AB Panevėžio Statybos Trestas

Separate financial statements
for the year 2014

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Company details

AB Panevėžio Statybos Trestas

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

Board

Remigijus Juodviršis, Chairman
Artūras Bučas
Virmantas Puidokas
Irma Abramavičienė
Vilius Gražys

Management

Dalius Gesevičius, Managing Director

Auditor

KPMG Baltics, UAB

Banks

AB DNB Bankas
AB SEB Bankas
Swedbank, AB
AB Šiaulių Bankas
OAO Bank VTB
ZAO IKB Evropeiski
OAO KS EvrositiBank

KPMG Baltics, UAB
Upės St. 21
LT-08128, Vilnius
Lithuania

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Independent Auditor's Report

To the Shareholders of AB Panevėžio Statybos Trestas

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements (hereinafter "the financial statements") of AB Panevėžio Statybos Trestas (hereinafter "the Company"), which comprise the separate statement of financial position as at 31 December 2014, the separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 5–41.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Company code: 111494971
VAT code: LT114949716

Opinion

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of AB Panevėžio Statybos Trestas as at 31 December 2014, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

We draw attention to Note 5 of the financial statements, which describes the political and social unrest in Russia in 2013–2014 as well as the fact that Russia's economic slowdown together with other events described in Note 5 may have an adverse effect on the performance and financial position of the Company. Currently, the extent of such effect cannot be estimated, therefore significant uncertainty exists that future business development in Russia may differ from the management's assessments. We do not qualify our opinion with respect to the matter.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the annual report of AB Panevėžio Statybos Trestas for the year ended 31 December 2014, set out on pages 42–98 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the separate financial statements of AB Panevėžio Statybos Trestas for the year ended 31 December 2014.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Certified Auditor

Vilnius, the Republic of Lithuania
2 April 2015

Confirmation of the Company's responsible employees

To: Supervisory Service
BANK OF LITHUANIA
Žirmūnų St 151, LT-09128 Vilnius

Vilnius Stock Exchange
Konstitucijos 7, 15fl, LT-08105 Vilnius

This confirmation of responsible employees of AB Panevėžio Statybos Trestas concerning the audited separate financial statements and the annual report for the year 2014 is presented in accordance with the Law on Securities of the Republic of Lithuania (Official Gazette, 2077, No. 17-626; 2011, No. 145-6819) and with Regulations for Preparation and Presentation of Periodic and Additional Information approved by Resolution of the Board of the Bank of Lithuania No. 03-48 (Official Gazette, 2013, No. 25-1255).

By this confirmation of responsible employees we 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, the liabilities, the financial position, the result and cash flows of AB Panevėžio Statybos Trestas. The annual report fairly states the review of business development and activities, the Company's position and the description of main risks and uncertainties.

AB Panevėžio Statybos Trestas
Managing Director
Dalius Gesevičius

AB Panevėžio Statybos Trestas
Finance Director
Dalė Bernotaitienė

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

Approved on
Minutes No. ________________

Separate statement of financial position

as at 31 December

In Litas

	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	16,127,593	16,044,567
Intangible assets	14	117,371	130,408
Investments in subsidiaries	15	26,813,067	33,442,836
Loans granted	16	421,086	15,673,293
Other assets		122,070	176,677
Deferred tax assets	12	773,780	735,666
Total non-current assets		**44,374,967**	**66,203,447**
Current assets			
Inventories	17	5,791,801	2,541,914
Trade receivables	18	61,513,813	41,678,743
Prepayments		779,134	3,907,464
Loans granted	19	31,033,756	12,231,132
Other financial assets	20	0	3,000,000
Other assets	20	4,956,566	7,217,883
Advance income tax	20	352,153	460,838
Cash and cash equivalents	21	64,231,523	48,192,425
Total current assets		**168,658,746**	**119,230,399**
TOTAL ASSETS		**213,033,713**	**185,433,846**

The notes on pages 10–41 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	02/04/2015
Chief Accountant	Danguolė Širvinskienė	02/04/2015

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

Approved on
Minutes No. ________________

Separate statement of financial position (continued)

as at 31 December

In Litas

	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Share capital	22	16,350,000	16,350,000
Reserves	22	6,954,628	7,517,140
Retained earnings		113,017,872	108,737,798
Total equity		**136,322,500**	**132,604,938**
Non-current liabilities			
Warranty provision	24	1,626,541	1,297,928
Deferred tax liabilities	12	938,753	1,038,019
Total non-current liabilities		**2,565,294**	**2,335,947**
Current liabilities			
Trade payables		45,824,115	17,953,077
Prepayments received	18	13,215,284	24,530,030
Current tax payable		1,592,282	387,685
Other liabilities	25	13,514,238	7,622,169
Total current liabilities		**74,145,919**	**50,492,961**
Total liabilities		**76,711,213**	**52,828,908**
TOTAL EQUITY AND LIABILITIES		**213,033,713**	**185,433,846**

The notes on pages 10–41 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	02/04/2015
Chief Accountant	Danguolė Širvinskienė	02/04/2015

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

Approved on
Minutes No. ________________

Separate statement of comprehensive income

for the year ended 31 December

In Litas

	Note	2014	2013
Revenue	5	253,002,286	202,935,329
Cost of sales	6	(232,196,849)	(190,273,319)
Gross profit		**20,805,437**	**12,662,010**
Other income	10	2,023,027	2,552,596
Sales expenses	7	(556,280)	(326,142)
Administrative expenses	8	(7,701,063)	(12,270,620)
Other expenses	10	(880,439)	(1,122,612)
Result from operating activities		**13,690,682**	**1,495,232**
Finance income	11	2,428,827	1,770,466
Finance costs	11	(10,841,006)	(2,747,124)
Profit before income tax		**5,278,503**	**518,574**
Income tax	12	(1,549,696)	(156,453)
Net profit (loss)		**3,728,807**	**362,121**
Other comprehensive income			
Revaluation of property, plant and equipment		(11,245)	973,464
Effect of deferred tax		0	(190,317)
Items that will never be reclassified to profit or loss		**(11,245)**	**783,147**
Items that are or may be reclassified to profit or loss		**0**	**0**
Total other comprehensive income		**(11,245)**	**783,147**
Total comprehensive income		**3,717,562**	**1,145,268**
Basic and diluted earnings per share	23	0.23	0.02

The notes on pages 10–41 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	02/04/2015
Chief Accountant	Danguolė Širvinskienė	02/04/2015

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

Approved on
Minutes No. ______________

Separate statement of changes in equity

In Litas	Notes	Share capital	Compulsory reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2012		**16,350,000**	**1,635,030**	**5,328,370**	**108,555,020**	**131,868,420**
Total comprehensive income for the year						
Net profit (loss)					362,121	362,121
Total other comprehensive income				553,740	229,407	783,147
Total comprehensive income for the year				553,740	591,528	1,145,268
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company					(408,750)	(408,750)
Total contributions by and distributions to owners of the Company					(408,750)	(408,750)
Balance as at 31 December 2013		**16,350,000**	**1,635,030**	**5,882,110**	**108,737,798**	**132,604,938**
Total comprehensive income for the year						
Net profit (loss)					3,728,807	3,728,807
Total other comprehensive income				(562,512)	551,267	(11,245)
Total comprehensive income for the year				(562,512)	4,280,074	3,717,562
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company						
Total contributions by and distributions to owners of the Company						
Balance as at 31 December 2014		**16,350,000**	**1,635,030**	**5,319,598**	**113,017,872**	**136,322,500**

The notes on pages 10–41 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	02/04/2015 ______
Chief Accountant	Danguolė Širvinskienė	02/04/2015 ______

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

Approved on
Minutes No. ________________

Separate statement of cash flows

for the year ended 31 December
In Litas

	Note	2014	2013
Cash flow from operating activities			
Net profit		3,728,807	362,121
Adjustments for:			
Depreciation and amortization		2,765,477	2,516,254
Result from disposal of property, plant and equipment		(78,439)	(98,746)
Income tax expense		1,549,696	156,453
Unrealized foreign currency gain		1,994,636	788,698
Other non-cash items		6,639,892	(718,742)
		16,600,069	3,006,038
Change in long-term receivables		40,443	(74,588)
Change in inventories		(3,249,887)	6,442,802
Change in trade receivables		(17,573,753)	34,684,247
Change in prepayments		3,128,330	6,558,629
Change in other assets		1,948,053	(6,843,855)
Change in trade payables		27,871,038	(24,594,321)
Change in prepayments received		(11,314,746)	21,905,085
Change in other liabilities		6,585,922	(13,200,970)
		24,035,469	27,883,067
Income tax paid		(860,454)	(249,542)
Net cash flows from operating activities		**23,175,015**	**27,633,525**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(2,939,017)	(2,501,738)
Disposal of property, plant and equipment		194,077	660,243
Acquisition of investments		(22,210)	(805)
Loans granted		(37,721,700)	(4,724,110)
Loans recovered		34,277,930	9,756,483
Dividends and interest received		1,238,900	1,485,493
Net cash flows from investing activities		**(4,972,020)**	**4,675,566**
Cash flows from financing activities			
Dividends paid		(15,815)	(403,555)
Payment of finance lease liabilities		0	(539,517)
Loans received		11,975	0
Loans repaid		(11,975)	0
Interest paid		(153,446)	(277,146)
Net cash flows from financing activities		**(169,261)**	**(1,220,218)**
Net increase (decrease) in cash and cash equivalents		**18,033,734**	**31,088,873**
Cash and cash equivalents at 1 January		48,192,425	17,892,250
Effect of exchange rate fluctuations on cash held		(1,994,636)	(788,698)
Cash and cash equivalents at 31 December		**64,231,523**	**48,192,425**

The notes on pages 10–41 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	02/04/2015
Chief Accountant	Danguolė Širvinskienė	02/04/2015

Notes

1. Reporting entity

AB Panevėžio Statybos Trestas (hereinafter "the Company") was established in 1957. The entity's code is 147732969 and it is registered at P. Puzino 1, LT-35173 Panevėžys. The ordinary registered shares of the Company have been on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006. The Company primarily is involved in construction of buildings, plant, equipment as well as other facilities and networks, etc. in Lithuania and abroad. The Company employed 855 employees as at 31 December 2014 (789 employees as at 31 December 2013).

The Company has the following branches in Lithuania: Genranga, Gerbusta, Pastatų Apdaila, Klaipstata, Stogas, Betonas and Konstrukcija. The Company also has a branch in Kaliningrad (Russia) and a representative office in Cherepovets (Russia), and permanent establishments in Latvia and Kingdom of Sweden.

The main shareholders of the Company are:

- AB Panevėžio Keliai (49.78%);
- Swedbank AS (Estonia) clients (6.16%);
- Freely negotiable shares (44.06%).

These financial statements are the Company's separate financial statements. The Company also prepares consolidated financial statements for the Company and its subsidiaries. Details of subsidiary companies are disclosed in Note 15.

The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require Management to prepare a new set of financial statements.

2. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

The financial statements are presented in the national currency Litas, which is the Company's functional currency.

Use of estimates and judgments

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

Use of estimates and judgments (continued)

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

- Note 12 – deferred taxes recognition;
- Note 13 – fair value of land and buildings, useful lives of property, plant and equipment;
- Note 15 – measurement of recoverable amounts of investments;
- Note 18 – impairment of trade receivables, construction contract revenue;
- Note 24 – measurement of warranty provision.

3. Significant accounting policies

Foreign currency

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

Non-derivative financial instruments

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

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognized initially at fair value plus (except for instruments stated at fair value through profit or loss) any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

Loans and receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment losses, if any. Current receivables are not discounted.

Non-derivative financial instruments (continued)

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

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

Derivative financial instruments

The Company has no derivative financial instruments.

Property, plant and equipment

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

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

Property, plant and equipment (continued)

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 8–40 years
- Plant and equipment 5–10 years
- Vehicles 5–10 years
- Fixtures and fittings 3–6 years

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

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

Intangible assets

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

Leased assets

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.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

Inventories

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

Construction work in progress

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

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

Impairment of financial assets

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

Impairment loss is recognized in profit or loss.

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

Impairment of non-financial assets

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

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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

Dividends

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

Provisions

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

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

Employee benefits

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

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. There are no long-term employee benefits.

Revenue

Construction contract revenue includes the initial amount agreed in the contract plus any variations in contract work and other payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a 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.

Finance income and costs

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

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 or substantively enacted at the reporting date.

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.

Income tax (continued)

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.

Earnings per share

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

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

Segment reporting

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

Segment results that are reported to management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information about geographical segments is provided in the financial statements. In 2014 the Company had three segments identified: Lithuania, Russia and Latvia (2013: Lithuania, Russia and Latvia).

Determination of fair values

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

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

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

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

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

Determination of fair values (continued)

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 following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of assets and liabilities in the statement of financial position as at 31 December 2014 does not differ significantly from their carrying amount.

Changes in accounting policies

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

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

(i) IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The standard did not have any impact on the Company, as it does not hold significant interests in other entities, including equity accounted investees (Note 15).

IFRS 11 Joint Arrangements also became first applicable in 2014; however, it is not applicable to the Company as the Company does not participate in joint arrangements.

(ii) Other amendments to standards

The following amendments to standards with effective date of 1 January 2014 did not have any impact on these financial statements:

- IFRS 10 Consolidated Financial Statements;
- IAS 27 (2011) Separate Financial Statements;
- IAS 28 (2011) Investments in Associates and Joint Ventures;
- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 27 on Investment Entities;
- Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these separate financial statements. Those which may be relevant to the Company, as well as management's judgements regarding the possible impact of initial application of new and revised standards and interpretations are set out below. The Company does not plan to adopt these amendments, standards and interpretations early.

(i) Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the Amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(ii) IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014)

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the company being economically compelled to continue to operate in that future period.

The impact of the initial application of the Interpretation will depend on the specific levies imposed by government, applicable at the date of initial application. The Company does not intend to adopt the Interpretation early; therefore, it is not possible to estimate the impact adoption of the Interpretation will have on the Company's financial statements.

