement during total contract period	85 800	51 566
Expenses incurred carrying out specific customers' projects in progress, recognized in income statement during the year	67 052	31 272
Expenses incurred carrying out specific customers' projects in progress, recognized in income statement during total contract period	84 872	48 610
Contract assets (invoices not yet issued) (Note 19)	3 078	853
Contract liability (deferred income) according to unfinished contracts at the year-end) (Note 26)	2 259	1 649
Contract liability (prepayments from customers for inventories' acquisition and etc.)	734	3 171
Accrual for onerous contracts (Note 26)	611	324
Trade receivables from customers (included in trade receivables from customers and related parties captions)	14 069	6 859

As at 31 December 2018, the total contract amount attributed to unfinished performance obligations according to the construction contracts with clients that were unfinished (or partly-unfinished) amounted to EUR 109 695 thousand. It is expected that the majority of these projects will be finished and the revenue recognised accordingly within one year.

20. Current loans granted

(EUR thousand)	Interest rate	Term	2018	2017
UAB PST investicijos (loan)	6 m. EURIBOR+2,2 %	31/12/2019	0	326
UAB Metalo meistrai	6 m. Euribor +2,0 %	30/06/2019	0	62
Total			**0**	**388**

21. Other current assets

(EUR thousand)	2018	2017
Financial assets		
Receivables from the former subsidiary OOO Baltlitstroj related to prepayment paid to the supplier on behalf of this subsidiary	1 240	1 240
Impairment of receivables from OOO Baltlitstroj	(1 240)	(518)
Loan granted to OOO Baltlitstroj	245	281
Impairment of loan granted to OOO Baltlitstroj	(245)	(281)
Bank deposit	0	1 000
Total financial assets	**0**	**1 722**
Non-financial assets		
VAT overpayment	1 343	462
Other current assets	3	14
Total non-financial assets	**1346**	**476**
Total other current assets	**1346**	**2 198**

As noted in Note 16, OOO Baltlitstroj is undergoing bankruptcy procedures. Legal proceedings are in progress to recover trade receivables from OOO Baltlitstroj. As at 31 December 2018, the management, considering the circumstances of ongoing legal processes, recognised an additional impairment of receivables from this company of EUR 722 thousand.
Unstable business environment in Russia and ongoing legal proceedings can impact the assessment of loan recoverability possibility. The impact cannot be assessed at the moment, therefore, the management's assessment of the receivable amount impairment can significantly differ in the future.

As at 31 December 2018, the Company did not have any term deposits, while as at 31 December 2017 the Company had a term deposit bearing a 0.65% interest with original maturity of 12 months.

22. Cash and cash equivalents

(EUR thousand)	2018	2017
Cash at bank	13 702	25 431
Cash on hand	6	2
Total cash and cash equivalents	**13 708**	**25 433**

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 2018. The Company did not hold its own shares in 2018 and 2017. As at 31 December 2018 and 2017, the subsidiaries did not hold any shares of the Company.

Reserves:

(EUR thousand)	2018	2017
Revaluation reserve	2 280	1 238
Legal reserve	475	475
Total reserves	**2 755**	**1 713**

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.

Movement of revaluation reserve:	2018	2017
Revaluation reserve as at 1 January	**1 238**	**1 312**
Revaluation (Note 13)	1 128	0
Depreciation of revaluation reserve	(86)	(74)
Revaluation reserve as at 31 December	**2 280**	**1 238**

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 2018 and 2017 amounts to 10% of the authorized share capital.

24. Trade payables

Payables to suppliers according to geographic region:

(EUR thousand)	2018	2017
Local market (Lithuania)	16 033	8 284
Latvia	774	351
Japan	239	0
Sweden	203	0
Poland	83	10
Estonia	15	1
Ukraine	11	0
Germany	7	7
The Kingdom of the Netherlands	3	0
Russia	0	2
Total	17 368	8 655

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 2014–2018. 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, i.e. an assurance type warranty and it is not provided as the Company's separate service. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs.

Change in provisions:	Warranty 2018	Pension 2018	Warranty 2017	Pension 2017
Provisions at the beginning of the period	**531**	**162**	**601**	**111**
Used and recognized under cost of sales and operating costs	(132)	(13)	(255)	(5)
Accrued during the period	257	50	185	56
Provisions at the end of the period	**656**	**199**	**531**	**162**

26. Other liabilities

(EUR thousand)	2018	2017
Non-financial liabilities		
Contract liability (deferred income) according to unfinished contracts (Note 19)	2 259	-
Deferred income in accordance with the stage of completion (Note 19)	-	1 649
Accrued vacation reserve	1 418	1 354
Payable salaries and related taxes	1 048	973
Contract liability (received prepayments from customers for acquisition of inventories and etc.) (Note 19)	734	-
Provisions for onerous contracts	611	324
Other liabilities	292	122
Salary bonuses for employees	207	112
Other liabilities total	**6 569**	**4 534**

27. Contingencies

<u>Guarantees</u>

As of 31 December 2018 guarantees to third parties of EUR 6 717 thousand, related to obligations in the construction contracts of the Company, have been issued by banks (EUR 3 866 thousand as of 31 December 2017). The guarantees expire between 8 January 2019 to 27 October 2022. In addition, the Company has guarantees issued by insurance companies for the amount of EUR 12 762 thousand, which are also related to liabilities in the construction contracts (EUR 10 474 thousand as of 31 December 2017). The guarantees expire between 1 January 2019 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 2 665 thousand as at 31 December 2018 (EUR 2 106 thousand as of 31 December 2017) has been pledged to banks for the guarantee limit issued and guarantees issued by bank. The guarantee limit amounts to EUR 15 000 thousand, the used amount as at 31 December 2018 is EUR 6 717 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 can be valid for 5 year following their date of issue if the amount does not exceed EUR 1 500 thousand. As at 31 December 2017, the guarantee limit amount was EUR 10 000 thousand, the used amount was EUR 2 988 thousand.

27. Contingencies (cont'd)

Property with a carrying amount of EUR 1 280 thousand as at 31 December 2018 (EUR 1 034 as at 31 December 2017) has been pledged to another bank for the guarantee limit issued. The guarantee limit amounts to EUR 3 000 thousand, the used amount as at 31 December 2018 is EUR 0 thousand (EUR 878 thousand as at 31 December 2017). The contract on this guarantee limit ended on 31 December 2018.

Legal contingencies

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

1) 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 5th 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 provided a claim to Vilnius county court asking to cancel the fine set by the Competition Council, and after ruling in favour of the opponent, the Company appealed to the Supreme Administrative Court of Lithuania. The court has not made a decision yet. Legal maturity of the fine is suspended until the final decision of the court.

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

2) In civil case with RUAB "Arno vila" the Company has received a claim to reduce construction price by EUR 330 thousand. At the moment, court's expert's assessment of the construction works takes 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. Stravinskas for EUR 2 609 thousand damages made.

3) On 24 October 2018, the Thirteenth Court of Commercial Arbitration of the Russian Federation annulled the Kaliningrad region decision of Arbitration Court and satisfied the demand of one of the creditors of the subsidiary OOO Baltlitstroj for AB Panevėžio statybos trestas to repay back the returned loan of RUB 75 million to OOO Baltlitstroj (~ EUR 945 thousand). This decision is appealed in cassation. Having evaluated all the known circumstances, the Company's management recognized additional impairment of receivable amount from the subsidiary in the financial statements of 2018 (Note 21) and believes that, considering expected outcome of this uncertainty, no additional provision has to be accounted in these financial statements.