(iii) Annual Improvements to IFRSs

The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

4. Financial risk management

Overview

The Company has exposure to the following 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 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 analyze 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 analyzed 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 maximum exposure to credit risk can be specified as follows:

(in Litas)	2014	2013
Trade receivables	61,513,813	41,678,743
Current and non-current loans granted	31,454,842	27,904,425
Current and non-current other financial assets	4,833,920	7,833,920
Cash and cash equivalents	64,231,523	48,192,425
Total	**162,034,098**	**125,609,513**

Trade receivables:

(in Litas)	2014	2013
Municipalities and state institutions	19,455,156	8,083,340
Other	42,058,657	33,595,403
Total trade receivables	**61,513,813**	**41,678,743**

Credit risk (continued)

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

(in Litas)	2014	%	2013	%
Client 1	9,014,197	14.7	11,163,989	26.7
Client 2	7,162,973	11.6	11,104,430	26.6
Client 3	5,521,870	9.0	2,592,800	6.2
Client 4	4,646,025	7.6	2,513,537	6.0
Client 5	4,566,540	7.4	2,218,300	5.4
Client 6	3,220,821	5.2	1,671,863	4.1
Client 7	2,323,447	3.8	1,208,304	2.9
Other clients	26,998,792	43.9	19,703,491	47.3
Impairment	(1,940,852)	(3.2)	(10,497,971)	(25.2)
Total	**61,513,813**	**100**	**41,678,743**	**100**

Trade receivables according to geographic regions:

(in Litas)	2014	2013
Local market (Lithuania)	57,098,786	39,040,789
Russia	2,087,264	1,940,337
Latvia	2,323,447	554,168
Sweden	4,316	143,449
Total	**61,513,813**	**41,678,743**

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

(in Litas)	2014	Impairment	2013	Impairment
Not overdue	50,305,544		22,175,566	
Overdue 0–30 days	1,036,221		4,922,764	
Overdue 30–90 days	685,319		7,461,341	
More than 90 days	11,427,581	1,940,852	17,617,043	10,497,971
Total	**63,454,665**	**1,940,852**	**52,176,714**	**10,497,971**

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 a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Methodology used for establishing the allowance is reviewed regularly to reduce any differences between loss estimate and actual loss experience.

The maturities of current loans receivable from UAB PST Investicijos (loan amount – 7,165,117 Litas) and Kingsbud Sp.z.o.o. (loan amount – 90,000 EUR) are past due as at 31 December 2014 (see Note 19). The Company plans that after the sale of the shares of UAB Verkių Projektas in 2015, UAB PST Investicijos will repay the loan.

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

Credit risk (continued)

Current and non-current other financial assets include term deposits at banks, amount receivable from the subsidiary and accrued receivable from the customer.

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 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 terms of liabilities as at 31 December 2014, including calculated interest, as to the agreements, are presented below:

In Litas	Carrying amount	Contractual net cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Liabilities						
Loans and borrowings	0	0	0	0	0	0
Trade creditors	45,824,115	45,824,115	45,824,115	0	0	0
Total	**45,824,115**	**45,824,115**	**45,824,115**	**0**	**0**	**0**

Payment terms of liabilities as at 31 December 2013, including calculated interest, as to the agreements, are presented below:

(in Litas)	Carrying amount	Contractual net cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Liabilities						
Loans and borrowings	0	0	0	0	0	0
Trade creditors	17,953,077	17,953,077	17,953,077	0	0	0
Total	**17,953,077**	**17,953,077**	**17,953,077**	**0**	**0**	**0**

Interest rate applied for calculation of contractual net cash flows:

	2014
Loans and borrowings	-

	2013
Loans and borrowings	-

Market risk

Market risk is the risk that changes in market prices, such as changes in foreign currency rates and interest rates will affect the results of the Company or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at 31 December 2014 and 2013 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 Litas.

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

	31 December 2014	Average 2014	31 December 2013	Average 2013
1 EUR =	3.4528	3.4528	3.4528	3.4528
1 SEK =	0.3625	0.3798	0.3849	0.3994
1 RUB =	0.0503	0.0688	0.0767	0.0817

The Company's exposure to foreign currency risk can be specified as follows:

Year 2014 (Litas)	LTL	EUR	RUB	LVL	GBP	SEK
Non-current loans granted	421,086					
Trade receivables	52,451,725	6,974,824	2,087,264			
Current loans granted	23,339,139	6,047,204	1,647,413			
Current and non-current other financial assets		4,833,920				
Cash and cash equivalents	47,405,787	13,949,957	2,547,737		57,166	270,876
Loans and borrowings						
Trade payables	(45,325,293)	(215,080)	(283,742)			
Total exposure	**78,292,444**	**31,590,825**	**5,998,672**		**57,166**	**270,876**

Year 2013 (Litas)	LTL	EUR	RUB	USD	GBP	SEK
Non-current loans granted	12,281,635	3,391,658				
Trade receivables	39,029,862	10,927	1,940,337	554,168		143,449
Current loans granted	12,050,579	180,553				
Current and non-current other financial assets	4,579,834	4,833,920				
Cash and cash equivalents	37,808,834	2,825	10,183,149		53,194	144,423
Loans and borrowings						
Trade payables	(16,403,269)	(169,813)	(1,379,995)			
Total exposure	**89,347,475**	**8,250,070**	**10,743,491**	**554,168**	**53,194**	**287,872**

The functional currency of the Company is Litas. The Company faces the risk of changes in foreign currency rates on purchases and payable amounts as well as on sales and amounts receivable that are denominated in currencies other than Litas and EUR. The risk related to transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to EUR at a fixed rate.

Market risk (continued)

With a decrease in the currency exchange rate of the Russian rouble by 0.005 points, the Company's profit would decrease by approximately 596 thousand Litas.

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

Variable interest rate financial assets and liabilities were as follows:

	Currency	2014	2013
Issued non-current loans	LTL	421,086	12,281,635
Issued non-current loans	EUR	0	3,391,658
Issued current loans	LTL	23,339,139	12,050,734
Issued current loans	RUB	1,647,413	0
Issued current loans	EUR	6,047,204	180,398
Total		**31,454,842**	**27,904,425**

With an increase in the interest rate by 0.5%, the Company's profit would increase by approximately 107 thousand Litas.

Capital management

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

Operating risk management

The main operating risks of the Company include competition with other construction and contracting companies in the operating markets of the Company, reliability of subcontractors and other business partners, management of production capacities as well as attraction and retaining of experienced and qualified employees. Key management of the Company controls establishment of processes and procedures that mitigate the risks.

The Company's management ensures that its employees have appropriate expertise, experience and the latest knowledge to carry out the duties entrusted to them. The Company sends employees to training courses and organises internal training. The Company has internal controls in place to ensure the four-eye principle, where results of the person carrying out an operation are checked by another controller, by authorising the operation. The Company hires an external auditor for investigation of efficiency of internal processes; and schedules for audit of internal processes are being made by the internal auditor, and, as to recommendations received, processes are being reviewed and internal controls are strengthened. Also, the Company's Board and management meet regularly to discuss the matters related to performance of the Company, identification of operating risks as well as creation of plans for mitigation and elimination of the risks.

5. Segments

Year 2014 (in Litas)	Lithuania	Russia	Latvia	Total
Revenue	235,187,662	9,728,569	8,086,055	253,002,286
Cost of sales	(213,926,171)	(8,883,038)	(7,936,563)	(230,745,772)
Other income	1,522,425	500,602	0	2,023,027
Operating expenses	(14,897,747)	(728,938)	(215,124)	(15,841,809)
Other expenses	(490,257)	(48,435)	0	(538,692)
Impairment of assets	9,285,759	(728,640)	0	8,557,119
Amortization and depreciation	(2,587,290)	(49,116)	(129,071)	(2,765,477)
Operating result	**14,094,381**	**(208,996)**	**(194,703)**	**13,690,682**
Finance income	2,130,959	297,818	50	2,428,827
Finance costs	(6,877,819)	(3,962,650)	(537)	(10,841,006)
Income tax income (expenses)	(1,450,792)	(98,904)	0	(1,549,696)
Net profit (loss)	**7,896,729**	**(3,972,732)**	**(195,190)**	**3,728,807**

The Company has significant business operations in Russia. In 2014, Russia's political and economic situation deteriorated due to the actions of the Russian Government in respect of the European Union and neighbouring countries. Political unrest together with the increasing regional tensions forced foreign investors to cease their activities. In addition, Russia's economy started contracting due to the reduction in oil prices. Further Russia's actions towards the European Union and neighbouring countries as well as movement in oil prices are difficult to predict but may imply further consequences for Russia's economy.

Although the management believes that appropriate measures are taken to ensure the Company's business stability under the current circumstances, the continuing instability in the Russian business environment may have an adverse effect on the performance and financial position of the Company. Currently, the extent of such effect cannot be estimated. These separate statements reflect the management's current assessment of the impact of the Russia's business environment on the performance and financial position of the Company. Future business environment may differ from the management's assessments. No adjustments have been made in these separate financial statements in view of the effect of the events in Russia and neighbouring countries after the date of these separate financial statements.

5. Segments (continued)

Year 2013 (in Litas)	Lithuania	Russia	Latvia	Total
Revenue	161,057,961	40,051,757	1,825,611	202,935,329
Cost of sales	(145,405,838)	(41,811,169)	(1,414,244)	(188,631,251)
Other income	2,536,614	15,982	0	2,552,596
Operating expenses	(11,118,313)	(1,278,877)	(24,628)	(12,421,818)
Other expenses	(896,727)	(13,720)	0	(910,447)
Impairment of assets	356,708	130,369	0	487,077
Amortization and depreciation	(2,382,144)	(118,615)	(15,495)	(2,516,254)
Operating result	**4,148,261**	**(3,024,273)**	**371,244**	**1,495,232**
Finance income	1,406,771	363,695	0	1,770,466
Finance costs	(2,033,839)	(713,011)	(274)	(2,747,124)
Income tax income (expenses)	26,959	(127,738)	(55,674)	(156,453)
Net profit (loss)	**3,548,152**	**(3,501,327)**	**315,296**	**362,121**

Segment assets

Year 2014 (in Litas)	Lithuania	Russia	Latvia	Total
Non-current assets	44,374,967	0	0	44,374,967
Inventories	5,479,401	190,732	121,668	5,791,801
Other current assets	142,810,687	17,372,876	2,683,382	162,866,945
Total segments assets	**192,665,055**	**17,563,608**	**2,805,050**	**213,033,713**
Segment liabilities				
Financial liabilities	0	0	0	0
Trade accounts payable	45,458,763	283,701	81,651	45,824,115
Other payables	30,697,096	75,608	114,394	30,887,098
Total segment liabilities	**76,155,859**	**359,309**	**196,045**	**76,711,213**
Acquisition of intangible assets and property, plant and equipment	2,939,017	0	0	2,939,017

5. Segments (continued)

Segment assets

Year 2013 (in Litas)	Lithuania	Russia	Latvia	Total
Non-current assets	66,018,572	184,875	0	66,203,447
Inventories	2,417,088	119,744	5,082	2,541,914
Other current assets	101,556,013	14,578,304	554,168	116,688,485
Total segment assets	**169,991,673**	**14,882,923**	**559,250**	**185,433,846**

Segment liabilities

Financial liabilities				
Trade accounts payable	16,573,082	1,379,995	0	17,953,077
Other payables	34,826,026	49,805	0	34,875,831
Total segment liabilities	**51,399,108**	**1,429,800**	**0**	**52,828,908**
Acquisition of intangible assets and property, plant and equipment	2,491,082	10,656	0	2,501,738

Major customer

Revenue from major customer of the Company in 2014 represents approximately 36,600 thousand Litas (2013: 34,264 thousand Litas) of the Company's total revenues.

6. Cost of sales

(In Litas)	2014	2013
Constructions sub-contractors	121,951,244	69,886,104
Raw materials and consumables	60,001,892	70,228,988
Personnel expenses	30,433,624	28,203,183
Depreciation	1,366,686	1,576,560
Amortization	84,391	65,508
Other costs	18,359,012	20,312,976
Total cost of sales	**232,196,849**	**190,273,319**

7. Sales expenses

(In Litas)	2013	2013
Advertising and similar expenses	424,594	92,647
Personnel expenses	131,686	233,495
Total sales expenses	**556,280**	**326,142**

8. Administrative expenses

(In Litas)	2014	2013
Personnel expenses	9,470,969	6,846,113
Purchased services for administration purposes	2,374,317	3,368,508
Depreciation	950,893	658,330
Operating taxes	488,254	1,159,808
Amortization	1,991	3,691
Impairment of prepayments	0	(534,884)
Impairment of trade receivables	(8,557,119)	(664,015)
Other expenses	2,971,758	1,433,069
Total administrative expenses	**7,701,063**	**12,270,620**

9. Personnel expenses

(In Litas)	2014	2013
Wages and salaries	26,678,310	24,448,514
Compulsory social security contributions	8,310,643	7,707,109
Daily and illness allowances	3,373,386	3,366,892
Change in accrued vacation reserve and bonuses	1,688,014	(239,724)
Total personnel expenses	**40,050,353**	**35,282,791**
Included into:		
Cost of sales	30,433,624	28,203,183
Administrative expenses	9,470,969	6,846,113
Sales expenses	131,686	233,495
Other operating expenses	14,074	0
Total personnel expenses	**40,050,353**	**35,282,791**

10. Other income and expenses

(In Litas)	2014	2013
Recovered insurance payments	536,842	0
Gain from disposed property, plant and equipment	142,757	2,146,271
Rent and other income	1,343,428	406,325
Total other income	**2,023,027**	**2,552,596**
Depreciation of rented premises and other expenses	(826,718)	(1,113,812)
Loss from disposed property, plant and equipment	(53,721)	(8,800)
Total other expenses	**(880,439)**	**(1,122,612)**
Total other income and expenses, net	**1,142,588**	**1,429,984**

11. Finance income and costs

(In Litas)	2014	2013
Interest income	1,527,863	1,228,119
Other income	900,964	542,347
Total finance income	**2,428,827**	**1,770,466**
Interest expense	(153,446)	(277,145)
Foreign currency exchange loss	(4,031,340)	(2,534,275)
Impairment of financial asset	(6,651,979)	0
Other expenses	(4,241)	64,296
Total finance costs	**(10,841,006)**	**(2,747,124)**
Total finance income and costs, net	**(8,412,179)**	**(976,658)**

12. Income tax

Income tax expense:

(In Litas)	2014	2013
Current tax expense	1,687,076	571,096
Change in deferred tax	(137,380)	(414,643)
Total income tax expense	**1,549,696**	**156,453**

As of 1 January 2014, the Company applied a standard rate of 15% in Lithuania, a 20% rate in Russian Federation and a rate of 15% in Latvia (as of 1 January 2013: rate of 15% in Lithuania, a 20% rate in Russian Federation and a rate of 15% in Latvia).

12. Income tax (continued)

Reconciliation of effective tax rate:

(In Litas)	2014		2013	
Profit for the year		3,728,807		362,121
Total income tax expense		1,549,696		156,453
Profit before tax		5,278,503		518,574
Income tax applying the Company's domestic tax rate	15.0%	791,775	15.0%	77,786
Effect of tax rates in foreign jurisdictions	9.7%	509,799	8.2%	42,579
Non-deductible expenses	25.5%	1,347,134	47.3%	245,176
Tax exempt income	(0.6%)	(30,211)	(15.4)%	(79,966)
Utilized tax losses for which no deferred tax asset was previously recognised	0%	0	(68.2)%	(353,431)
Change in unrealized temporary differences	(20.2%)	(1,068,801)	43.3%	224,309
	29.4%	**1,549,696**	**30.2%**	**156,453**

Deferred tax:

(In Litas)	2014		2013	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment of trade receivables	1,940,852	291,128	10,497,971	1,574,696
Accrued bonuses	1,478,888	221,833	132,899	19,935
Vacation reserve	901,961	135,294	808,949	121,342
Warranty provision	1,626,541	243,981	1,297,928	194,689
Stock write-down to NRV	347,160	52,074	348,027	52,204
Differences of tax regimes in foreign jurisdictions	0	0	80,872	12,131
Total deferred tax assets		**944,310**		**1,974,997**
Not recognized deferred tax assets		**(170,530)**		**(1,239,331)**
Recognized deferred tax assets		**773,780**		**735,666**
Revaluation of land and buildings	6,258,351	938,753	6,920,129	1,038,019
Deferred tax liability		**938,753**		**1,038,019**
Deferred tax, net		**(164,973)**		**(302,353)**

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

Change in deferred tax:

(In Litas)	2014	2013
Net deferred tax at 1 January	(302,353)	(526,680)
Recognized in other comprehensive income	0	(190,316)
Recognized in profit or loss	137,380	414,643
Net deferred tax at 31 December	**(164,973)**	**(302,353)**

13. Property, plant and equipment

(In Litas)	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Total
Cost (revalued carrying value of land and buildings)					
Balance at 1 January 2013	23,603,944	15,662,521	9,485,263	9,901,114	58,652,842
Additions	112,787	1,803,756	422,104	152,599	2,491,246
Revaluation	1,268,779				1,268,779
Disposals	(473,145)	(193,339)	(49,799)	(461,155)	(1,177,438)
Eliminated accumulated depreciation	(12,489,523)				(12,489,523)
Balance at 1 January 2014	12,022,842	17,272,938	9,857,568	9,592,558	48,745,906
Additions	61,504	543,297	1,895,047	365,824	2,865,672
Revaluation					
Disposals	(16,645)	(48,707)	(1,051,370)	(631,719)	(1,748,441)
Eliminated accumulated depreciation	(994,361)				(994,361)
Balance at 31 December 2014	11,073,340	17,767,528	10,701,245	9,326,663	48,868,776
Depreciation and impairment losses					
Balance at 1 January 2013	12,155,569	14,550,901	8,183,889	8,704,759	43,595,118
Depreciation for the year	651,249	733,116	566,158	496,165	2,446,688
Impairment (reversal of impairment)	(235,003)				(235,003)
Depreciation of the assets disposed	(82,292)	(56,721)	(46,022)	(430,906)	(615,941)
Elimination of accumulated depreciation	(12,489,523)				(12,489,523)
Balance at 1 January 2014	0	15,227,296	8,704,025	8,770,018	32,701,339
Depreciation for the year	1,011,135	580,324	632,723	454,913	2,679,095
Impairment (reversal of impairment)	(12,088)				(12,088)
Depreciation of the assets disposed	(4,686)	(39,335)	(1,046,080)	(542,701)	(1,632,802)
Elimination of accumulated depreciation	(994,361)				(994,361)
Balance at 31 December 2014	0	15,768,285	8,290,668	8,682,230	32,741,183
Carrying amounts					
At 1 January 2014	**12,022,842**	**2,045,642**	**1,153,543**	**822,540**	**16,044,567**
At 31 December 2014	**11,073,340**	**1,999,243**	**2,410,577**	**644,433**	**16,127,593**

13. Property, plant and equipment (continued)

Land and buildings are stated at revalued amount. The last revaluation was performed as at 31 December 2013 based on the consulting on possible market prices of the Company's land and buildings provided by independent valuation company UAB Matininkai, having appropriate recognized professional qualifications and necessary experience in valuation of property at certain location and of certain category.

The fair value of buildings and land equal to 11,073 thousand Litas is attributable to Level 3 under the hierarchy of fair value. The valuation was performed using the market comparison technique.

Significant unobservable data was used in fair value measurement, i.e. price per square meter/are. The fair value would increase with an increase in price per square meter/are and decrease with a decrease in price per square meter/are.

If the buildings and land were stated at cost model, their carrying amount as at 31 December 2014 would be equal to 5,197 thousand Litas (31 December 2013: 5,464 thousand Litas).

(In Litas)	2014	2013
Depreciation included into:		
Cost of sales	1,366,686	1,576,560
Operating expenses	970,661	658,330
Other expenses	341,748	211,798
Total depreciation	**2,679,095**	**2,446,688**

Land and buildings with a net carrying amount of 6,827,047 Litas as at 31 December 2014 are pledged to the banks (refer to Note 26). As at 31 December 2014, the Company had no leased property, plant and equipment.

14. Intangible assets

(In Litas)	Software	Other	Total
Cost			
Balance at 1 January 2013	882,215	17,280	899,495
Additions	7,992	2,500	10,492
Disposals	(2,400)	0	(2,400)
Balance at 1 January 2014	887,807	19,780	907,587
Additions	73,345	0	73,345
Balance at 31 December 2014	961,152	19,780	980,932
Amortization and impairment losses			
Balance at 1 January 2013	693,608	16,404	710,012
Amortization for the year	68,900	666	69,566
Amortization of the assets disposed	(2,399)	0	(2,399)
Balance at 1 January 2014	760,109	17,070	777,179
Amortization for the year	85,507	875	86,382
Balance at 31 December 2014	845,616	17,945	863,561
Carrying amount			
At 1 January 2014	**127,698**	**2,710**	**130,408**
At 31 December 2014	**115,536**	**1,835**	**117,371**

14. Intangible assets (continued)

(In Litas)	2014	2013
Amortization included into:		
Cost of sales	84,391	65,508
Administrative expenses	1,991	3,691
Other expenses	0	367
Total amortization	**86,382**	**69,566**

15. Investments in subsidiaries

(In Litas)	2014		2013	
Subsidiary	Ownership	Cost	Ownership	Cost
UAB PST Investicijos	68%	30,652,000	68%	30,652,000
OOO Baltlitstroj	100%	1,177,672	100%	1,177,672
UAB Vekada	96%	776,482	96%	776,482
UAB Skydmedis	100%	500,000	100%	500,000
UAB Alinita	100%	240,000	100%	240,000
UAB Metalo Meistrai	100%	81,500	100%	81,500
SIA PS Trests	100%	13,175	100%	13,175
TŪB Vilniaus Papėdė	69%	10,000	69%	10,000
Kingsbud Sp.z.o.o	100%	4,377	100%	4,377
OOO Teritorija	87.5%	805	87.5%	805
AB PST Nordic	100%	22,210	0	0
Impairment		(6,665,154)		(13,175)
Total investment		**26,813,067**		**33,442,836**

Financial information about the subsidiaries can be specified as follows:

(In Litas)	Type of activities	Equity as at 31/12/2014	Net profit (loss) for 2014	Equity as at 31/12/2013	Net profit (loss) for 2013
UAB PST Investicijos (consolidated – see below)	Real estate development	12,365,466	(10,898,617)	15,077,762	(2,987,699)
OOO Baltlitstroj	Constructions	(3,310,537)	(7,094,435)	2,860,057	3,016,614
UAB Vekada	Constructions: electricity instalments	5,835,948	357,821	5,315,674	548,127
UAB Skydmedis	Constructions: wooden houses	2,943,170	1,267,661	2,475,509	964,821
UAB Alinita	Constructions: conditioning equipment	231,490	40,585	190,905	71,620
UAB Metalo Meistrai	Constructions	2,314,969	1,228,566	1,086,403	(17,065)
SIA PS Trests	Constructions	(767,167)	13,273	(781,317)	(2,618)
TŪB Vilniaus Papėdė	Real estate development	4,245	218	2,773	219
Kingsbud Sp.z.o.o	Constructions	50,308	(8,509)	60,615	19,100
AB PST Nordic	Constructions	20,951	2,963	0	0
OOO Teritorija	Real estate development	(2,934,156)	(3,940,635)	(90,804)	(112,576)

15. Investments in subsidiaries (continued)

Based on the management's assessment, the investment in SIA PS Trests is impaired; therefore, 100% impairment was recognized for this investment. The recoverable amount was calculated for the investment in UAB PST Investicijos (see below). After the calculations, the impairment of AB Panevėžio Statybos Trestas was measured at 6,651,979 Litas due to significantly impaired ZAO ISK Baltevromarket. According to the management, other investments are not impaired.

When preparing the financial statements estimation of the recoverable amount of investment into UAB PST Investicijos was estimated taking recoverability of individual construction projects being developed. For each construction project under development a special purpose entity has been established and as at 31 December 2014 UAB PST Investicijos has the following special purpose subsidiaries:

(In Litas)	Ownership	Equity as at 31/12/2014	Net profit (loss) for 2014	Equity as at 31/12/2013	Net profit (loss) for 2013
ZAO ISK Baltevromarket	100%	(18,965,105)	(13,379,830)	(13,771,595)	(3,776,684)
UAB Verkių Projektas	100%	8,626,147	1,021,667	7,604,480	2,080,689
UAB Ateities Projektai	100%	932,131	(12,654)	944,785	(12,382)
UAB Kauno Erdvė	100%	(4,633,793)	(78,585)	(4,555,208)	74,530
UAB Sakališkės	100%	(4,791,915)	(108,150)	(4,683,765)	(332,598)
UAB Šeškinės Projektai	100%	4,230,731	97,027	4,133,704	(318,637)

The calculation of recoverable amount is presented below:

(In Litas)	Ownership	Projects under development measured at fair values	Net liabilities	Net assets when managed projects are stated at fair value	Value of UAB PST Investicijos investments in subsidiaries	
ZAO ISK Baltevromarket	100%	38,214,555	(30,377,949)	7,836,606	7,836,606	(i)
UAB Verkių projektas	100%	25,400,000	(16,773,853)	8,626,147	8,626,147	(ii)
UAB Ateities projektai	100%	1,400,000	(467,869)	932,131	932,131	(iii)
UAB Kauno erdvė	100%	0	(4,633,793)	4,633,793	0	(iii)
UAB Sakališkės	100%	0	(4,791,915)	4,791,915	0	(iii)
UAB Šeškinės projektai	100%	4,400,000	(169,269)	4,230,731	4,230,731	(iii)
Recoverable amount of UAB PST Investicijos investments in subsidiaries					21,625,615	
Other assets of UAB PST Investicijos					43,201,713	
Liabilities of UAB PST Investicijos					(29,533,180)	
Net assets of UAB PST Investicijos at fair value					**35,294,148**	
Number of shares owned by AB Panevėžio Statybos Trestas					68%	
The recoverable amount of UAB PST Investicijos attributable to AB Panevėžio Statybos Trestas					**24,000,021**	
Investment in UAB PST Investicijos in the financial statements as at 31 December 2013					**30,652,000**	

(i) A significant portion of the recoverable amount of the investment into UAB PST Investicijos is related to the real estate project being developed by ZAO ISK Baltevromarket in Kaliningrad. As of the beginning of 2013, the Board of UAB PST Investicijos considered the possibilities of selling this project. In 2013, the company searched for a customer. In 2014, project selling works were continued and deliberations over proposals were taking place, negotiations were held with several potential customers. To support the recoverable amount, the Company has a market price estimate prepared by an independent valuer. According to the evaluation of the real estate expert DTZIMS (IMS Project Management LLC), the market value of the project developed by ZAO ISK Baltevromarket as at 31 December 2014 amounted to 38,214,554 Litas (11,067,700 EUR). The valuation of one of the land plots developed by ZAO ISK Baltevromarket was performed using the market comparison technique, based on which the value of the land plot was 7,981,838 Litas (2,311,700 EUR); another land plot was evaluated using the discounted cash flows method,:

15. Investments in subsidiaries (continued)

based on which the value of the land plot was 30,232,716 Litas (8,756,000 EUR). Key inputs used by the valuator using the discounted cash flows method could be detailed as follows

- discount rate – 28%;
- exit yield – 12%;
- shopping centre area: annual rent prices – from 143 to 457 EUR/sq.m., occupancy rate – from 55% in the first year to 95% in the last year of the model for different premises.

(ii) To support the recoverable amount of UAB Verkių Projektas, the Company obtained a market price evaluation of an independent real estate valuer UAB Resolution Valuations; based on this evaluation, market price of the property managed by UAB Verkių Projektas was 25,400,000 Litas. The discounted cash flows method was used for valuation (the discount rate of 10.40% and the exit yield of 8.20%).

(iii) The recoverable amounts of other projects have been estimated based on the consultations with the real estate valuer Ober-Haus Nekilnojamas Turtas regarding potential market prices. In calculation of the prices of property, the discounted cash flow method was used (the discount rate of 15% and the exit yield of 20%).

16. Non-current loans granted

(In Litas)	Interest rate	Maturity	2014	2013
UAB PST Investicijos (loan)	6 month EURIBOR+2.2%	31/03/2015	0	11,974,713
OOO Teritorija	12% fixed	30/06/2015	0	3,391,658
UAB Metalo Meistrai	6 month EURIBOR +2.0%	31/12/2017	421,086	306,922
Total			**421,086**	**15,673,293**

17. Inventories

(In Litas)	2014	2013
Raw materials and consumables	6,138,103	2,888,711
Goods for resale	859	1,230
Write-down to net realizable value	(347,161)	(348,027)
Total inventories	**5,791,801**	**2,541,914**

In 2014, change in write-down of inventory to the net realizable value was stated under Operating expenses.