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 2018- 2017 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 2018-2017 are as follows:

(EUR thousand)	Type of transaction	2018	2017
Sales:			
Companies under control			
UAB Šeškinės projektai	Interest and services	4 516	124
PS UN Arms	Services	1 706	650
UAB Vekada	Goods and services	324	279
UAB Alinita	Goods and services	96	91
UAB Metalo meistrai	Goods and services, interest	63	109
OOO Teritorija	Interest	31	60
UAB PST investicijos	Interest and services	36	34
UAB Skydmedis	Goods and services	48	52
SIA PS Trests	Services	0	193
Other		17	8
Other related companies			
AB Panevėžio keliai	Goods and services	314	469
UAB Ukmergės keliai	Goods and services	33	20
UAB Sostinės gatvės	Services	0	53
Other		16	15
Purchases:			
Companies under control			
UAB Alinita	Goods and services	1 960	1 395
Kingsbud Sp.z.o.o	Goods and services	2 055	641
UAB Vekada	Goods and services	3 129	2 621
UAB Metalo meistrai	Goods and services	614	206
SIA PS Trests	Services	231	81
Other		28	20
Other related companies			
UAB Ukmergės keliai	Goods and services	46	26
AB Panevėžio keliai	Goods and services	385	477
UAB Panevėžio ryšių statyba	Goods and services	6	92
UAB Specializuota komplektavimo valdyba	Goods and services	193	19
UAB Betono apsaugos sistemos	Goods and services	153	10
Other	Goods and services	53	63

28. Transactions with related parties (cont'd)

(EUR thousand)	2018	2017
Receivables		
Companies under control		
UAB Šeškinės projektai	1 838	46
PS UN Arms	727	398
Other	28	25
Other related companies	52	54
Payables:		
Companies under control		
UAB Vekada	359	721
UAB Metalo meistrai	206	0
Kingsbud Sp.z.o.o	177	39
SIA PS Trests	78	26
UAB Alinita	0	14
AB Panevėžio keliai	66	173
Other	8	50
Loans receivable from companies under control:		
UAB PST investicijos	1 710	1 997
OOO Teritorija (gross value)	1 020	988
UAB Metalo meistrai	0	262
Kingsbud Sp.z.o.o	185	230
UAB Šeškinės projektai	3 326	342
UAB Alinita	100	120
UAB Ateities projektai	336	0

Payment terms for receivables and payables with 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 16 and 21. The balances outstanding as due to related parties by the Company were not overdue as at 31 December 2018 and 2017.

Management remuneration

Wages, salaries and social insurance contributions, calculated to the Company`s directors and board members for the year 2018, amounted to EUR 760 thousand (in 2017, EUR 888 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 (cont’d)

As at 31 December2018

(EUR thousand)	Carrying amount	Fair value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Trade receivables and contract assets	18 542	-	-	18 542
Loans granted	5 678	-	-	5 678
Other financial assets	0	-	-	0
Cash and cash equivalents	13 708	13 708	-	-
Total financial assets	**37 928**	**13 708**	-	**24 220**
Financial liabilities				
Trade payables	(17 368)	-	-	(17 368)
Total financial liabilities	**(17 368)**	-	-	**(17 368)**

As at 31 December 2017

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

There were no transfers between levels of the fair value hierarchy in 2018 and 2017 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

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 (cont'd)

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

(EUR)	2018	2017
Net result for the year	(4 852 738)	194 143
Dividends declared	981 000	1 062 750
Average number of shares	16 350 000	16 350 000
Basic and diluted earnings per share	**(0,30)**	**0,01**
Dividends declared per share	**0,06**	**0,07**

31. Subsequent events

As disclosed in the Note 1, after the balance sheet date the Company's management has received a commercial offer on the sale of part of the land plots of the Kaliningrad project and supplementary information on the potential intentions of this customer to acquire the remaining land plots of the project under development in Kaliningrad.

After the end of the financial year and up until the date these financial statements were approved, no other significant subsequent events occurred.

Managing Director	Dalius Gesevičius	25/04/2019
Chief accountant	Danguolė Širvinskienė	25/04/2019

Company's and Consolidated Annual Report, Corporate Governance Report and Social Responsibility Report of *Panevezio statybos trestas AB* for 2018

1. Accounting period covered by the Annual Report

This Company's and Consolidated Annual Report for 2018 covers the period from 1 January 2018 until 31 December 2018.

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

All financial data provided in this report have been calculated in the national Lithuanian currency – Euros based on the following:

- the audited consolidated financial statements authorized by the management on 5 April 2019, prepared in accordance with the International Financial Reporting Standards adopted for application in the EU.
- the audited separate financial statements authorized by the management on 25 April 2019, which replaced the previous set of the financial statements approved by the management as described in the Note 1 of the financial statements, prepared in accordance with the International Financial Reporting Standards adopted for application in the EU.

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 *Panevezio statybos trestas*
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	529900O0VPCGEWIDCX35
Administrator of Legal Entity Register	State Enterprise *Centre of Registers*
E-mail	pst@pst.lt
Website	www.pst.lt

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.

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

As of 31 December 2018, the Group of Panevezio statybos trestas AB included the following companies:

Subsidiary company	***Registration date, register administrator***	***Company code***	***Registered address***	***Telephone, fax, e-mail, website***	***Portion of controlled shares (per cents)***
Skydmedis UAB	17 June 1999 State Enterprise *Centre of Registers*	148284718	Pramones Str. 5, Panevezys	Tel. (+370 45) 467626 Fax (+370 45) 460259 info@skydmedis.lt www.skydmedis.lt	100
Metalo meistrai UAB	16 June 1999 State Enterprise *Centre of Registers*	148284860	Tinklu Str. 7, Panevezys	Tel. (+370 45) 461677 Fax (+370 45) 585087 info@metalomeistrai.lt www.metalomeistrai.lt	100
Vekada UAB	16 May 1994 State Enterprise *Centre of Registers*	147815824	Marijonu Str. 36, Panevezys	Tel. (+370 45) 461311 Fax (+370 45) 461311 info@vekada.lt www.vekada.lt	95.6
Alinita UAB	8 December 1997 State Enterprise *Centre of Registers*	141619046	Tinklu Str. 7, Panevezys	Tel. (+370 45) 467630 Fax (+370 45) 467630 info@alinita.lt www.alinita.lt	100
Kingsbud Sp.z.o.o.	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 biuro@kingsbud.pl www.kingsbud.lt	100
PS Trests SIA	22 May 2000 Centre of Registers, Republic of Latvia	40003495365	Skultes Str. 28, Skulte, Marupes Parish, Riga Region, Latvia	Tel. +371 29525066	100
Teritorija OOO	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 baltevromarketao@mail.ru maslena11@mail.ru	87.5
Seskines projektai UAB	9 November 2010 State Enterprise *Centre of Registers*	302561768	Verkiu Str. 25C, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt www.psti.lt	100
Ateities projektai UAB	25 April 2006 State Enterprise *Centre of Registers*	300560621	Verkiu Str. 25C, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt www.psti.lt	100

PST investicijos UAB	23 December 1998 State Enterprise *Centre of Registers*	124665689	Verkiu Str. 25C, Vilnius	Tel. (+370 5) 2102130 info@psti.lt www.psti.lt	68
Tauro apartamentai UAB	23 October 2018 State Enterprise *Centre of Registers*	304937621	Verkių Str. 25C-1, Vilnius	Tel.(+370 610) 09222 a.jokubaitis@psti.lt	100
Hustal UAB	11 December 2018 State Enterprise *Centre of Registers*	304968047	Tinklu Str. 7, Panevezys	Tel.(+370 45) 461677 Fax (+370 45) 585087 egidijus.urbonas@metalomeistrai.lt	100

Subsidiary companies of PST investicijos UAB:

ISK Baltevromarket AO	13 July 2001 Independent Registration Company AB – Administrator of shareholders' register	3906214631	Rostovskaja Str. 5-7, Kaliningrad, Kaliningrad Obl., Russian Federation	Tel.+79097772202 baltevromarketao@mail.ru	100

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

Skydmedis UAB – production, construction and outfit of pre-fabricated timber panel houses. Panel houses are the main product of the company. Products are successfully exported to Norway, Sweden, 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.
Ateities projektai UAB – real estate preparation and sale.
PST investicijos UAB – real estate preparation and sale. *PST investicijos* UAB has the subsidiary company, *Baltevromarket* ZAO ISK, established for development of real estate projects in the Kaliningrad Oblast, Russian Federation.
Tauro apartamentai UAB – development of real estate projects.
Hustal UAB – sale, erection and designing of steel structures. Activity and sale of the company are focused on the Scandinavian market.

7. Contracts with the intermediary of public trading in securities

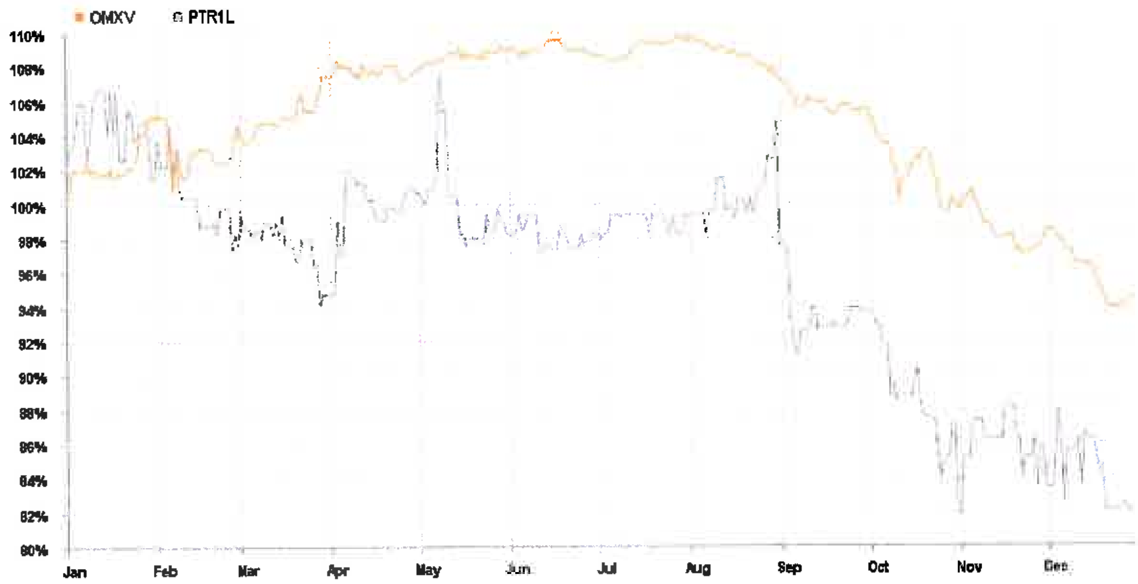
In 2013, the Company signed the contract with the Financial Brokerage Company *Finasta* AB for recording of securities and provision of services related with securities recording. On 21 December 2015, the Financial Brokerage Company *Finasta* AB had been rearranged by way of merge with *Siauliu bankas* 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).

Share type	*Number of shares, pcs.*	*Par value, Euros*	*Total par value, Euros*	*Emission code ISIN*
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 2018



Company share price variation at the stock exchange market Nasdaq Vilnius for the period 2014 through 2018 (Euros)

Company share price variation at the stock exchange market Nasdaq Vilnius in 2018 (Euros)

Table 1. Information on the Company share price at the stock exchange market Nasdaq Vilnius in 2014 through 2018 (Euros):

Indicator	***2018***	***2017***	***2016***	***2015***	***2014***
Highest price, Eur	0.99	1.34	1.08	1.09	1.28
Lowest price, Eur	0.75	0.85	0.845	0.84	0.81
Share price as of the end of reporting period, Eur	0.752	0.916	0.94	0.925	0.858
Turnover, pcs.	1,596,044	2,854,251	1,565,210	2,006,833	3,701,552
Turnover, mln. Eur	1.41	3.08	1.49	1.94	3.87
Capitalization, mln. Eur	12.3	14.98	15.37	15.12	14.03

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

Key events of the reporting period

10 January 2018. Panevezio statybos trestas AB has lodged an appeal to the Vilnius Regional Administrative Court against the decision No. 2S-11(2017) of the Competition Council dated 20 December 2017, whereby *Panevezio statybos trestas* AB had been imposed a fine in the amount of 8,513,500 EUR for an agreement presumptively restricting competition.
26 January 2018. Based on the decision taken by the Board, *Panevezio statybos trestas* AB has acquired from *PST investicijos* UAB (company code 124665689) to the ownership of the company 25,600 (twenty five thousand six hundred) ordinary registered shares, the nominal value of each share being 28.96 Eur (twenty eight Euros, 96 ct), of *Ateities projektai UAB*, company code 300560621, which make 100 per cents of the authorised capital of *Ateities projektai* UAB. *Ateities projektai* UAB owns a land plot covering the area of 2.3289 ha in Palanga located northwards of the central part of Palanga, in a new developing district - Kunigiskes.
2 February 2018. Panevezio statybos trestas AB has signed a contract with *Naujasis Uzupis* UAB for construction of a complex of apartment buildings at Aukstaiciu Str. 10, Vilnius. The total area of the buildings is approximately 16,000 square meters. Completion of the project is scheduled within 18 months.
7 March 2018. The Company received the resolution No. 214-40 dated 5 March 2018 by the Director of the Supervision Service of the Bank of Lithuania on application of measures to *Panevezio statybos trestas* AB. Based on this resolution, Panevezio statybos trestas AB has been fined 40,000 (forty thousand) Euros for violation of Article 17(1) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council on market abuse. According to the Bank of Lithuania, the Company, failing to ensure confidentiality of information related to the investigation carried out by the Competition Council, has not disclosed immediately this unpublished information related to the investigation in progress and imminent measures, the maximum limit of which amounted to 21 per cents of the equity capital of the Company and was nearly 5 times higher than the net profit of the Company for the year 2016 and therefore could significantly prejudice the financial situation of the Company.
The fine in the amount of 8 mln. Euros imposed by the Competition Council has neither been paid nor there any related provisions reported for in the financial statements for 2018, therefore it had no impact on the financial situation of *Panevezio statybos trestas* AB. The Company disagrees with the principal conclusion by the Competition Council and the penalty imposed, therefore has filed an appeal to the Supreme Administrative Court of Lithuania.
9 March 2018. Panevezio statybos trestas AB together with the partners has signed the contract at the Jekabpils City Municipality for construction of a new multifunctional sports centre. The multifunctional sports centre will include an ice arena, various gyms, a conference hall, a café and a car parking area. The value of the project amounts to 13.1 mln. Euros. The Ordinary General Meeting of Shareholders has been convened:

- Consolidated and Individual Financial Statements of *Panevezio statybos trestas* AB for the year 2017, which had been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and submitted together with the independent auditor's opinion were approved.
- Distributable profit of the Company (32,417,239 Euros) was allocated – 981,000 Euros for dividends or 0.06 Euro for one share.
- Audit Committee was elected for the one-year term of office.

8 May 2018. Panevezio statybos trestas AB, being successful at the international tender for public procurement of civil construction works, and a joint venture of state owned *Lietuvos energija* UAB and *Fortum Heat Lietuva* UAB, *Kauno kogeneracine jegaine* UAB, has signed the contract for construction of Kaunas Waste to Energy Power Plant in Kaunas.
Based on the contract, *Panevezio statybos trestas* AB undertakes to build more than 15 objects and facilities (main and auxiliary buildings of the power plant, utility networks and communications, internal roads, etc.). The value of services to be provided according to the signed contract amounts to 33.6 mln. Euros.

9 May 2018. On 9 May 2018, Virmantas Puidokas and Audrius Balcetis, the members of the Board of *Panevezio statybos trestas* AB, gave the notices by which following the procedure prescribed by the Law on Companies, they had informed the company 14 days in advance about their resignation from office as the members of the Board.
14 May 2018. The judicial panel of the Vilnius Regional Administrative Court, following Articles 84 through 87, 88(1), 132 of the Law on Administrative Proceedings of the Republic of Lithuania, has passed the judgement to dismiss the appeals of *Panevezio statybos trestas* AB and *Irdaiva* UAB as unfounded. The judgement may be subject to appeal addressed to the Supreme Administrative Court of Lithuania within one month from the date it has been pronounced
13 June 2018. Panevezio statybos trestas AB has filed an appeal against the judgement of the Vilnius Regional Administrative Court dated 14 May 2018 passed in the administrative case No. eI-1443-1063/2018 on the decision No. 2S-11 (2017) of the Competition Council of the Republic of Lithuania dated 21 December 2017 on *Compliance of Actions of Irdaiva UAB and PST AB Related to Joint Bidding at Public Tenders for Purchasing Building Renovation and Modernisation Works with Requirements Stipulated in Article 5 of the Law on Competition of the Republic of Lithuania.*
15 June 2018. The Extraordinary General Meeting of Shareholders has been convened:

- The Board members of *Panevezio statybos trestas* AB were elected for the term of office of 4 (four) years:
  Audrius Balcetis, Audrius Butkunas, Vilius Grazys, Justas Jasiunas, Remigijus Juodvirsis.
- The new revision of the Articles of Association of the company was approved.