18. Trade receivables

(In Litas)	2014	2013
Trade receivables due from customers	54,205,245	43,434,791
Accrued receivables in accordance with the stage of completion	7,345,008	4,406,143
Trade receivables due from controlled companies	1,904,412	4,335,780
Impairment at the beginning of the year	(10,497,971)	(11,161,986)
Write-off, repayment of doubtful trade receivables	9,659,669	739,667
Additional impairment during the period	(1,102,550)	(75,652)
Impairment at the end of the year	(1,940,852)	(10,497,971)
Total trade receivables	**61,513,813**	**41,678,743**

18. Trade receivables (continued)

As at 31 December 2014 aggregate costs incurred under construction contracts in progress and recognized profits, net of recognized losses, amounted to 115,512,619 Litas (2013: 57,466,139 Litas). Progress billings under open construction contracts amounted to 112,808,839 Litas as at 31 December 2014 (2013: 56,489,175 Litas). Billings in excess of costs incurred and recognized profits are presented as deferred income (disclosed in Note 25) and amounted to 2,703,780 Litas as at 31 December 2014 (2013: 976,964 Litas).

As at 31 December 2014, trade receivables include retentions (retention – a fixed percentage of the total contract price which shall be repaid having delivered the construction after its completion and having presented the bank guarantee of the retained cash or warrantee document of the insurance company) of 6,158,358 Litas (2013: 1,043,496 Litas) relating to construction contracts in progress.

For impairment of trade receivables refer to Note 4.

Prepayments received from customers amounted to 13,215,284 Litas as at 31 December 2014 (31 December 2013: 24,530,030 Litas). As at the end of 2014, no Construction contracts allowing for advances of 10 million Litas or more were signed.

19. Current loans granted

(In Litas)	Interest rate	Maturity	2014	2013
UAB PST Investicijos (loan)	6 month EURIBOR +2.2%	31/03/2015	15,277,615	0
UAB PST Investicijos (loan)*	6 month VILIBOR+1.9%	12/05/2013	5,650,862	5,603,752
UAB PST Investicijos (loan)*	6 month VILIBOR+1.9%	01/09/2014	2,408,024	2,344,675
OOO Teritorija	12% fixed	30/06/2015	5,731,217	0
OOO Baltlitstroj (loan)	9% fixed	31/12/2015	1,647,413	0
Kingsbud Sp.z.o.o	1.67% fixed	30/09/2014	315,987	173,217
Other current loans	4% fixed	31/07/2015	2,638	7,181
UAB Metalo Meistrai	6 month VILIBOR+2.0%	31/12/2017	0	102,307
AB Panevėžio Keliai*	3 month VILIBOR+1.9%	11/01/2013	0	4,000,000
Total			**31,033,756**	**12,231,132**

**Until the reporting date the loans were not repaid. The Company plans that UAB PST Investicijos will repay the loan in 2015 after selling the shares of UAB Verkių Projektas.*

20. Other current assets

(In Litas)	2014	2013
Financial assets		
Term deposit at bank	0	3,000,000
Receivable from the subsidiary OOO Baltlitstroj related to prepayment paid to the supplier for subsidiary	4,833,920	4,833,920
Non – financial assets		
VAT overpayment	116,356	799,262
Accrued receivable from the customer	0	1,579,834
Other current assets	358,443	4,867
Total other current assets	**5,308,718**	**10,217,883**

As at 31 December 2014 the Company had no term deposits (the interest rate applicable to the term deposit at the bank as at 31 December 2013 was 0.13%, maturity – June 2014).

21. Cash and cash equivalents

(In Litas)	2014	2013
Cash at banks	64,211,841	46,169,471
Cash on hand	19,682	22,954
Bank deposits	0	2,000,000
Total cash and cash equivalents	**64,231,523**	**48,192,425**

22. Capital and reserves

The Company's authorized share capital consists of 16,350,000 ordinary shares with a nominal value of 1 Litas 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 2014.

Reserves are as follows:

(In Litas)	2014	2013
Revaluation reserve	5,319,598	5,882,110
Legal reserve	1,635,030	1,635,030
Total reserves	**6,954,628**	**7,517,140**

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:

	2014	2013
Revaluation reserve at 1 January	**5,882,110**	**5,328,370**
Revaluation result	0	1,268,778
Reversed revaluation for sold assets	(11,245)	(295,314)
Depreciation of revaluation reserve	(551,267)	(322,005)
Deferred tax on revaluation	0	(146,020)
Deferred tax on depreciation of revaluation	0	48,301
Revaluation reserve at 31 December	**5,319,598**	**5,882,110**

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.

23. Earnings per share

(In Litas)	2014	2013
Net result for the year	3,728,807	362,121
Average number of shares	16,350,000	16,350,000
Basic and diluted earnings per share	**0.23**	**0.02**

24. Warranty provision

Warranty provisions are related to constructions built in 2010–2014. Based on the legislation of the Republic of Lithuania, the Company has a warranty liability for construction works. The term of liability from 5 to 10 years after delivery of construction works. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs.

Change of provision for warranties is as follows:

	2014	2013
Provisions for warranties in the beginning of the period	**1,297,928**	**1,195,432**
Used and recognized under cost of sales	(355,399)	(522,794)
Accrued during the period	684,012	625,290
Provisions for warranties at the end of the period	**1,626,541**	**1,297,928**

25. Other liabilities (non-financial items)

(In Litas)	2014	2013
Accrued vacation reserve	3,975,303	3,590,742
Payable salaries and related taxes	3,094,642	2,502,913
Deferred income in accordance with the stage of completion	2,703,780	976,964
Salary bonuses for employees	1,478,888	132,899
Other liabilities	2,261,625	418,651
Total other liabilities	**13,514,238**	**7,622,169**

26. Contingencies

Guarantees to third parties of 9,977,770 Litas, related to liabilities in the construction contracts of the Company, have been issued by the banks. The guarantees expire from 13 January 2015 to 23 July 2015.

Property, plant and equipment, with a carrying amount of 2,912,963 Litas as at 31 December 2014, and current and future funds in bank account have been pledged to bank for the guarantee limit issued and guarantees issued by bank. The guarantee limit amounts to 15,000,000 Litas, the used amount as at 31 December 2014 is 5,284,465 Litas. The guarantee limit is effective until May 2015.

Property, plant and equipment, with a carrying amount of 3,914,184 Litas as at 31 December 2014 have been pledged to bank for the guarantee limit issued. The guarantee limit amounts to 10,000,000 Litas, the used amount as at 31 December 2014 is 4,693,305 Litas. The guarantee limit is effective until July 2017.

The Company is involved in several court proceedings. As to management, the outcome of the proceedings will not have any significant effect on the financial statements.

27. 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 2014/2013 with subsidiaries, the parent company AB Panevėžio Keliai and with subsidiaries of AB Panevėžio Keliai. Transactions with related parties during 2014/2013 are as follows:

(In Litas)	Type of transaction	2014	2013
Sales:			
Companies under control			
UAB PST Investicijos	Interest	471,142	501,044
OOO Baltlitstroj	Goods, services, interest	1,391,746	5,445,543
UAB Metalo Meistrai	Goods and services	367,278	277,299
UAB Vekada	Goods and services	417,632	378,587
UAB Skydmedis	Goods and services	186,481	151,280
UAB Alinita	Goods and services	297,540	158,210
UAB Verkių Projektas	Goods and services	545	1,411,065
OOO Teritorija	Services, interest	9,151,647	1,761,532
AB PST Nordic	Services	20,717	0
Kingsbud Sp.z.o.o	Interest	7,532	577
Other related companies			
UAB Panevėžys	Goods, services	0	487
AB Panevėžio Keliai	Services, interest	7,636,916	2,929,906
UAB Ukmergės Keliai	Goods and services	0	230,085
UAB Sostinės gatvės	Services	2,318	0
UAB Aukštaitijos traktas	Services	21,000	0
Other	Services	0	266
Purchases:			
Companies under control			
OOO Baltlitstroj	Goods and services	1,375	29,330,374
UAB Metalo Meistrai	Goods and services	727,373	2,519,330
UAB Vekada	Goods and services	6,813,942	4,665,011
UAB Alinita	Goods and services	6,442,755	4,687,642
UAB Skydmedis	Goods and services	83,976	110,266
UAB PST Investicijos	Goods and services	91,000	21,860
UAB Verkių Projektas	Goods and services	308,821	333,974
UAB Šeškinės Projektai	Services	600	250
AB PST Nordic	Services	132,588	0
SIA PS Trests	Services	187,860	4,819
Kingsbud Sp.z.o.o	Goods and services	1,951,267	1,614,876
TŪB Vilniaus Papėdė	Goods and services	20,270	23,105
Other related companies			
AB Panevėžio Keliai	Goods and services	2,028,779	2,002,755
UAB Aukštaitijos Traktas	Goods and services	344,074	30,420
UAB Keltecha	Goods and services	57,212	42,126
UAB Gelbera	Goods and services	118,250	171,285
UAB Convestus	Goods and services	0	187,202
UAB Panevėžys	Services	0	1,723
UAB Sostinės gatvės	Services	115,877	0
UAB Ukmergės Keliai	Goods and services	1,360	301,399

27. Transactions with related parties (continued)

(In Litas)	2014	2013
Amounts receivable:		
Companies under control		
UAB PST Investicijos	142	0
OOO Baltlitstroj	5,051,022	4,944,368
Kingsbud Sp.z.o.o	1,036	67,094
TŪB Vilniaus Papėdė	0	31,219
UAB Verkių Projektas	39,097	41,771
UAB Metalo Meistrai	80,045	35,591
OOO Teritorija	1,142,246	717,348
AB PST Nordic	4,316	0
UAB Skydmedis	52,742	26,786
Other related companies		
AB Panevėžio Keliai	355,481	1,087,223
UAB Aukštaitijos Traktas	10,527	0
UAB Panevėžys	2,218,300	2,218,300
Amounts payable:		
Companies under control		
UAB Vekada	2,596,199	1,448,163
UAB Šeškinės Projektai	61	61
OOO Baltlitstroj	0	434,011
SIA PS Trests	21,345	5,206
AB PST Nordic	18,343	0
Kingsbud Sp.z.o.o	860	0
TŪB Vilniaus Papėdė	2,060	0
UAB Alinita	1,625,054	254,789
Other related companies		
UAB Keltecha	43,552	0
UAB Gelbera	9,503	12,872
UAB Sostinės Gatvės	137,407	0
UAB Panevėžio Keliai	577,319	0
Loans receivable:		
AB Panevėžio Keliai	0	4,000,000
UAB PST Investicijos	23,336,501	19,923,140
OOO Baltlitstroj	1,647,413	0
UAB Metalo Meistrai	421,086	409,229
OOO Teritorija	5,731,217	3,391,658
Kingsbud Sp.z.o.o	315,987	173,217

Wages, salaries and social insurance contributions, calculated to management for the year 2014, amounted to 2,056,154 Litas (2013: 1,673,242 Litas).

28. 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. Cash is attributed to Level 1, while receivables and financial liabilities are attributed to Level 2 in the fair value hierarchy.

28. Fair value of financial instruments (continued)

The following methods and assumptions are used by the Company to estimate the fair value of the financial instruments.

As at 31 December 2014

	Carrying amount	Fair value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Trade receivables	61,513,813			61,513,813
Loans granted	31,454,842		31,454,842	
Other financial assets	4,833,920			4,833,920
Cash and cash equivalents	64,231,523	64,231,523		
Total financial assets	**162,034,098**	**64,231,523**	**31,454,842**	**66,347,733**
Financial liabilities				
Trade payables	(45,824,115)			(45,824,115)
Total financial liabilities	**(45,824,115)**	**0**	**0**	**(45,824,115)**

As at 31 December 2013

	Carrying amount	Fair value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Trade receivables	41,678,743			41,678,743
Loans granted	27,904,425		27,904,425	
Other financial assets	7,833,920			7,833,920
Cash and cash equivalents	48,192,425	48,192,425		
Total financial assets	**125,609,513**	**48,192,425**	**27,904,425**	**49,512,663**
Financial liabilities				
Trade payables	(17,953,077)			(17,953,077)
Total financial liabilities	**(17,953,077)**	**0**	**0**	**(17,953,077)**

There were no transfers between levels of the fair value hierarchy in 2014 and 2013 at the Company.

Cash

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

Receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other receivables with outstanding maturities shorter than six months 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. This fair value is determined for disclosure purposes.

28. Fair value of financial instruments (continued)

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreement. Fair value of shorter term financial liabilities 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.

Fair values are categorised within different levels in a fair value hierarchy, which disclosed the significance of initial inputs used in the valuation techniques. The fair value hierarchy consists of these levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – original inputs other than quoted prices included within 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 – original inputs for the asset or liability that are not based on observable market data (unobservable original inputs).

The Company has no financial assets and liabilities stated at fair value.

Financial instruments not measured at fair value

The main financial instruments of the Company which are not measured at fair value include trade and other receivables, trade and other payables, current and non-current borrowing funds. As to the Company's management, the carrying amounts of these financial instruments approximate their fair values, as borrowings costs are related to interbank borrowing interest rate EURIBOR, while other financial assets and liabilities are current; therefore, the changes in their fair values are insignificant.

29. Subsequent events

On 1 January 2015 the Republic of Lithuania joined the eurozone and the Lithuanian national currency litas was replaced by the euro. As a result, AB Panevėžio Statybos Trestas converted its financial accounting to euros as from 1 January 2015 and the financial statements for subsequent years will be prepared and presented in euros. Future comparative information will be translated into euros using the official exchange rate of LTL 3.4528 to EUR 1.

There were no other subsequent events which would have an effect on the financial statements or require a disclosure.

Managing Director	Dalius Gesevičius	02/04/2015
Chief Accountant	Danguolė Širvinskienė	02/04/2015

PANEVĖŽIO STATYBOS TRESTAS AB

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2014

1. ACCOUNTING PERIOD COVERED BY THE ANNUAL REPORT

The report covers the year 2014.

2. THE ISSUER AND ITS CONTACT DETAILS

Name of issuer	Public limited liability company *Panevėžio statybos trestas*
Authorised capital	16,350,000 Litas
Address of registered office	P. Puzino Str. 1, LT-35173 Panevėžys, Lithuania
Telephone	(+370 45) 505 503
Fax	(+370 45) 505 520
E-mail	pst@pst.lt
Legal-organisational form	Public limited liability company
Date and place of registration	30 October 1993, Panevėžys City Board
Registration No.	AB 9376
Company Register code	147732969
VAT code	LT477329610
Administrator of Legal Entity Register	State Enterprise Centre of Registers
Website	www.pst.lt

3. PRINCIPLE NATURE OF ACTIVITIES OF THE ISSUER

The main area of activities of the company and its subsidiaries (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 mechanisms.

Vision - To become the acknowledge leader in the construction market, using the advanced technologies and ensuring quality as well as the agreed work completion terms. **Mission -** While honestly fulfilling our obligations, developing long-term cooperation and proposing mature solutions in construction, we increase the value to shareholders and develop activity of the Company. We create the environment of higher quality to business, society and people.