4 September 2018. The complex of buildings for various purposes and of different areas acquired by *Panevezio statybos trestas* AB together with transfer of the rental rights in respect for the state owned land plot cover the area of 3111 m^2, of which the area of the office build is about 673 m^2 and the area of the adjacent garages and other structures is about 408 m^2. Referring to the business plan, these buildings should be demolished, utility networks should be relocated and new apartment and commercial buildings should be built.
24 October 2018. Panevezio statybos trestas AB has established the company *Tauro apartamentai* UAB. The company will be engaged in activity related to real estate, its share capital amounts to 2.5 thousand Euros. The sole shareholder of *Tauro apartamentai* UAB is *Panevezio statybos trestas* AB.
3 December 2018. Panevezio statybos trestas AB has signed the contract with *Roquette Amilina* AB for construction of a production building. Completion of the works is scheduled for August 2019.
11 December 2018. Panevezio statybos trestas AB has signed the contract agreement with *Kauno sauletekis* UAB (the Viciunai Group company) for construction of the DoubleTree by Hilton hotel and the exposition hall of the Museum of Energetics and Technology in Vilnius.
The hotel will have 174 rooms, conference and SPA centres, a swimming pool and a restaurant open to everyone. Viciunai is planning to make investments in this project in Rinktines Street in the capital city in the amount of 30 mln. Euros.
11 December 2018. Panevezio statybos trestas AB has established the company *Hustal* UAB. The company will be engaged in activity related to steel structure sale, erection, designing, project management, consultancy and other areas. Operation and sale performed by the company will be focused on the Scandinavian market. The sole shareholder of *Hustal* UAB is *Panevezio statybos trestas* AB.
The Company continues working on such private projects as 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 and Construction of a Business Centre *U219* in Vilnius. In addition to that, the Company is also involved in reconstruction of water supply and waste water network in Panevezys, participates in apartment building renovation projects. *Panevezio statybos trestas* AB co-operate closely with other companies in Panevezys: is building a new trading centre for *Linas Agro* in Latvia, production facilities for *Rifas*, renew the recreation park in Panevezys. In 2018, the Company completed a few big projects such as: Construction of a New Production Building – a Printing-House with Of-

fices at Industrijos Str. 12, Biruliskiu Vlg., Kaunas District, Expansion of *LTP Texdan* UAB Factory in Kedainiai.
The Company has won more than one award for successfully implemented projects, their complexity, high quality and organization of complicated activities. In 2018, the Company was awarded the gold medal for reconstruction of housing for the schoolchildren of M. K. Ciurlionis School of Art at the competition *Lithuanian Product of the Year 2018* arranged annually by the Lithuanian Confederation of Industrialists.
In 2018, 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 2018, the companies of the Group successfully continued their activity both inside and outside Lithuania. *Metalo meistrai* UAB implements approximately 70 per cents of their orders in the Scandinavian countries. *Skydmedis* UAB, which is producing pre-fabricated timber panel houses, sells nearly all of their products in the foreign market. 95 per cents of the company's revenue were received for the products sold in the Scandinavian countries. *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. *PS Trests* SIA operating in Latvia is continuing the started construction and is looking for new orders. The real estate development companies *Seskines projektai* UAB, UAB *PST investicijos* and *Ateities projektai* UAB had no income from development of real estate projects. During the reporting year the wholesale of building materials is further developed. Kingsbud Sp.z o.o, the company operating in Poland, is engaged in this.

Risk factors related to the company's activities:

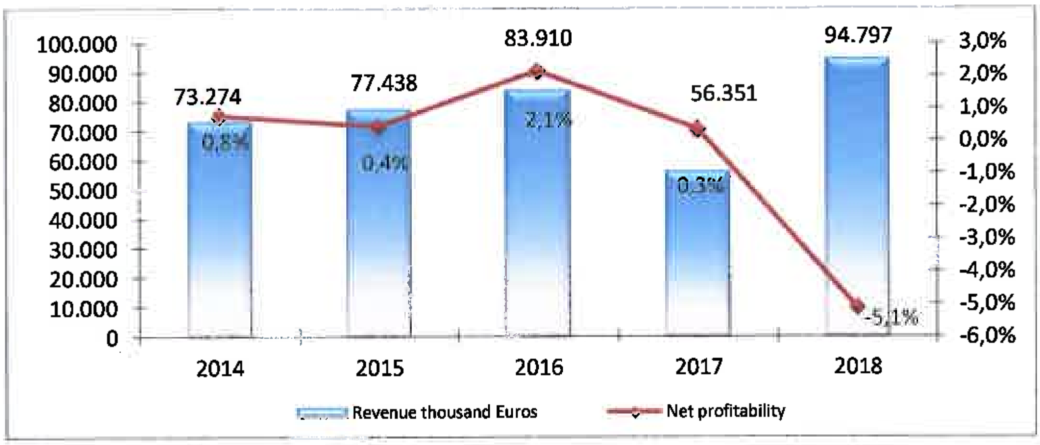
In performance of business, both the Company and the Group face various types of risks: legal regulation, severe competition, shortage of qualified labour, variation in the value of the Russian Rouble, cyclical nature of economy, macroeconomic factors, damping. However, only a few of them may have significant impact on the performance results of the Group and the Company. The main factors that create business risk for the Company and the Group are competition in the construction market and changes in the demand for construction services. The demand for construction services also depends heavily on the volume of investments and financing received from the EU structural funds. Increase and variation of material and service prices make the process of the project budgeting and possibility to complete the already started projects based on the planned costs more difficult. This results in extra risk for performance of fixed price construction contracts and reduces profitability of projects.
Furthermore, activity of the Company and the Group is influenced by the economic situation (economic cycles) in Lithuania and the countries where the Group companies operate. Although the economy has practically recovered after the economic crisis, there is still some uncertainty about the trends in global economic development as well as regional and global crisis in future.
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 2018, the turnover of *Panevezio statybos trestas* AB was 94.797 mln. Euros. In 2018, the company incurred the net loss in the amount of 4.852 mln. Euros. Though the revenue of *Panevezio statybos trestas* AB in 2018 increased by 1.68 times, the increasing prices of raw materials and other costs as well as prolonged completion terms for certain projects conditioned the low gross profit margin and incurred losses. Furthermore, big im-

pact on the negative result of *Panevezio statybos trestas* AB was made by the fact that the company recognised additional impairment of the accumulated debt by the subsidiary company *Baltlitstroj* OOO, which had operated in Kaliningrad Oblast, Russian Federation.
Over the same period, the total consolidated income of *Panevezio statybos trestas* AB Group was 104.861 mln. Euros. That is by 1.42 times more than in 2017 when the income of the Group was 73.816 mln. Euros. The loss of the Group for 2018 amounted to 4.307 mln. Euros. The loss of the Group was conditioned by the result of *Panevezio statybos trestas* AB and the effect of change in the exchange rate related to the loan in Euros accounted by the company (*Baltevromarket* ZAO ISK), which is operating is the Russian Federation.

Revenue and net profitability variation for the Company:



Revenue and net profitability variation for the Group:

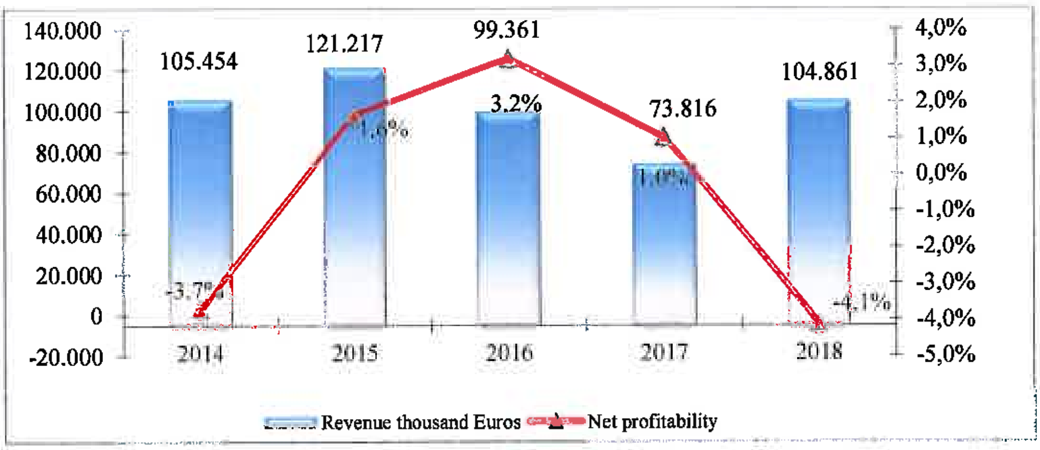


Table 2. The results (thousands Euros) of the Company and the Group of Panevezio statybos trestas AB for the period 2016 through 2018:

Group			Items	Company		
2016	**2017**	**2018**		**2016**	**2017**	**2018***
99,361	73,816	104,861	*Revenue*	83,910	56,351	94,797
90,221	68,085	100,017	*Cost of sales*	77,031	52,277	92,655
9,140	5,731	4,844	*Gross profit*	6,879	4,074	2,142
9.20	7.76	4.62	*Gross profit margin (per cents)*	8.20	7.23	2.26
1,085	-1,281	-2,180	*Typical operating result*	1,813	-809	-3,043
1.09	-1.73	-2.08	*Typical operating result from turnover (per cent)*	2.16	-1.44	-3.21
4.970	2,148	-2,634	*EBITDA* [1]	3,046	1,286	-3,724
5.00	2.91	-2.51	*EBITDA margin (per cents)*	3.63	2.28	-3.93
3,167	753	-4,307	*Net profit*	1,791	194	-4,852
3.19	1.02	-4.11	*Nets profit (loss) margin (per cents)*	2.13	0.35	-5.12
0.194	0.046	-0.263	*Earnings per share (Euros) (EPS)* [2]	0.11	0.012	-0.297
8.61	2.01	-12,32	*Return on equity (per cents) (ROE)* [3]	4.51	0.50	-14.21
5.17	1.26	-6.72	*Return on assets or asset profitability (ROA)* [4]	3.34	0.35	-8.23
8.06	1.90	-11.60	*Return on investments (ROI)* [5]	4.43	0.49	-13.84
2.42	2.55	1.91	*Current liquidity ratio* [6]	2.94	2.36	1.49
1.97	2.01	1.26	*Critical liquidity ratio* [7]	2.88	2.27	1.31
0.60	0.63	0.55	*Equity ratio* [8]	0.74	0.70	0.58
2.25	2.29	2.14	*Book value per share* [9]	2.43	2.38	2.09
0.42	0.40	0.35	*Price-to-book ratio (P/B ratio)* [10]	0.39	0.38	0.36
4.85	19.89	-2.85	*Price-to-earnings ratio (P/E)* [11]	8.58	77.20	-2.53

**The data of the company is provided from the audited financial statements authorized on 25 April 2019.*

[1] EBITDA = profit before taxes, interest, depreciation and amortization. The essence of EBITDA indicator is to determine the most objective profit (loss) of the company, which is least dependable on circumstances (least variable).
[2] Earnings per share (Euros) = net profit (loss) / number of issued shares.
[3] Return on equity (per cents) (ROE) = net profit / equity capital (a portion equity capital belonging to the shareholders).
[4] Return on assets (ROA) or asset profitability = net profit / assets.
[5] Return on investments (ROI) = net profit / (assets-current debt).
[6] Current liquidity ratio = current assets / current liabilities.
[7] Critical liquidity ratio = (current assets – inventories) / current liabilities.
[8] Equity ratio = equity capital / assets.
[9] Book value per share = equity capital / number of shares.
[10] Price-to-book ratio (P/B ratio) = share price as of the end of reporting period / share book value.
[11] Price-to-earnings ratio (P/E) = share price as of the end of reporting period / net profit allocated for one share.

Table 3. Revenue (mln. Euros) by activity types:

	Group			Company		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
Construction works	91.51	64.61	97.36	83.91	56.35	94.80
Real estate	0.45	0	0			
Products produced and other income	7.40	9.21	7.50			

The main income of the Company by activity types is from building and construction activities. In 2018, the income of the Group from building and construction activities totalled 92.8 %, the income from made products and other income amounted to 7.2 %. In 2017, the income of the Group from building and construction activities totalled 87.5 %, other income amounted to 12.5 %.

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

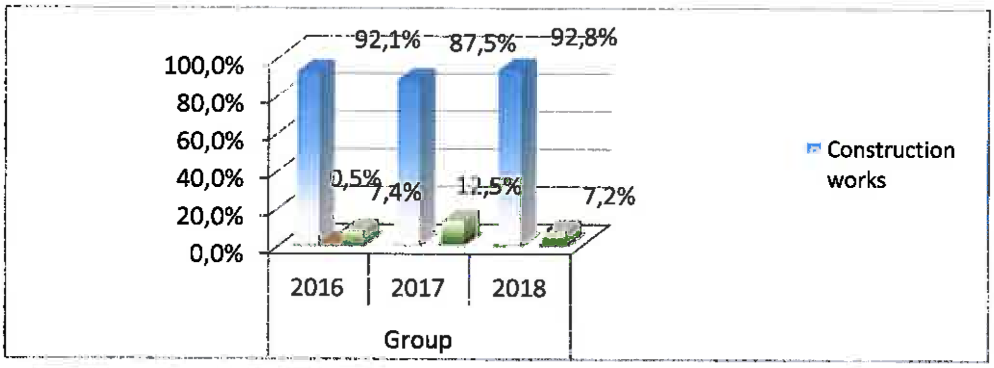
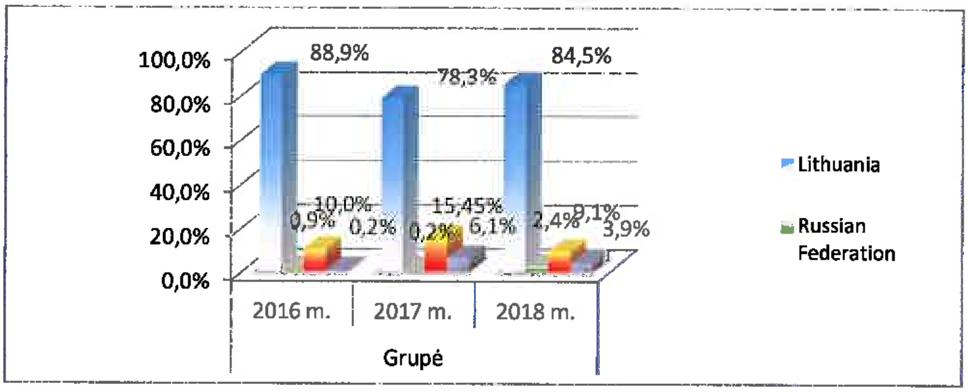


Table 4. Operating income (mln. Euros) by countries:

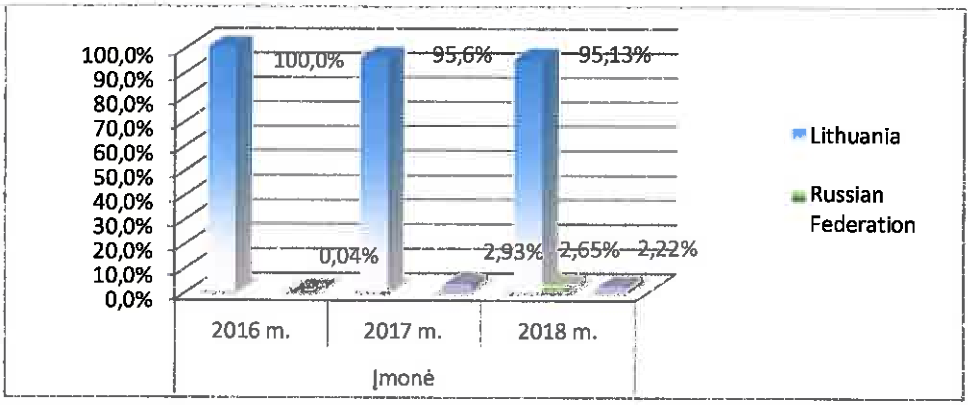
	Group			Company		
	2016	*2017*	*2018*	**2016**	**2017**	**2018**
Lithuania	88.30	57.79	88.65	83.88	53.89	90.18
Russian Federation	0.90	0.15	2.52		0.71	2.52
Scandinavian countries	9.93	11.40	9.57		0.09	0
Other countries	0.23	4.48	4.13	0.03	1.65	2.11

The main activities of the Company were performed in Lithuania and made 95.13 per cents of all works carried out by the Company in 2018 and 95.6 per cents in 2017. The income of the Group from the works performed inside the country made 84.5 per cents of the income whereas in 2017 it was 78.3 per cents. In 2018, the income in the Scandinavian countries made 9.1 per cents of the Group income (15.45 per cents in 2017).

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 2018, 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.

The companies of the Group also have quality, environmental and occupational health and safety management systems in accordance with the requirements of ISO 9001:2015/LST EN ISO 9001:2015, ISO 14001:2015/LST EN ISO 14001:2015 and LST 1997:2008/BS OHSAS 18001:2007 introduced and successfully functioning.

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 2018, the number of employees in the Group was 1,056, in the Company – 775.