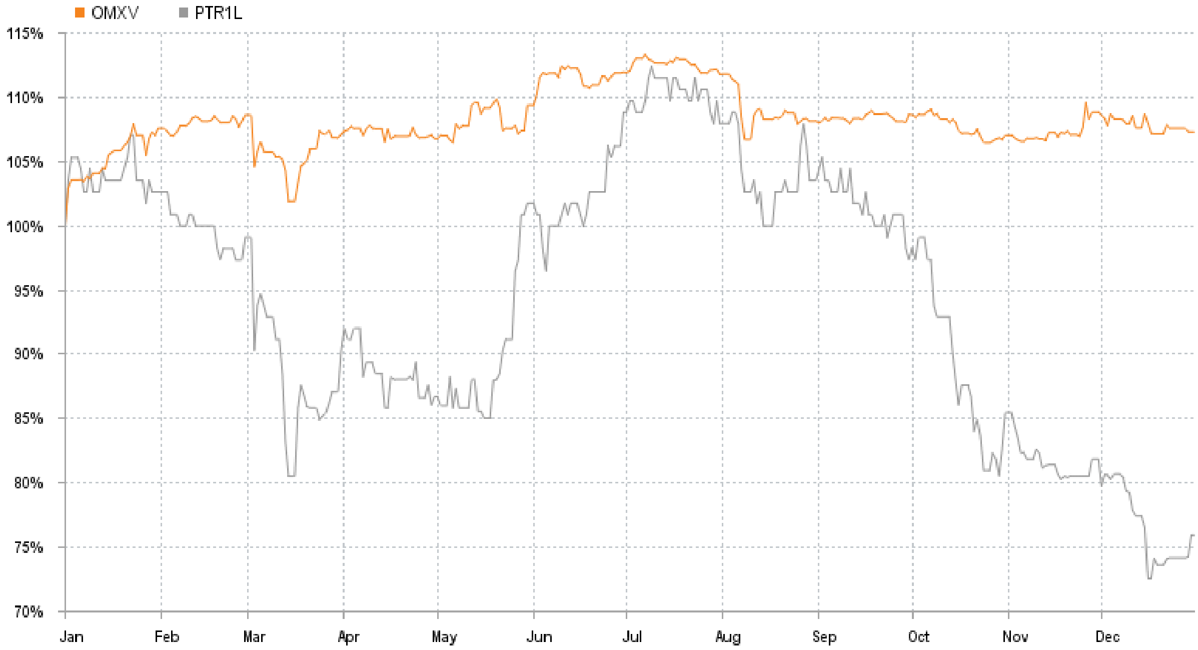
4. CONTRACTS WITH INTERMEDIARY OF PUBLIC TRADING IN SECURITIES

Since 2013, accounting for financial instruments has been assigned to Financial Brokerage Company *Finasta* AB.

5. DATA ON TRADING IN SECURITIES OF THE ISSUER IN REGULATED MARKETS

The ordinary registered shares of the *Panevėžio statybos trestas* AB, totalling 16,350,000 pieces, the nominal value of each being one Litas, have been on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006.

Changes in Panevėžio statybos trestas AB and OMX Baltic Benchmark GI indexes in 2014



Company share price variation at VSE for the period of 2010 through 2014 (in Euros)

Company share price variation at VSE in 2014 (in Euros)

Last price 31 Dec. 2013	*Average share price for 2014*	*Highest price for 2014*	*Lowest price for 2014*	*Last price 31 Dec. 2014*
1.130 EUR	*1.045 EUR*	*1.280 EUR*	*0.810 EUR*	*0.858 EUR*

Capitalization, million. Euros				
2010	*2011*	*2012*	*2013*	*2014*
31.88	17.82	15.19	18.47	14.03

6. FAIR REVIEW OF THE COMPANY'S POSITION, PERFORMANCE AND DEVELOPMENT OF THE COMPANY'S BUSINESS, DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES IT FACES

Panevėžio statybos trestas AB (hereinafter "PST") is the only Lithuanian construction company with more than 55 years of experience in construction business. During its long history the company completed lots of projects of exceptional significance and complexity, which have contributed to economic growth and environmental improvement in Lithuania, thus creating a higher quality of living environment for all people of the country. Throughout the period the company has followed such core values as honesty, responsibility, professionalism, high quality of work and efficient solutions. Namely these values have enabled the company to achieve our goals. Operation of PST companies have significant impact on the country's infrastructure development, the implemented unique projects of national importance contribute to enhancement of the image as the responsible company among customers and business partners. Customers trust PST and appreciate the company as an experienced developer of large and technologically complex projects.

In 2014 *Panevėžio statybos trestas* AB carried out its activities on as many as 27 sites. The clients were satisfied with the completed expansion at *Amilina* AB and *Schmitz Cargo Bull* UAB, a new Vocational Training Centre in Klaipėda as well as Žagarė Manor. PST continued the works started at the Joint Centre for Life Sciences in Vilnius, Klaipeda County Police Headquarters, Waste Water Treatment Plant in Tauragė, construction of the Aviation Fuel Base (engineering infrastructure facilities, transportation lines – access roads, railway) at the Air Force Base (NATO site) of the Lithuanian Armed Forces in Šiauliai and rebuild Part B in the Palace of the Grand Dukes of Lithuania in Vilnius, and other minor sites.

The contracts awarded and signed last year (the most significant are construction of the textile production facility for *Devold* UAB in the area of the Free Economic Zone in Panevėžys and reconstruction of the former hospital buildings into residential accommodations and offices at Bokšto Str. 6, Vilnius) let us hope that PST will keep on working in a stable manner and at the same time maintain the high quality standard.

In 2014 in the yearly competition *Product of the Year* organized by Lithuanian Confederation of Industrialists the company was awarded the gold medal for construction of a new 4500 t/day dry clinker production line at *Akmenės cementas* AB.

In 2014 changes in the management structure of the company took place. The new specialised branches *Betonas*, *Konstrukcija* and *Stogas* were established to concentrate production capacities. Reorganisation of the company is aimed at reducing operating costs and creating a more efficient performance model, which would ensure independent participation in the market for the branches of the company. It is expected that this will allow increasing performance efficiency, improving quality of the rendered services and achieving even better results.

In 2014 the following branches continued their operation in the structure of the company: *Gerbusta*, focusing on construction of engineering networks and landscaping, *Pastatų apdaila*, carrying out indoor and outdoor finishing works, Vilnius branch *Genranga*, performing general contracting activities and project management in Vilnius Region, and *Klaipstata*, performing general contracting activities and project management in Klaipėda Region.

There are branches operating in Cherepovets and Kaliningrad, Russian Federation, and permanent establishments and companies in the Kingdom of Sweden and the Republic of Latvia.

Risk factors related to the company activities:

- Shortage of qualified labour;
- Intense competition;
- Aggressive behaviour on the part of Russia and variation in the value of the Russian Rouble related thereto;
- Damping.

Other information on the types of risks arising to the Group and risk management is provided in the Notes to the Separate Financial Statement (Note 4) and in the Notes to the Consolidated Financial Statements (Note 4).

7. INFORMATION ON SUBSIDIARIES OF THE COMPANY

As of 31 December 2014 the Company Group of *Panevėžio statybos trestas* AB included the following companies:

Subsidiaries	Type of activities	Share controlled (per cent)	Registered address
Skydmedis UAB	Construction: panel houses	100	Pramonės Str. 5, Panevėžys Tel.: +370 45 583341
Metalo meistrai UAB	Production of steel structures	100	Tinklų Str. 7, Panevėžys, Tel. +370 45 464677
Vekada UAB	Electrical installation works	96	Marijonų Str. 36, Panevėžys Tel.: +370 45 461311
Panevėžio statybos trestas AB *and partner's Vilniaus papėdė* TŪB	Construction	69	Tuskulėnų Str. 33, Vilnius
Alinita UAB	Production of non-domestic cooling and ventilation equipment, construction of engineering structures	100	Tinklų Str. 7, Panevėžys Tel.+370 45 467630
KINGSBUD Sp.zo.o.	Wholesale of construction materials	100	A. Patli 16-400, Suwalki, Poland
PS TRESTS SIA	Construction	100	Skultes Str. 28, Skulte, Marupes County, Latvia
BALTILSTROIJ OOO	Construction	100	Sovetskij Ave. 43, Kaliningrad Tel.: 0074012350435
Teritorija OOO	Real estate development	87,5	Lunacharskovo Lane 43-27, Cherepovets Vologda County
AB PST Nordic	Construction	100	KROSSGATAN 25 162 50 Vällingby Stockholm
PST Investicijos UAB	Real estate development	68	Verkių Str. 25C, Vilnius Tel.: +370 5 2728213
Subsidiaries of *PST investicijos* UAB:			
Ateities projektai UAB	Real estate development	100	Verkių Str. 25C, Vilnius
Šeškinės projektai UAB	Real estate development	100	Verkių Str. 25C, Vilnius
Sakališkės UAB	Real estate development	100	Verkių Str. 25C, Vilnius
Kauno erdvė UAB	Real estate development	100	Verkių Str. 25C, Vilnius
Verkių projektas UAB	Real estate development	100	Verkių Str. 25C, Vilnius
ISK Baltevromarket ZAO	Real estate development	100	Pobeda Square 10, Kaliningrad

***Skydmedis* UAB** (company code 148284718) was established and began its activities on 17 June 1999.

The main activity of the company is production, construction and outfit of timber-frame/element houses.

In 2014 the company was on the income of 14,851 thousand Litas and made net profit in the amount of 1,268 thousand Litas. Compared to the year 2013 (11,551 thousand Litas), the annual turnover increased by 29 per cents. In 2014 the major part of income was received abroad: 76.6 per cents in Norway, 12 per cents in France and Switzerland. 11.5 per cents of income were received in Lithuania.

The main performance indicators of *Skydmedis* UAB are as follows:

	2012	**2013**	**2014**
Income from sales, thousands Litas	7,601.7	11,551.5	14,851.0
Gross profit, thousands Litas	1,946.8	3,350.2	4,457.0
Net profit, thousands Litas	458.0	964.8	1,268.0
Gross profitability	25.6%	29.0%	30.0%
Net profitability	6.0%	8.4%	8.5%
Return on equity (ROE)	25.72	38.97	43.07
Current liquidity ratio	2.2	2.1	2.13
Acid test (Quick) ratio	1.6	1.5	1.66

At the end of 2013 *Skydmedis* UAB had 76 employees.

Skydmedis UAB will keep on developing the *LEAN* system, the main aim of which is by using less resource to create the higher value to the client and increase compatibility of the company. This system represents continuous improvement and elimination of unnecessary activities (losses).

As the company is in the continuous process of production and quality improvement, participation in a few exhibitions in France and Norway is scheduled for the year 2015 where the company will present its production, improve its notability, increase the number of the clients in the foreign countries and attract new clients.

The share capital is divided into one thousand ordinary shares, the value of one share being 500 Litas. The main shareholder is *Panevėžio statybos trestas* AB holding 100 per cent of shares.

***Metalo meistrai* UAB** (company code 148284860) was founded on 16 June 1999 and started its activity on 1 July 1999. The company is engaged in fabrication of various metal structures and their elements.

In 2014 the company was on the income of 16,578 thousand Litas and made net profit in the amount of 1,228.6 thousand Litas. Compared to the year 2013, the annual turnover increased by 51 per cents. 67.3 per cents of the income of the company were received in Norway, 19.5 per cents – in Lithuania and 13.2 per cents – in other countries (Russia, Germany and Sweden).

The main performance indicators of *Metalo meistrai* UAB are as follows:

	2012	**2013**	**2014**
Income from sales, thousands Litas	10,907.4	10,982.7	16,578.0
Gross profit, thousands Litas	574.3	725.7	2,701.0
Net profit, thousands Litas	-60	-17	1,229.0
Gross profitability	5.3%	6.6%	16.3%
Net profitability	-0.6%	-0.2%	7.41%
Return on equity (ROE)	-5.46	-1.54	53.07
Current liquidity ratio	0.88	1.06	1.47
Acid test (Quick) ratio	0.82	0.70	1.18

At the end of 2014 the company had 74 employees.

Efficient work and high quality of services is ensured by the introduced quality management system ISO 9001:2008, environmental management system ISO 14001:2004 and received certificates according to EN 1090 *Execution of steel structures and aluminium structures* and ISO 3834-3 *Quality requirements for fusion welding of metallic materials*.

In 2015 the company will keep on producing steel structures and parts for these structures, increasing turnover and profitability, reacting to changes in the market. The main efforts will be focused on search of new purchase orders in Lithuania and abroad. The plans include finding two more strategic clients (in Sweden and Denmark). The management system and especially production planning system will be under further improvement following philosophy of the LEAN system.

There were no changes in authorized share capital and the shareholder structure, i.e. as before, the share capital totalling 500,000 Litas is divided into 1,000 ordinary shares the value of one share being 500 Litas. The main shareholder is *Panevėžio statybos trestas* AB holding 100 per cent of shares.

***Vekada* UAB** (company code 147815824) was established on 1 January 1963 and had the name of *Elektros montavimo valdyba* (Electrical Installation Department), later on 16 May 1994 it was re-registered as *Vekada* UAB. The main activities of the company are electrical installation works. During the reporting year alongside with the usual electrical work the works related to low currents were carried out: video surveillance systems, security and fire alarm systems, control of engineering systems.

In 2014 the company was on the income of 11,520 thousand Litas and had net profit in the amount of 357.8 thousand Litas.

The main performance indicators of *Vekada* UAB are as follows:

	2012	**2013**	**2014**
Income from sales, thousands Litas	10,860.5	12,062.3	11,520.0
Gross profit, thousands Litas	1,579.0	1,810.5	1,502.0
Net profit, thousands Litas	451.6	548.1	358.0
Gross profitability	14.5%	15,0%	13.0%
Net profitability	4.2%	4.5%	3.1%
Return on equity (ROE)	9.11	9.86	6.13
Current liquidity ratio	3.26	5.27	3.31
Acid test (Quick) ratio	3.09	4.83	2.74

At the end of 2013 the company had 71 employees.

It is already the second year that the company has the occupational health and safety management system according to OHSAS 18001 introduced and continuously keeps improving it, the company keeps on implementing the quality management standard ISO 9001 and environmental management standard ISO 14001.

During the accounting year there were no changes in the authorised shear capital of the company and structure of the shareholders, i.e. as before, the share capital amounting 211,488 Litas is divided into 52,872 ordinary shares the value of one share being 4 Litas. The main shareholder is *Panevėžio statybos trestas* AB holding 95.6 per cent of shares, the remaining part is hold by legal persons.