Table 5. Average number of employees in 2017 and 2018:

Average number of employees	***2017***		***2018***	
	Group	*Company*	*Group*	*Company*
Managers	24	13	24	13
Specialists	292	223	326	251
Workers	714	526	705	510
Total	***1,030***	***762***	***1,055***	*774*

Table 6. 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*	*22*	*0*	*2*	*0*	*0*
Specialists	*341*	*267*	*20*	*34*	*20*	*0*
Workers	*691*	*30*	*13*	*94*	*501*	*53*
Total	***1,056***	***319***	***33***	***130***	***521***	***53***

Table 7. Average gross pay per employee per month (Euros) in 2017 and 2018:

	2017		***2018***	
	Group	*Company*	***Group***	*Company*
Managers	3,193	4,032	3,040	3,438
Specialists	1,261	1,244	1,343	1,334
Workers	914	917	956	980
Total	**1,098**	**1,109**	**1,148**	**1,170**

During the twelve months of 2018, 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 2018, the Company also paid much attention to qualification improvement. Training in the Company is done in two 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

In order to maintain the highest competence in the construction sector, the Company implements innovative technologies and processes in its activities.
The Company keeps on improving the process of design preparation. The available designing software package is continuously supplemented by the up-to-date software.
Trying to carry out construction activities fluently, the Company pays a great deal of attention to construction preparation, work planning. For that purpose, investments are made in the modern software. Site construction activities are planned considering the BIM model. This digital model is used from the tender preparation stage when the client gets an accurate proposal of high quality. When BIM is used in the preparatory stage, detailed preparation for construction is performed by planning of necessary resources, scheduling production and supply, making the budget. Both construction schedule and computer simulation are prepared at the preparation stage. This allows comparing possible construction methods, choosing the optimal one and following the actual and planned progress of works in the course of construction.
The Building Information Modelling is used for delivery of products to the construction site at the times indicated in the construction schedule. This allows minimizing logistics costs and eliminating large storage areas on the construction site.
Application of BIM model in project management, planning and performance of works allow assessing risks, reducing probability of delay in work, taking immediate corrective actions, if necessary, and improving performance quality.
In order to accelerate production and improve quality, the Company invests in its production capacity. Targeted investments in modern computerized equipment and technologies, process automation are aimed at supporting the subdivisions of aluminium and glass structure production and installation, concrete industrial floor installation, foundation installation and landscaping.

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

The target of the Company remains the same – be competitive, one of the largest construction companies.
In 2019, the Company and the Group will make every effort to search for new markets and increase the number of the projects in progress, implement new projects in Lithuania and abroad.
Panevezio statybos trestas AB expands the areas of its activity. The shop of aluminium structures for production of aluminium glass façades, aluminium windows, doors and plate glass windows built in 2018 will be started in 2019. The Company will continue expanding and developing real estate for return on investment. The plans for the year 2019 include completion of the real estate project – construction of the Business Centre at Ukmerges Str. 219, Vilnius. Next year construction of apartment buildings is planned in Palanga, in a new district under development – Kunigiskes where the real estate development company *Ateities projektai* UAB owns a land plot covering the area of 2.3289 ha. In addition to that, the real estate development company *Tauro apartamentai* UAB established late 2018 starts developing the project of the office building (offices and residential facilities) at V. Kudirkos Str. 14, Vilnius.
The companies of *Panevezio statybos trestas* AB Group keeps on trying to increase production, technical and intellectual potential. Plans are made to make investments in computerization and automation of production processes, with the help of these measures speed up these processes, improve quality, which will allow maintaining the current positions in Lithuania and abroad as well as increasing sales volumes and achieving good results.

14. Authorised capital of the issuer and its structure

As of 31 December 2018, 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 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 2018, the total number of the shareholders was 1,538.

Table 8. Distribution of the shareholders by residence country and legal form:

Investors	*Number of shares, pcs.*	*Portion of authorized capital, per cents*
Foreign investors		
Legal entities	*2,775,064*	*17.0%*
Natural persons	*775,957*	*4.7%*
Local investors		
Legal entities	*8,693,803*	*53.2%*
Natural persons	*4,105,176*	*25.1%*

Table 9. Shareholders holding or controlling more than 5 per cents of the authorised capital of the Company:

Full name of a shareholder (company name, type, head-quarter 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 owner-ship right (%)*
Panevezio keliai 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	1,286,063	7.87	7.87
Freely floating shares	6,925,005	42.35	42.35

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, one ordinary registered share on the Company carries one vote at the General Meeting of Shareholders.

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 27 April 2018 made the resolution to pay dividends in the amount of 981,000 Euros for the year 2017. As of 31
December 2018, 99.47 per cents of dividends were paid.

Table 10. History of dividends paid over the previous years:

	Profit of financial year allocated for dividends				
	2012	*2014*	*2015*	*2016*	*2017*
Total amount allocated for dividends, Euros	118,382	1,079,100	261,977	1,062,750	981,000
Dividends per share	0.0072	0.066	0.016	0.065	0.060
Ratio of dividends to net profit, per cents	28.20	164.80	79.80	59.33	504.50
Dividend profitability (dividends per share / share price as of the end of the period), per cents	0.80	7.70	1.7	6.9	7.0

16. 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).

17. Publicly disclosed information

Table 11. Summary of published information:

Description of notification	*Category of notification*	*Language*	*Date*
Calendar for Publishing Performance Results of Panevezio statybos trestas AB in 2019	*Notification on material event*	*Lt, En*	*20 Dec. 2018*
Establishment of New Company	*Notification on material event*	*Lt, En*	*11 Dec. 2018*
Panevezio statybos trestas will build Double-Tree by Hilton Hotel in Vilnius	*Notification on material event*	*Lt, En*	*11 Dec. 2018*
Panevezio statybos trestas AB has signed the contract with Roquette Amilina AB	*Notification on material event*	*Lt, En*	*3 Dec. 2018*
Establishment of New Company	*Notification on material event*	*Lt, En*	*24 Oct. 2018*
On September 4th, Panevezio statybos trestas AB (PST) and Vilniaus silumos tinklai AB (VST) have concluded the transaction in the amount of 2.178 mln. for purchasing of the former VST office building	*Notification on material event*	*Lt, En*	*4 Sept. 2018*
Unaudited Performance Results of Panevezio statybos trestas AB and the Group for the First Half of 2018	*Semi-annual information*	*Lt, En*	*31 Aug. 2018*

Description of notification	***Category of notification***	***Language***	***Date***
Board Chairman Elected at Panevezio statybos trestas AB	*Notification on material event*	*Lt, En*	*25 June 2018*
Resolutions of Extraordinary General Meeting of Shareholders	*General Meeting of Share-holders*	*Lt, En*	*15 June 2018*
Draft Resolutions of Extraordinary General Meeting of Shareholders	*General Meeting of Share-holders*	*Lt, En*	*14 June 2018*
Appeal against Judgement of Vilnius Regional Administrative Court	*Notification on material event*	*Lt, En*	*13 June 2018*
Draft Resolutions of Extraordinary General Meeting of Shareholders	*General Meeting of Share-holders*	*Lt, En*	*25 May 2018*
Convening of Extraordinary General Meeting of Shareholders	*Notification on material event*	*Lt, En*	*16 May 2018*
Judgement Passed by Vilnius Regional Adminis-trative Court	*Notification on material event*	*Lt, En*	*14 May 2018*
Resignation of the member of the Board of Panevezio statybos trestas AB	*Notification on material event*	*Lt, En*	*10 May 2018*
Extension of Deadline for Court Judgement	*Notification on material event*	*Lt, En*	*9 May 2018*
Panevezio statybos trestas AB Is Going to Build Kaunas Waste to Energy Power Plant in Kaunas	*Notification on material event*	*Lt, En*	*8 May 2018*
Annual Information Approved by Annual Gen-eral Meeting of Shareholders of Panevezio statybos testas AB	*Annual information*	*Lt, En*	*27 April 2018*
Resolutions of Annual General Meeting of Shareholders	*General Meeting of Share-holders*	*Lt, En*	*27 April 2018*
Extension of Deadline for Court Judgement	*Notification on material event*	*Lt, En*	*18 April 2018*
Draft Resolutions of Annual General Meeting of Shareholders	*General Meeting of Share-holders*	*Lt, En*	*5 April 2018*
Preliminary Performance Results of Panevezio statybos trestas AB and Panevezio statybos tres-tas Group for Twelve Months of 2017	*Notification on material event*	*Lt, En*	*29 March 2018*
Convening of Annual General Meeting of Shareholders	*General Meeting of Share-holders*	*Lt, En*	*27 March 2018*
Panevezio statybos trestas AB will build Jeka-bpils Multifunctional Sports Centre in Latvia	*Notification on material event*	*Lt, En*	*9 March 2018*
Resolution by the Director of the Supervision Service of the Bank of Lithuania	*Notification on material event*	*Lt, En*	*7 March 2018*
Panevezio statybos trestas AB will build a Complex of Apartment Buildings in Vilnius	*Notification on material event*	*Lt, En*	*2 Feb. 2018*
Panevezio statybos trestas AB has acquired Shares of Ateities projektai UAB	*Notification on material event*	*Lt, En*	*26 Jan. 2018*
Appeal against Decision of Competition Council	*Notification on material event*	*Lt, En*	*10 Jan. 2018*

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.

18. 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.

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 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 four 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. The Company complies with the Management remuneration policy approved by the Board. The Company's remuneration policy is an internal and confidential document which is not publicly available.

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 Committee of the Company gives recommendations to the Board on nomination of an auditing company/auditor. The Board selects the candidate for the auditing company/auditor and submits it to the General Meeting of Shareholders for approval.

Thus independence of the conclusions and opinion provided by the auditing 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 reputation 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.
The accounts of the Company are kept and financial statements are prepared in accordance with International Financial Reporting Standards adopted for application in the EU. The annual financial statements are audited by the independent auditors selected by the General Meeting of Shareholders. This procedure ensures relevance and transparency of the data provided in the financial statements of the Company.

Information on significant directly or indirectly held share portfolios

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

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 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 JUODVIRSIS – the Chairman of the Board. No ownership in the capital of the Company. Participating in the activities or capital of the companies below:

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB *Company code 147732969* *P. Puzino Str. 1, Panevezys*	Chairman/ Adviser	-	-	-
Panevezio keliai AB *Company code 147710353* *S. Kerbedzio Str. 7, Panevezys*	Board Member/ Adviser *Main place of employment*	531,675	28.47	28.47
Lauktuves jums UAB *Company code 147797155* *Laisves Sq. 26, Panevezys*	Chairman	11,069	50.15	50.15
Pokstas UAB *Company code 168424572* *Gustoniu Vlg.,* *Panevezys District Municipality*		111	50	50
Klovainiu skalda AB *Company code 167901031* *Klovainiu Township,* *Pakruojis District Municipality*		470,421	8.74	8.74
Gustoniu ZUT UAB *Company code 168581940* *S. Kerbedzio g. 7F, Panevezys*	Board Member	1,085	50.28	50.28
PST investicijos UAB *Company code 124665689* *Verkiu Str. 25C, Vilnius*	Board Member	16,407	3.32	3.32
Convestus UAB *Company code 300124684* *Laisves Sq. 26, Panevezys*		50,000	50	50
Alproka UAB *Company code 125281684* *Verkiu Str. 25C, Vilnius*	Chairman	-	-	-
Kauno tiltai AB *Company code 133729589* *Ateities Road 46, Kaunas*		492	0.31	0.31
Specializuota komplektavimo valdyba AB *Company code 121420097* *Savanoriu Ave.191A, Vilnius*		21,490	1.07	1.07
Tertius UAB *Company code 247647690* *S. Kerbedzio Str. 7F, Panevezys*		704,638	80	80

Term of office: June 2018 through June 2022
Clean record.

AUDRIUS BUTKŪNAS – the Member of the Board. No ownership in the capital of the Company. Participating in the activities or capital of the companies below:

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB *Company code 147732969* *P. Puzino Str. 1, Panevezys*	Board Member	-	-	-
Panevezio keliai AB *Company code 147710353* *S. Kerbedzio Str. 7, Panevezys*	Board Member/ Project Director *Main place of employment*	22,010	1.18	1.18
PK Road AB *Company code 559020-4623* *Skiffervagen 10, 22478* *Lund, Sweden*	Board Member	-	-	-

Term of office: June 2018 through June 2022
Clean record.

AUDRIUS BALCETIS – the Member of the Board. No ownership in the capital of the company. Participating in the activities or capital of the companies below:

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB *Company code 147732969* *P. Puzino Str. 1, Panevezys*	Board Member	-	-	-
Panevezio keliai AB *Company code 147710353* *S. Kerbedzio Str. 7, Panevezys*	Board Member	-	-	-
Panevezio ryšių statyba UAB *Company code 147688743* *Paliuniskio Str.9, Panevezys*	Director/ Board Member *Main place of employment*	279,507	27	27
PST investicijos UAB *Company code 124665689* *Verkiu Str. 25C, Vilnius*	Board Member	-	-	-

Term of office: June 2018 through June 2022
Clean record.

VILIUS GRAZYS – the Member of the Board. No ownership in the capital of the Company. Participating in the activities or capital of the companies below:

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB *Company code 147732969* *P. Puzino Str. 1, Panevezys*	Board Member	-	-	-
Akvalda UAB *Company code 300568422* *Vyturio g.45, Panevezys*		750	50	50
Betono apsaugos sistemos UAB *Company code 126148612* *Papilenu Str. 1-30, Vilnius*		40	40	40
Panevezio keliai AB *Company code 147710353* *S. Kerbedzio Str. 7, Panevezys*	Technical Director *Main place of employment*	83,058	4.45	4.45

Term of office: June 2018 through June 2022
Clean record.

JUSTAS JASIUNAS – the Member of the Board. No ownership in the capital of the Company. Participating in the activities or capital of the companies below:

Company	*Position*	*Number of shares*	*Capital, %*	*Votes, %*
Panevezio statybos trestas AB *Company code 147732969* *P. Puzino Str. 1, Panevezys*	Board Member/ Commercial Director *Main place of employment*	-	-	-
KINGSBUD Sp.z o.o. *Company code 200380717* *A. Patli Str. 12, 16-400 Suwalki, Poland*	Chairman	-	-	-

Term of office: June 2018 through June 2022
Clean record.

Following the decision taken at the Ordinary Meeting of Shareholders of *Panevezio statybos trestas* AB on 27 April 2018, the Boards Members of the previous term-of-office were paid a share of profits. The share of profits for the Board Members amounted to 38,890 Euros, on the average 7,778 Euros incl. taxes per Board Member.

Administration:

DALIUS GESEVICIUS– Chief Executive Officer, Managing Director. Holds 41,015 shares of the Company. University education (VISI, 1984), Construction Engineering. Master Degree in Management and Business Administration.
Clean record.
DANGUOLE SIRVINSKIENE – Chief Accountant of the Company. Holds no shares of the Company. University Education (LZUA, 1983), Accounting - Economics.
Clean record.
In 2018, no loans, guarantees, sureties were granted and no property was transferred to any Board Members 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 27 April 2018:
Drasutis Liatukas – an independent auditor, Head of *Finansu auditorius* UAB, auditor. Holds no shares of the Company;
Irena Kriauciuniene – an independent auditor. Holds no shares of the Company;
Egle Grabauskiene – Deputy Chief Accountant of the Company. Holds no shares of the Company.

Diversity policies applied to election of the CEO and members of the supervisory bodies of the company

The Company has no diversity policy for election of the CEO and members of the supervisory bodies of the Company. The main criterion for election of a candidate to CEO and members of the supervisory or management bodies is competence of the candidate.

Information on earnings for each member of management and supervisory bodies

In 2018, neither the members of the Board nor the top managers of *Panevezio statybos trestas* AB were granted any special benefits.

Table 12. Information on earnings of members of management and supervisory bodies of the issuer in 2018:

Board Members from 15 June 2018 and CEO of Panevezio statybos trestas AB		***Average salary for 2018 (Euros)***	***Bonuses calculated in 2018 (Euros)***	***Share of profits allocated in 2018 (Euros)***
Remigijus Juodvirsis	Chairman/ Adviser	2418	3907	8390
Audrius Butkunas	Board Member	-	-	-
Audrius Balcetis	Board Member	-	-	7625
Vilius Grazys	Board Member	-	-	7625
Justas Jasiunas	Board Member/ Commercial Director	3857	4003	-
Dalius Gesevicius	Managing Director	6696	7279	-
Board Members of previous term-of-office (until 15 June 2018)				
Vilmantas Puidokas	Board Member	-	-	7625
Arturas Bucas	Board Member	-	-	7625

Information on all agreements between the shareholders

The Company has no information on any agreements between the shareholders available.

19. 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.

Short description of activity model

Panevezio statybos trestas AB (PST) is one of the largest local construction companies, which has been operating in the construction sector for more than 60 years. The company comprised the following branches: *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.
The Group of *Panevezio statybos trestas* AB consists of the following companies – *Panevezio statybos trestas* AB, *Skydmedis* UAB, *Metalo meistrai* UAB, *Vekada* UAB, *Alinita* UAB, PS Trests SIA, Kingsbud Sp.z o.o, *Teritorija* OOO, *Seskinės projektai* UAB, *Ateities projektai* UAB, *PST investicijos* UAB, *Tauro apartamentai* UAB and *Hustal* UAB.
For management purposes, the Group is divided into business units based on the nature of their activity and has the following accountable segments:

- Construction;
- Steel structures;
- Timber panel houses;
- Aluminium structure production and concrete floor installation;
- Other activity.