***Alinita* UAB** (company code 141619046) was established on 8 December 1997. The main activities of the company are installation of heating, ventilation and air-conditioning systems in buildings, installation of indoor water supply, sewerage and firefighting systems in buildings, designing and commissioning of indoor engineering systems.

In 2014 the company was on the income of 7,892 thousand Litas. The income increased by 41 per cents compared to 2013.

The main performance indicators of *Alinita* UAB are as follows:

	2012	**2013**	**2014**
Income from sales, thousands Litas	4,127	5,589	7,892.0
Gross profit, thousands Litas	694.7	520.0	632.0
Net profit, thousands Litas	197.0	71.6	40,6
Gross profitability	16.8%	9.3%	8.0%
Net profitability	4.8%	1.3%	0.5%
Current liquidity ratio	1.05	1.09	1.02
Acid test (Quick) ratio	0.88	1.00	0.89

In 2014 the company had 42 employees.

In 2014 *Alinita* UAB was included into the list of potential subcontractors of the Swedish construction company Skanska for the works to be carried out in the year 2015.

The company performed its activities according to the introduced management standards: ISO 9001, ISO 14001, OHSAS 18001. Compliance with the standards is periodically checked by the international certification company *BM TRADA*, the internal audits are periodically carried out by the team of *Panevėžio statybos trestas* AB.

The share capital of the company totalling 10,000 Litas is divided into 100 ordinary shares the value of one share being 100 Litas. In 2004 *Panevėžio statybos trestas* AB acquired 100 per cent of shares.

Panevėžio statybos trestas **AB** ***and partners' Vilniaus papėdė*** **TŪB** (company code 12545197) was founded in 2000. The partnership was established for the period of building of the Palace of the Grand Dukes of Lithuania. The partnership does not make any profit from its activities, and its expenses are distributed among the partnership members in proportion to their activities carried out.

As after acceptance of Part A in the Palace of the Grand Dukes the partnership performed no activities, the meeting of the full members will be proposed to start the procedure of the partnership liquidation.

The capital of the partnership is comprised of contributions of its founders totalling 14,500 Litas. 10,000 Litas accounting for 69 per cents was the contribution of *Panevėžio statybos trestas* AB. Other founders are also legal persons.

***BALTLITSTROJ* OOO** (company code 236006) was founded and started its activities on 20 October 2000. The main activity of the company is construction works. In 2014 the company was on the income of 79,026 thousand Litas and had losses in the amount of 7,094 thousand Litas. In 2014 as well as in the previous years all activities of the company were carried out in the Kaliningrad Region. The major part of the income in 2014 had been from reconstruction of the Kaliningrad County Hospital, construction of the variety theatre in Svetlogorsk and construction of the kindergarten. The kindergarten in Sovetsk and hospital in Kaliningrad were handed over during the reporting year. In 2014 the contract was signed for constructions of the waste water treatment plant in Neman, furthermore, the works based on the contract have already been started.

The main performance indicators of *Baltlitstroj* OOO are as follows:

	2012	2013	2014
Income from sales, thousands Litas	51,480	97,814	79,026.0
Gross profit, thousands Litas	1,795.8	811.6	1,314.0
Net profit, thousands Litas	878.4	3,016.6	-7,094.0
Gross profitability	3.5%	8.3%	1.7%
Net profitability	1.7%	3.1%	-9.0%
Current liquidity ratio	1.00	1.11	0.84
Acid test (Quick) ratio	0.49	1.03	0.80

In 2014 the company had 102 employees.

Construction of the objects started in the Kaliningrad County will be continued in 2015.

The authorised capital of the company amounts 12,000 thousand Roubles, 100 per cent of shares are held by *Panevėžio statybos trestas* AB.

***PST investicijos* UAB** (company code 124665689) was founded on 23 December 1998. The main activity of the company is preparation and sales of real estate. On 31 December 2013 the company group of *PST investicijos* UAB consisted of the parent company *PST investicijos* UAB and the following subsidiary companies: *Sakališkės* UAB, *Kauno erdvė* UAB, *Ateities projektai* UAB, *Verkių projektas* UAB, *Šeškinės projektai* UAB, *Baltevromarket* ZAO ISK.

The main performance indicators of *PST investicijos* UAB Group are as follows:

	2012	2013	2014
Income from sales, thousands Litas	1,039.0	2,566.9	3,263.2
Financial and investment activities, thousands Litas	3,096.0	-2,336.0	-15,186
Net profit, thousands Litas	2,210.0	-2,988.0	-10,897
Current liquidity ratio	1.88	1.63	0.83
Acid test (Quick) ratio	1.83	1.60	0.82

In 2014 the main income received by the company was from rent of *Ulonai Business Centre*. Loss of PSTI is attributable to drop of the exchange rate of Russian Rouble.

In 2015 *Ulonai Business Centre* is planned to be sold and purchasers are looked for the project of Baltevromarket in Kaliningrad.

The main shareholders of the company are *Panevėžio statybos trestas* AB (68.34 per cent) and *Panevėžio keliai* AB (25.25 per cent). The remaining part of shares is hold by several legal persons (8.49 per cent). As at 31 December 2014, the authorized capital of the company is 49,404,500 Litas and it is divided into 494,045 registered ordinary shares the nominal value of one share being 100 Litas.

KINGSBUD Sp.zo.o. (company code 200380717) was founded on 11 August 2010.

The main activity of the company is wholesale in construction materials.

In 2014 income of the company increased by 46 per cents and amounted to 4,728.4 thousand Litas.

The main performance indicators of KINGSBUD Sp.zo.o. are as follows:

	2012	2013	2014
Income from sales, thousands Litas	2,013.6	3,243.3	4,728.4
Gross profit, thousands Litas	176.2	223.0	347.0
Net profit, thousands Litas	-9.3	19.1	-8.5
Gross profitability	8.8%	6.9%	7.3%
Net profitability	-0.5%	0.6%	-0.2%
Return on equity (ROE)	-22.16	31.51	-16.91
Current liquidity ratio	1.19	1.22	1.08
Acid test (Quick) ratio	1.15	1.10	1.08

The authorized capital of the company amounts to 5,000 Zlotys. The capital is divided into 100 contributions of the nominal value of 50 Zlotys each. *Panevėžio statybos trestas* AB controls 100 per cent of shares.

***Teritorija* OOO** (company code 3528202650). The company is involved in real estate preparation and sales.

In November 2013 the Board of *Panevėžio statybos trestas* AB adopted a resolution to acquire the company *Teritorija* OOO and provide financing to implementation of a real estate project in Cherepovets. The company was acquired in December 2013.

In 2014 *Teritorija* OOO performed construction of an apartment building. The sales are scheduled for the first quarter of 2015 after the building operation permit is granted.

The main shareholder of the company is *Panevėžio statybos trestas* AB (87.5 per cent).

***PS TRESTS* SIA (**company code 400034953650) is involved in construction activities. The company has been registered since 22 May 2000.

The company performed no activities until 2014. In 2014, trying to search for new markets and carry out construction works in Latvia, the activities of the company were restarted, however in 2014 the company had no income.

In 2015 *PS Trests* SIA is going the start the construction activities in Latvia.

The authorized capital of the company amounts to 2,846 Euros. *Panevėžio statybos trestas* AB controls 100 per cent of shares.

***PST NORDIC* AB** (company code 556941-8568) was registered at the Swedish company register *Bolgasverket* on 12 April 2014.

The main area of the company activities is constriction of various types of buildings and structures in Sweden, Stockholm Region. The company performs civil works – erection of pre-fabricated concrete and steel structures, masonry, finishing.

In 2014, the company was in the process of the project search and had no income.

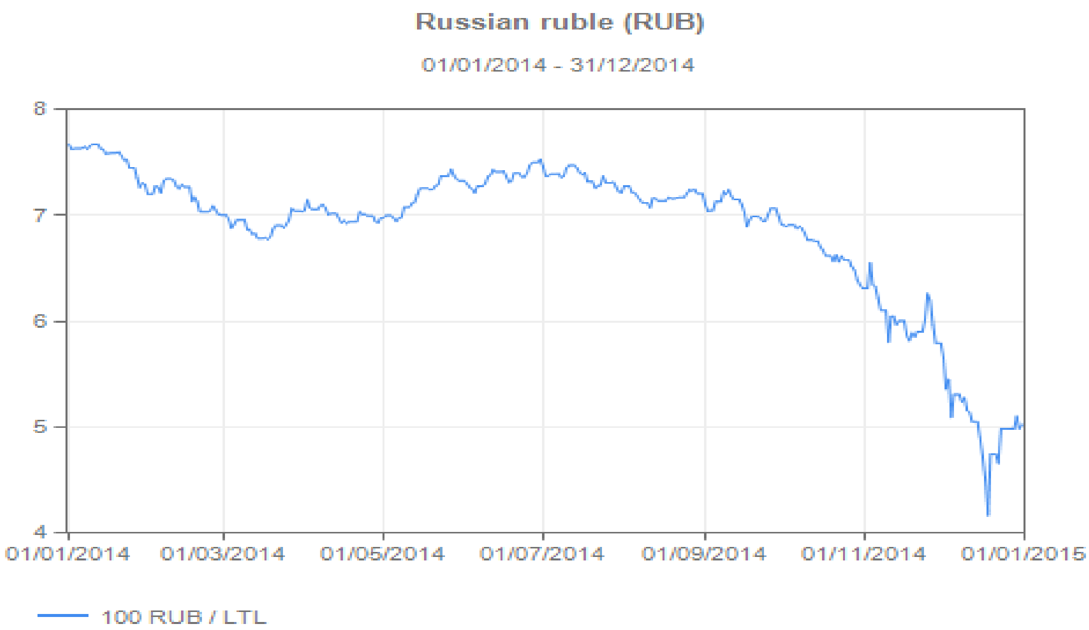
The main goal for the year 2015 is to start construction works that would allow constant and profitable performance of the company.

As of 31 December 2014 the authorized capital of the company amounted to 50,000 Swedish Crones, divided into 1,000 shares, the nominal value of which the nominal value of each share being 50 Swedish Crones. *Panevėžio statybos trestas* AB controls 100 per cent of shares.

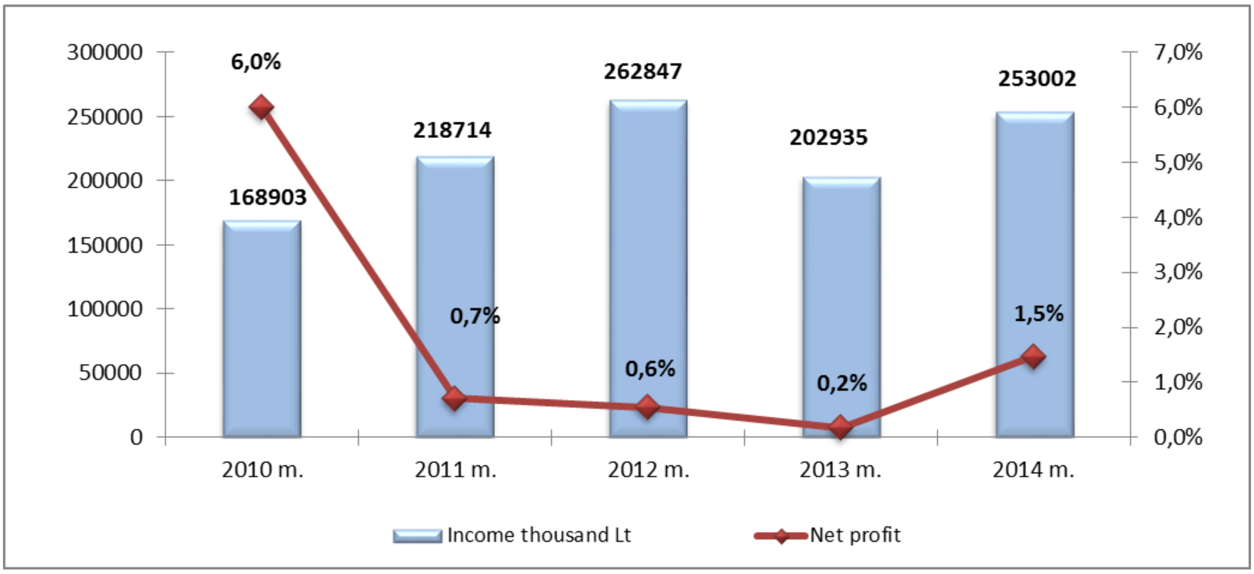
8. ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE, INFORMATION RELATED TO ENVIRONMENT AND EMPLOYEE MATTERS

Referring to the unaudited preliminary data, in the year 2014 *Panevėžio statybos trestas* AB (PST) Group was on the income of 364.1 million Litas, i.e. by 23.6 per cents more than in 2013 and had the loss in the amount of 9.791 million Litas. Drop in the exchange rate of the Russian Rouble had a significant negative effect on the results and for this reason the loss incurred by the Group in financial operations amounted to 25.4 million Litas. From the typical operations the Group had the profit in the amount of 13 million Litas, i.e. 2.2 times more compared to 5.9 million Litas in 2013.