The segment of construction includes activity of *Panevezio statybos trestas* AB, *Vekada* UAB, Alinita UAB and PS Trests SIA. The main area of activity is construction, designing and erection of various buildings, structures, equipment and communications, construction/installation of other objects (electrical installation, building renovation, installation of plumbing, waste water systems, fire protection systems, video surveillance, security and fire alarm) in Lithuania and other countries.
The segment of steel structures includes activity of *Metalo meistrai* UAB and *Hustal* UAB. The main area of their activity is designing and fabrication of steel structures for construction. The company also delivers steel structures to other companies based on their demand.
The segment of timber panel houses includes activities of *Skydmedis* UAB. The area of activity is designing, production, construction and outfitting of prefabricated timber panel houses, production of timber structures and millwork. Timber panel houses are the main product, 87 per cents of which is successfully exported to Norway, Sweden, France, Switzerland, Island and other countries.
The work in *the segments of aluminium structure fabrication and concrete floor installation* are carried out by *Pastatu apdaila*, the branch of *Panevezio statybos trestas* AB. They make aluminium glass façades, aluminium windows, doors, plate glass windows, perform concrete floor installation in industrial and public buildings.
The segment of other activity includes *Seskines projektai* UAB, *Ateities projektai* UAB, *Tauro apartamentai* UAB, *Teritorija* OOO, *PST investicijos* UAB, which are engaged in real estate development, and Kingsbud Sp.z o.o., which is engaged in wholesale of construction materials.

Strategy, vision, mission and targets of the Company

In its activity, *Panevezio statybos trestas* AB follows the 3-year strategy approved by the Board.
The strategy of the Company for the years 2019 through 2021 is based on growth of activity, enhancement in corporate value, management of client relations, ensuring of safe working environment and development of employees.

Vision – To become a reputed construction company in Europe, which uses advanced technologies, ensures quality and agreed work completions terms.

Mission - While honestly fulfilling our obligations, promoting long-term cooperation and proposing mature solutions in construction, we ensure profitable and sustainable business development.

Target - To retain the leading position in the construction market by creating the added-value to our clients, shareholders and employees.

Principles of social responsibility:

Accountability (for impact on society, economy, environment);
Transparency (of decisions and activity, which have impact on society and environment);
Ethical (proper) behaviour;
Respect (listening attentively and responding) for stakeholders' interest;
Respect for the rule of law;
Respect for international norms of behaviour;
Respect for human rights.

Environmental Protection

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

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.

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 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. *Panevezio statybos trestas* AB has the Risk and Opportunity Register 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 a 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 over 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 *Bureau Veritas Lit* UAB.

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. Considering this factor, the Company encourages employees in all organizational levels to learn and develop. 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 2018, there were no violations of human rights or relevant claims recorded.

Social Initiatives

Panevezio statybos trestas AB (PST) keeps on implementing its target to be a reliable and transparent company. In its activity, the Company follows the principles of sustainable business development, which also include social responsibility. PST invests in various indirect activities, supports different social, sports, cultural and health promotion projects.
In 2018, the Company had arranged and information workshop for the students of Faculty of Civil Engineering and Architecture at the Kaunas University of Technology on the site of Kaunas Combined Heat and Power Plant, where they were familiarized with the activity of the Company, shared experience and engineering competence.
Panevezio statybos trestas AB rendered support to sports clubs and federations, sponsored cultural projects, events arranged by educational institutions for local communities and nationwide.

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 25/04/2019

Appendix 1

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 22 of the Law on Securities of the Republic of Lithuania and Clause 24.5 of the Listing Rules of *NASDAQ 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 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 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 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 Shareholders' Meeting, thus ensuring independence of the conclusions and opinion provided by the audit company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO / NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
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.	Yes	The Company's strategy and objectives are made public on the website http//www.pst.lt 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.
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.	Yes	
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.	Yes	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.
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	
Principle II: The corporate governance framework **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.**		
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 performing the supervision function, 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.[1]	Yes	

[1] 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.[2]	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.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **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.[3]**		
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.

[2] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

[3] 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.

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.	Yes	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.
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.	Yes	The information on the composition of the Board is provided in the semi-annual and annual reports prepared by the Company.
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.	Yes	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.
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.	Yes	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.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	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.

[4] 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.

[5] 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.

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: 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; 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; 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); 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); 5) he/she does not have and did not have any material business relations with the company or associated 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; 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; 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;	No	All five members of the Board are related to the largest shareholder – *Panevėžio keliai* AB. The candidates to become the members of the Board are proposed to the Shareholders' Meeting by *Panevėžio keliai* AB, which holds 49.78 per cents of the authorised capital of the Company.

8) he/she has not been in the position of a member of the collegial body for over than 12 years; 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.		
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.	Not applicable	The recommendation provided in 3.7 is not complied with.
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.	No	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.
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 reconfirmed.	No	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.
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.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Yes	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.

[6] 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.

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **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[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
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.[8]	Yes	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.
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).	Yes	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.
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[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	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. There were 13 (thirteen) meetings of the Board convened in 2018, two of them failed due to absence of quorum. All members of the Board participated in eleven meetings. The members of the Board participating at the meeting are recorded in the Minutes of the Meeting. Three members of the Board failed to participate in two meetings of the Board. The Chairman participates in all the Meetings of Shareholders convened.

[7] See Footnote 3.

[8] 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.

[9] 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.

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.	Yes	The management bodies of the Company follow the principles of communication with the shareholders established by the laws.
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.	Not applicable	Transactions with the members of managing bodies are not concluded. Only usual activity transactions are concluded with the main shareholder.
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[10]. 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 advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	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.

[10] 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.

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[11]. 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.	No	The collegial body of the Company's management is the Board performing the functions of Nomination Committee and the Remuneration Committees. The Board selects 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. Company's Audit Committee provides recommendation to the Board for the external auditor/audit firm appointment and the Board selects the candidate and provides proposals to the General Shareholders' Meeting for approval. On 27 April 2018 the Audit Committee was elected during the Annual General Shareholders' Meeting.
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.	Yes/No	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.
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. 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.	Yes/No	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.

~~[11] 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).~~

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.	Yes	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.
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.	Yes	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.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 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; 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; 3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management. 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.	Not applicable	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.)

4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 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; 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; 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; 4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 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); 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. 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: 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; 2) examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; 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	Not applicable	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.)

the consequences that this choice has. 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. 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.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 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); 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; 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; 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; 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; 6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.	Yes	On 27 April 2018, 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.

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 off-shore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 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. 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. 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. 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. 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.		
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.	No	There is no practice for assessment of internal activities and informing about that available at the Company.

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[12].	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.

[12] 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.

Principle VI: The equitable treatment of shareholders and shareholder rights **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.**		
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.[13] 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 *NASDAQ Vilnius* and on the Company's website.

[13] 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 vie electronic means of communication.

Principle VII: The avoidance of conflicts of interest and their disclosure

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.

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 concerning transactions or other issues of personal or business interest are voted on.	Yes	

Principle VIII: Company's remuneration policy **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.**		
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.	No	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 Company observes the rules for the directors' remuneration, which are approved by the Board.
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.	No	Recommendations provided in 8.1 are not complied with.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this code; 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;	No	Recommendations provided in 8.1 are not complied with.

12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.		
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.	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.
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. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 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; 2) the remuneration and advantages received from any undertaking belonging to the same group; 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; 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; 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; 6) total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 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: 1) the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 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; 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; 4) all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed:	No	Recommendations provided in 8.1 are not complied with.

1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; 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. 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.		
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.	Yes	The rules for the directors' remuneration approved by the Board provides for the evaluation criteria of their performance results.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	
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.	Yes	
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.	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.
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.	No	Termination payments are paid following the laws of the Republic of Lithuania.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	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 shares.

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 shares, share 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 shares, share 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 shares, share 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.
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.	Not applicable	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.

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; 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.	Not applicable	
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.	Not applicable	
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.	Not applicable	
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.	Not applicable	

Principle IX: The role of stakeholders in corporate governance **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.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	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.
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.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	

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.

10.1. The company should disclose information on: 1) the financial and operating results of the company; 2) company objectives; 3) persons holding by the right of ownership or in control of a block of shares in the company; 4) members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) material foreseeable risk factors; 6) transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) material issues regarding employees and other stakeholders; 8) governance structures and strategy. 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.	Yes	The information mentioned in this recommendation is disclosed in notifications of material events through the information disclosure and distribution system *Globenewswire* used by NASDAQ, on the Company's website, in the Company's annual and intermediate information statements to the extent required by the legislation and international accounting standards valid in the European Union.
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.	Yes	
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.	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.
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.	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 *Globenewswire* used by NASDAQ 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 *Vilniaus vertybiniu popieriu birza*, 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 *Globenewswire* used by NASDAQ 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	In 2018 the audit firm provided no services other than auditing.