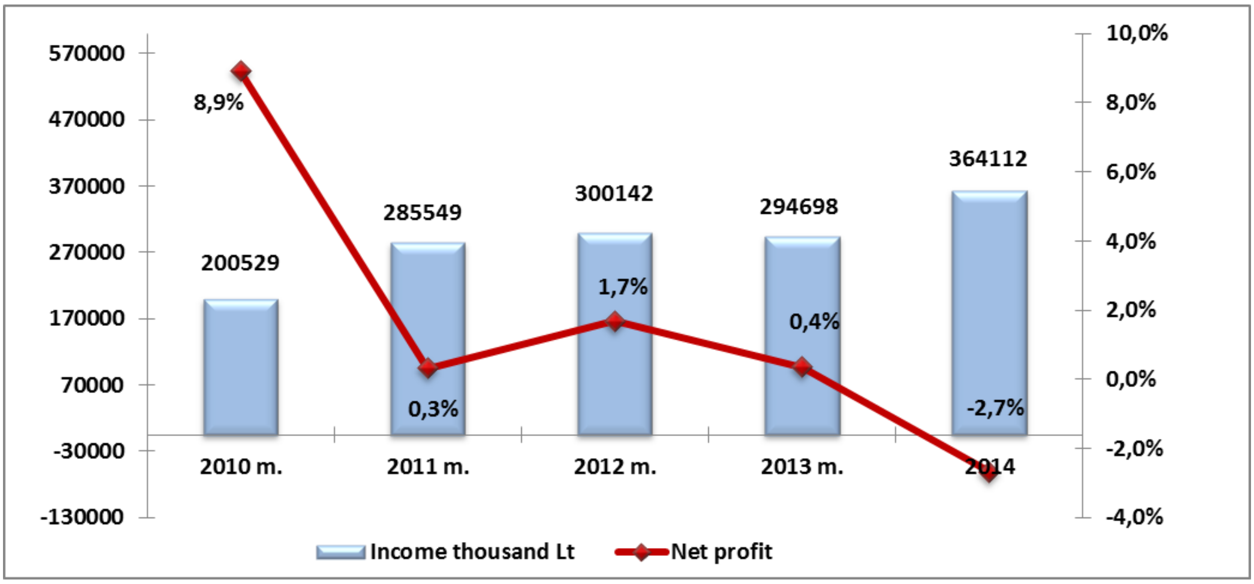
Based on the unaudited preliminary data, the PST Company had the net profit in the amount of 3.729 million Litas, i.e. 10 times more compared to 0.5 million Litas in 2013, and was on the income of 253 million Litas, i.e. by 24.7 per cents more than in 2013. The Company had the profit in the amount of 12.5 million Litas from the typical (construction) operations, whereas in 2013 the profit from the construction operations amounted to only 0.065 million Litas. Valuation of financial assets (Russian company *Baltevromarket* ZAO ISK) – 6.6 million Litas and drop in the exchange rate of the Russian Rouble – 4 million Litas had a negative effect on the results of the Company. Furthermore, in the year 2014 the previously evaluated doubtful debt has been retrieved, thus significantly reducing the operating expenses and having a positive effect on the results of the year.



Income and net profit variation for the Company:



Income and net profit variation for the Group:



All financial data in the present annual report have been calculated following the International Financial Accounting Standards (IFAS) and expressed in the national currency of Lithuania – the Litas (LTL).

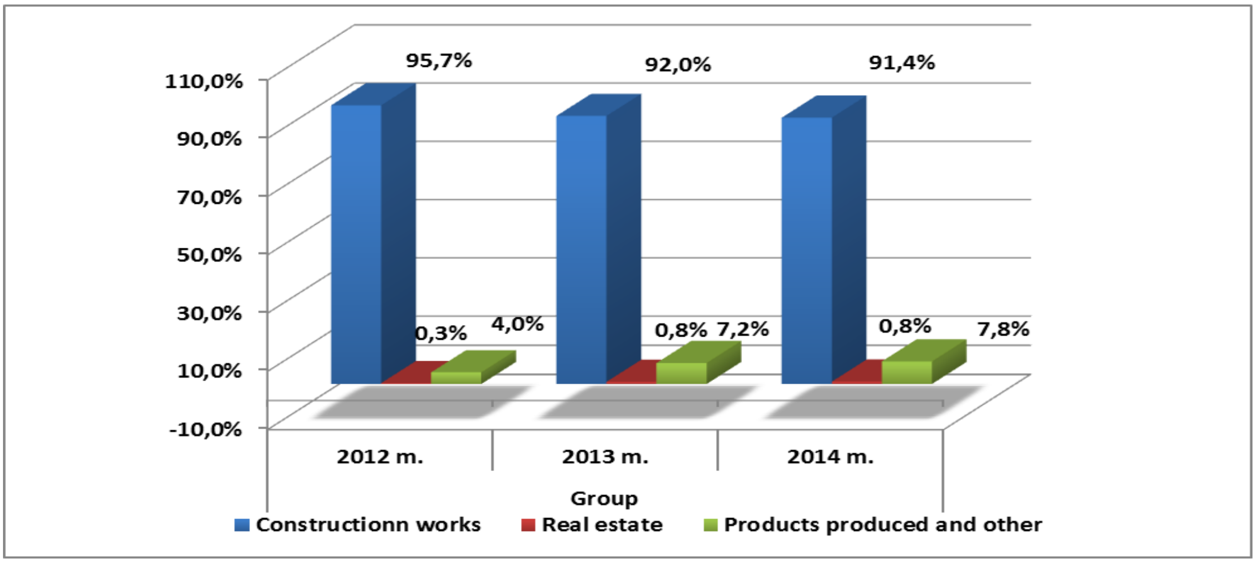
The results (in thousands Litas) of the parent company and the Group of Panevėžio statybos trestas AB for the years 2012 through 2014 are as follows:

Group			Items	Company		
2012	**2013**	**2014**		**2012**	**2013**	**2014**
300,142	294,698	364,112	*Income*	262,847	202,935	253,002
277,379	266,847	330,026	*Cost*	247,430	190,273	232,197
22,763	27,851	34,086	*Gross profit*	15,417	12,662	20,805
7.58	9.45	9.36	*Gross profit margin (per cent)*	5.87	6.24	8.22
1,454	5,90	12,924	*Typical operating result*	1,431	0,065	12,548
0.48	2	3.55	*Typical operating result from turnover (per cent)*	0.54	0.03	4.96
12,206	6,361	-7,314	*Profit before taxes, interest, depreciation and amortization EBITDA*	6,596	3,312	8,197
4.1	2.16	-2.01	*EBITDA margin (per cent)*	2.51	1.63	3.24
1.68	0.35	-2.69	*Nets profit margin (per cent)*	0.55	0.18	1.47
0.28	0.06	-0.60	*Profit per share (Litas)*	0.09	0.02	0.23
4.35	0.86	-8.05	*Return on equity (per cent)* ***(ROE)***	1.1	0.27	2.74
2.14	0.44	-3.59	*Return on assets or asset profitability* ***(ROA)***	0.72	0.20	1.75
3.75	0.72	-7.04	*Return on investments* ***(ROI)***	1.08	0.27	2.68
1.94	2.08	1.65	*Current liquidity ratio*	2.08	2.36	2.27
1.36	1.56	1.23	*Acid test (Quick) ratio*	1.94	2.31	2.20
0.49	0.52	0.45	*Asset to equity ratio*	0.66	0.72	0.64
7.1	7.35	7.44	*Book value of a share*	8.07	8.11	8.34
11.6	61.7	-4.95	*Ratio of share price and profit (P/E)*	36.2	176.2	13.0
0.45	0.53	0.40	*Ratio of share price and book value (P/BV)*	0.4	0.48	0.36

Income by activity types

The main income of the company by activity types is from building and erection activities. In 2014 income of the Group from building and construction activities totalled 91.4 per cent, income from made products and other income amounted to 7.8 per cent, income from real estate amounted to 0.8 per cent. In 2013 income of the Group from building and construction activities totalled 92 per cent, income from real estate amounted to 0.8 per cent, income from made products and other income amounted to 7.2 per cent.

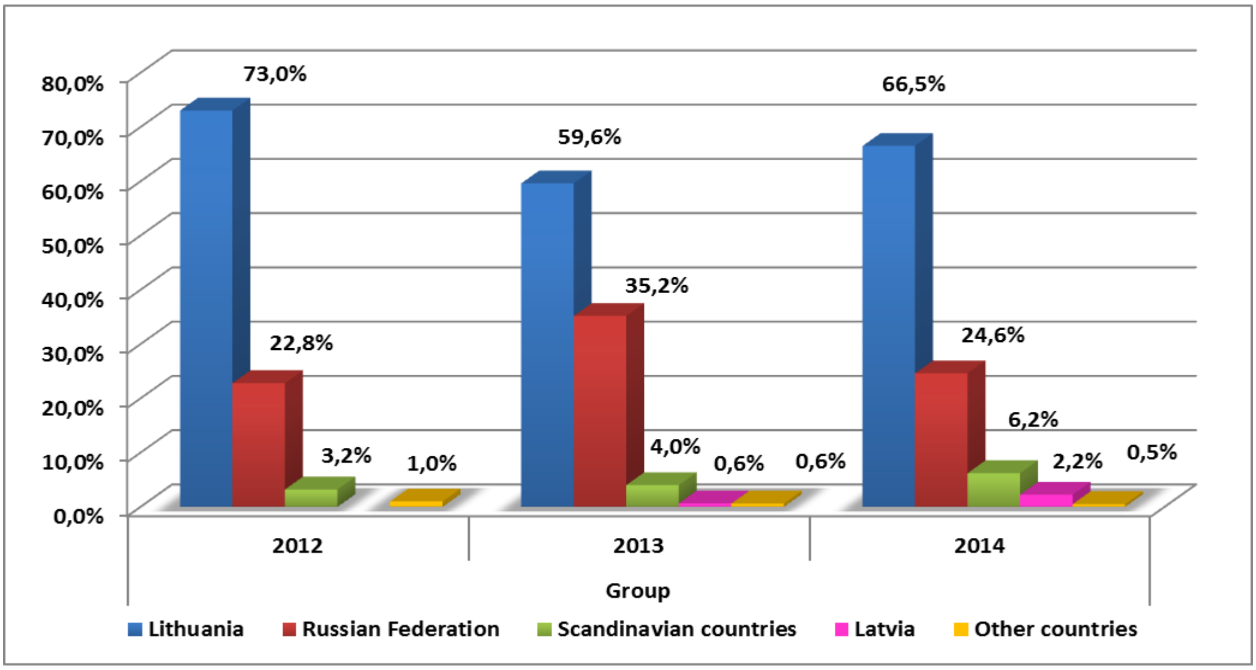
	Group			**Company**		
million Litas	**2012**	**2013**	**2014**	**2012**	**2013**	**2014**
Construction works	286.89	271.21	332.89	286.89	202.94	253.00
Real estate	0.99	2.21	2.95			
Made products and other income	12.26	21.27	28.27			

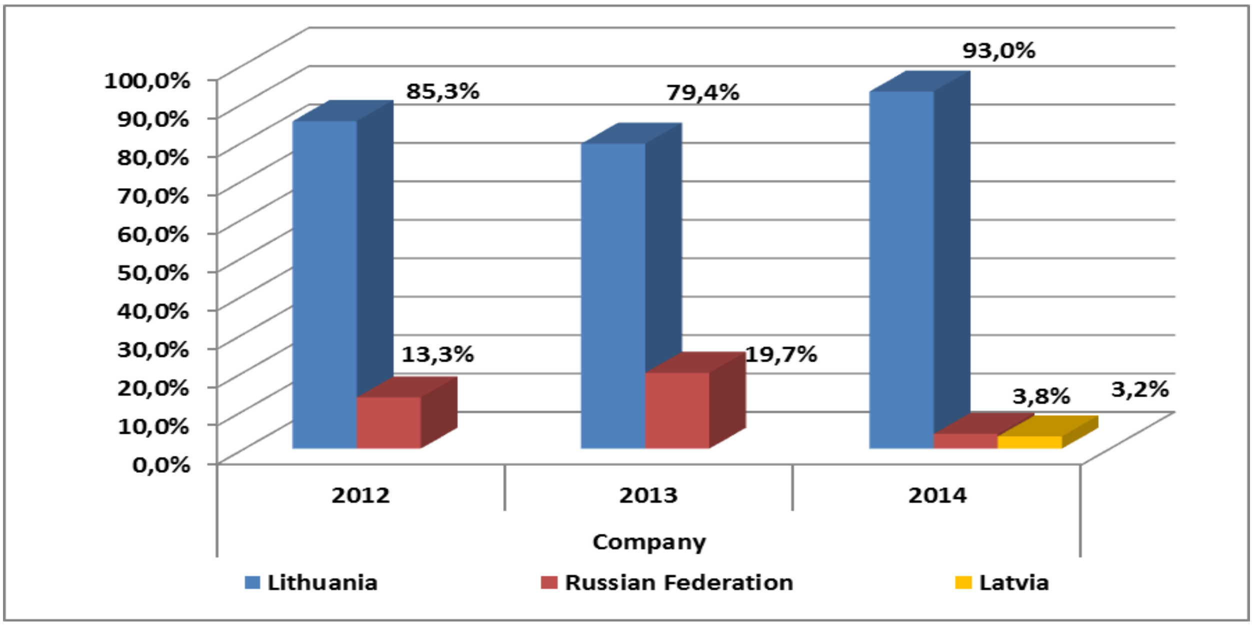


Operating income (million Litas) by countries:

	Group			**Company**		
million Litas	**2012**	**2013**	**2014**	**2012**	**2013**	**2014**
Lithuania	219.19	175.69	242.14	224.10	161.06	235.19
Russian Federation	68.43	103.66	89.55	35.01	40.05	9.73
Scandinavian countries	9.60	11.77	22.55	3.73		
Latvia		1.83	8.09		1.83	8.09
Other countries	2.92	1.76	1.78			

In the year 2014 the main activity of the company was mainly performed in Lithuania and made 93 per cent of all works carried out by the Company (79.4 per cent in 2013). The income of the Group from the works performed inside the country made 66.5 per cent of the income whereas in 2013 it was 59.6 per cent.





Environment protection

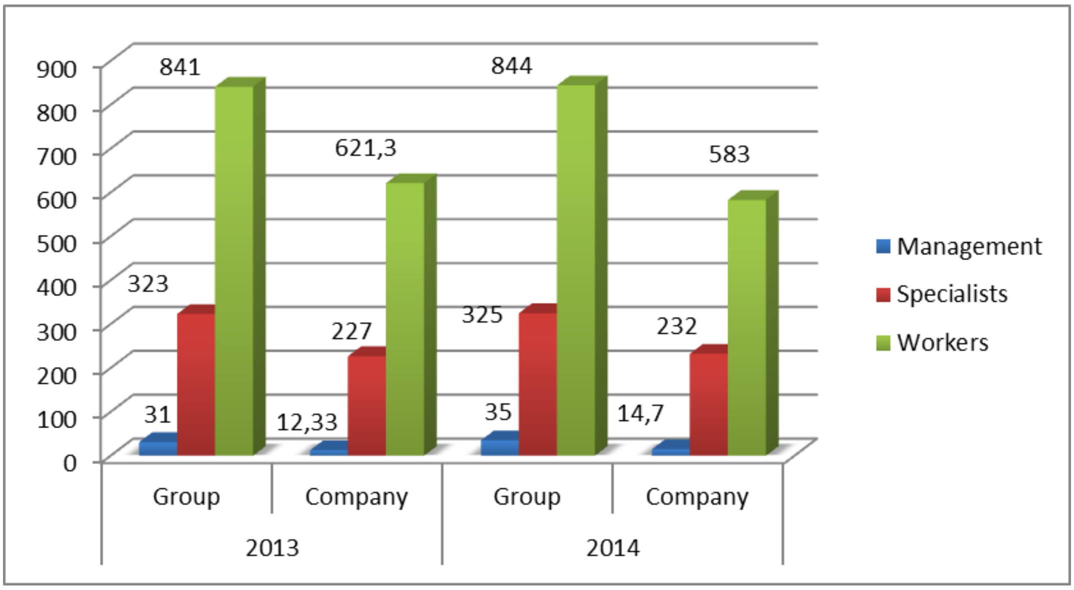
Quality, environment protection, occupational health and safety play a very important role in activities of PST. Quality (ISO 9001), environmental (ISO 14001) and occupational health and safety management systems introduced and available at the Company allow taking proper care of these factors. Assessments of professional risk are carried out, analyses are performed and measures for risk reduction or elimination are taken for each site. For the purposes of healthy environment saving and pollution prevention ensuring at the initial stage of each project an Environment Protection Plan including specific measures for significant activity management is prepared. In 2013 the Lithuanian National Accreditation Bureau accredited the Construction Laboratory of the Company in accordance with LST EN ISO/IEC 17025:2005 for the period of 5 years, thus granting it the right to perform tests of building materials.

Employees

Professional, competent and responsible employees are the biggest asset of PST. 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. Loyalty and constant training of employees allow the company achieving planned targets and earning particularly favourable appreciation of the customers. In modern environment competence of employees is one of the key factors describing the competitiveness of the company. While 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. In co-operation with IT professionals and following global technologies we continuously invest in creation, purchase of new software programs and their adapting in everyday activities.

As of 31 December 2014, the number of employees in the Group was 1,236, in the company – 855.

Number of employees on payroll	2013		2014	
	Group	Company	Group	Company
Management	31	12.3	35	15
Specialists	323	227	325	232
Workers	841	621	844	583

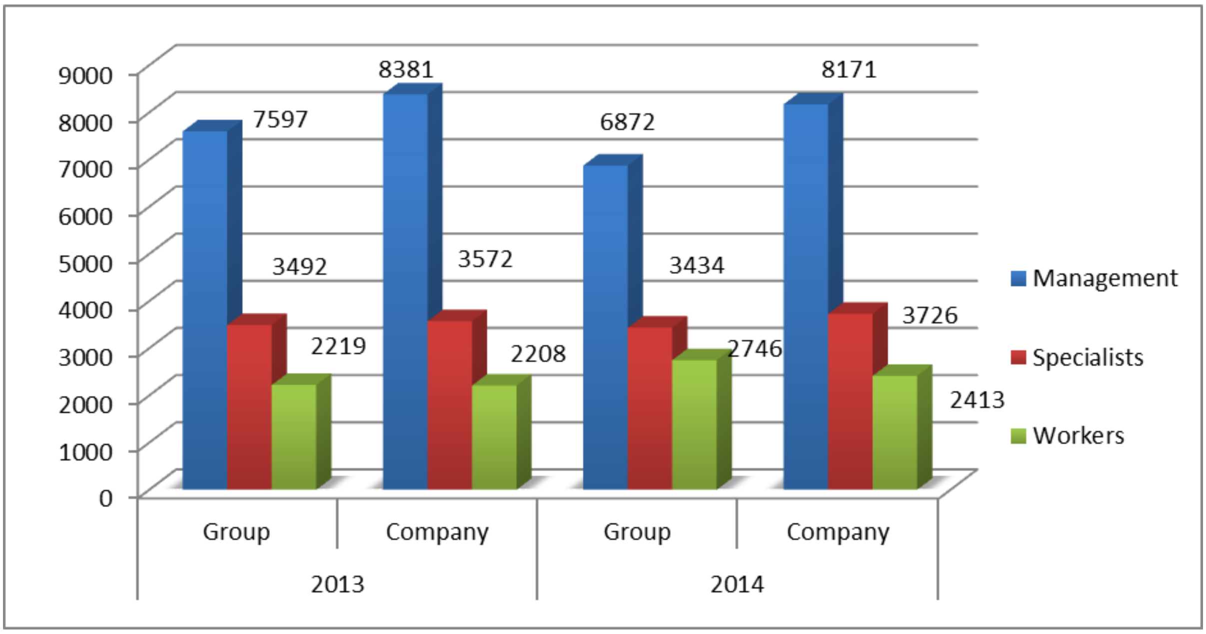


Education level of the Company employees for the end of the period:

Groups of employees	Payroll number	University education	Higher non-university education	Community college education	Secondary education	Incomplete secondary education
Management	36	32	0	3	1	0
Specialists	327	268	14	34	11	0
Workers	873	37	19	190	542	85

Average gross wages (Litas):

Average salary/wage Litas	**2013**		**2014**	
	Group	**Company**	**Group**	**Company**
Management	7,597	8,381	6,872	8,171
Specialists	3,492	3,572	3,434	3,726
Workers	2,219	2,208	2,746	2,413



Employment contracts do not include any special rights or obligations of employees or some part of them.

In 2014 the company paid much attention to qualification improvement. Training in the company is done in three directions using:

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

9. IMPORTANT EVENTS HAVING OCCURRED SINCE THE END OF THE PRECEDING FINANCIAL YEAR

Information on important events after the end of the financial year is provided in the Notes to the Separate Financial Statement (Note 29) and the Notes to the Consolidated Financial Statements (Note 31).

10. INFORMATION ON RESEARCH AND DEVELOPMENT ACTIVITIES PERFORMED BY THE COMPANY

No scientific research is performed either in the company or the Group. Research of the construction service demand and real estate development market are performed. In 2014 based on the expansion plans of the company *Panevėžio statybos trestas* AB registered a company in the Kingdom of Sweden.

The company keeps on successfully introducing innovative technologies in its activities. PST aims that not only sites had state-of-the-art equipment but preparation and work planning for future projects was done especially fluently. For that purpose investments are made in the modern designing software and equipment. In 2014 *Panevėžio statybos trestas* AB started making designs in the environment of BIM (Building Information Modelling). The BIMs for all parts of the building design were prepared for construction of the Joint Centre for Life Sciences and Klaipėda University Dormitory. The company also invests in designing software.

11. PERFORMANCE PLANS AND FORECASTS OF THE COMPANY

The year 2015 will be the year of new challenges and trials. Introduction of the Euro and ongoing geopolitical tension will not bypass the Lithuanian economy. The risk that this will have effect on the activities of the company and the financial results is much higher. To remain competitive, the company has to be inventive and creative in the construction business. The aim of PST is to remain one of the largest construction companies in Lithuania, look for new possibilities by introducing innovative ideas and continue operating in Scandinavian and Latvian markets.

12. AUTHORISED CAPITAL OF THE ISSUER AND ITS STRUCTURE

As of 31 December 2014 the authorised capital of the company amounted to 16,350,000 Litas divided into 16,350,000 ordinary registered shares (ORS) the nominal value of each share being 1.00 Litas. All shares are non-certificated and fully paid. The proof of ownership is the record in the securities accounts.

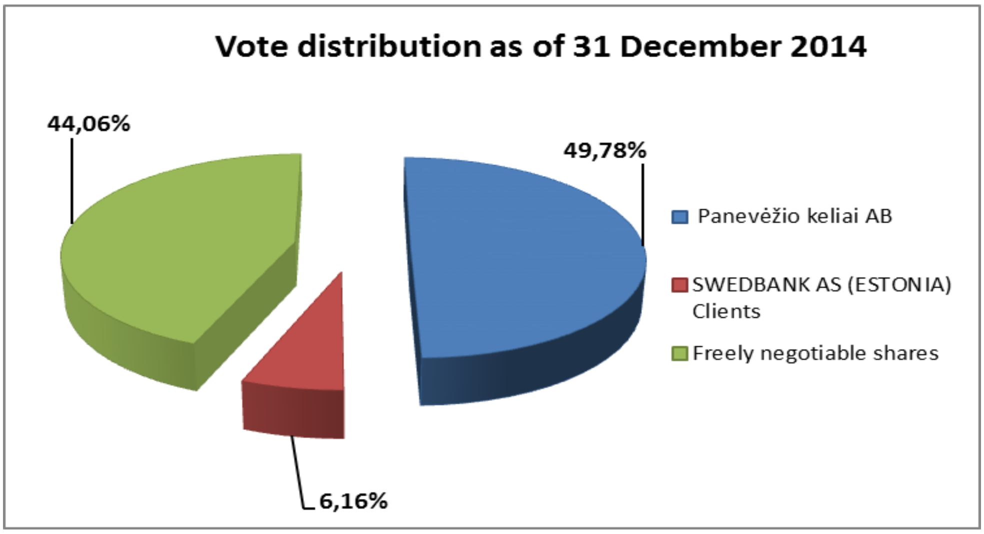
The composition of the issuer's authorised capital is as follows:

Share type	Number of shares (pcs.)	Par value (Litas)	Total par value (Litas)	Emission code
Ordinary registered shares (ORS)	16,350,000	1	16,350,000	101446

13. INFORMATION ON THE SHAREHOLDERS OF THE ISSUER

As of 31 December 2014, the number of shareholders holding or controlling more than 5 per cents of the authorised capital of the company was 1944:

Name. surname of a shareholder (company name. type. headquarter address. company code)	Number of ordinary registered shares held by a shareholder under ownership right (pcs.)	Share of the authorized capital held (%)	Portion of votes granted by the shares held under ownership right (%)	Portion of votes owned by the shareholder along with acting persons (%)
Panevėžio keliai AB S. Kerbedžio Str. 7. Panevėžys. Company code: 147710353	8,138,932	49.78	49.78	---
SWEDBANK AS (Estonia) clients Liivalaia 8. Tallin Estonia Company code: 10060701	1,007,253	6.16	6.16	---
Freely negotiable shares	7,203,815	44.06	44.06	---



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 *Panevėžio statybos trestas* AB is 16,350,000.

14. DIVIDENDS

The decision to pay dividends is taken and the amount to be paid as a dividend is set by the General Meeting of the 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 the Shareholders that had adopted the relevant decision are entitled to the dividends.
Dividends are taxable in accordance with the Law on Income Tax of Individuals and Law on Corporate Income Tax of the Republic of Lithuania.
The General Meeting of Shareholders of *Panevėžio statybos trestas* AB that took place on 26 April 2012 made the decision to pay no dividends for the year 2011.
The General Meeting of Shareholders of *Panevėžio statybos trestas* AB that took place on 25 April 2013 made the decision to pay dividends in the amount of 408 705 Litas for the year 2012.
The dividends were paid by *DNB bankas* AB in accordance with the agreement signed. As of 31 December 2013, 98.54 per cents of dividends were paid.
The Annual General Meeting of the Shareholders of *Panevėžio statybos trestas* AB that took place on 30 April 2014 took the decision to pay no dividends.

	Profit of financial year allocated for dividends			
	2008	**2009**	**2010**	**2012**
Total amount allocated for dividends, Litas	1,144,500	1,144,500	1,144,500	408,750
Dividends per share	0.07	0.07	0.07	0.025
Ratio of dividends to net profit, %	2.4%	23.8%	11.3%	28.2%
Dividend profitability (dividends per share / share price as of the end of the period), %	4.7%	1.8%	1.0%	0.8%

15. ALL RESTRICTIONS OF SECURITY TRANSFER

Not relevant

16. DESCRIPTION OF MAIN INVESTMENTS MADE DURING THE REPORTING PERIOD INCLUDING THEIR AMOUNT

All investments are provided in the Notes to the Separate Financial Statement (Note 15) and the Notes to the Consolidated Financial Statements (Note 1).

17. ALL AGREEMENTS BETWEEN SHAREHOLDERS WHICH ARE KNOWN TO THE ISSUER AND WHICH MAY RESTRICT TRANSFER OF SECURITIES AND (OR) VOTING RIGHT

None

18. AUTHORIZATIONS OF ISSUER'S BODIES TO ISSUE AND PURCHASE ISSUER'S SHARES

None

19. PROCEDURE FOR AMENDMENT OF THE ARTICLES OF ASSOCIATION OF THE ISSUER

The Articles of Association of the Company may be amended on by the General Meeting of Shareholders by at least 2/3 majority vote of the total votes of the shareholders attending the meeting. The resolution amending the Articles of Association shall be adopted in the procedure set forth in Articles 27 or 30 of the Law on Companies of the Republic of Lithuania.

20. MANAGEMENT BODIES OF THE ISSUER

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

The competence of the General Meeting of Shareholders shall not be different from that of the competence specified in the Law on Companies.

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

The Board is led by the Chairman of the Board. The Board shall elect the Chairman from the members of the Board.

The Board shall elect and dismiss the Head of the Company – Managing Director, fix his salary, set other terms and conditions in the employment contract with him, approve his job description, give incentives and impose penalties. The Managing Director shall organize the activities of the company.

The Board:

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

Company name	Position	Number of shares	Capital,%	Votes, %
Tertius UAB		704,638	80	80
Panevėžio keliai AB	Chairman of the Board	531,675	28.47	28.47
Lauktuvės jums UAB	Chairman of the Board	11,069	50.15	50.15
Pokštas UAB		111	50	50
Klovainių skalda AB		203,526	3.78	3.78
Gelbera UAB	Member of the Board	34	34	34
Emulteka UAB		14	14.0	14.0
Gustonių ŽŪT UAB	Member of the Board	1,085	50.28	50.28
Specializuota komplektavimo valdyba AB		21,490	9.29	9.29
Naujasis Užupis UAB	Chairman of the Board			
PST investicijos UAB	Member of the Board	16,407	3.32	3.32
Convestus UAB		50,000	50	50
Alproka UAB	Chairman of the Board			
Kauno tiltai UAB		492	0.31	0.31

Term of office: November 2014 through November 2018

No previous convictions.

VIRMANTAS PUIDOKAS – the Member of the Board. Membership in the capital of the company below:

Company name	Position	Number of shares	Capital,%	Votes, %
Panevėžio keliai AB	General Director	66,769	3.57	3.57
Akvalda UAB		750	50,00	50,00
Skalduva UAB	Director	42	42	42
Klovainių skalda AB	Member of the Board	541,467	10.1	10.1
Avia invest UAB		10,000	100	100
Įstros aviaparkas UAB		2,000	100	100
Emulteka UAB		9	9	9
PST Investicijos UAB	Member of the Board			

Term of office: November 2014 through November 2018

No previous convictions

IRMA ABRAMAVIČIENĖ – the Member of the Board. Membership in the capital of the company below:

Company name	Capacity	Number of shares	Capital,%	Votes, %
Convestus UAB	Internal auditor	-	-	-
Panevėžio keliai AB	Member of the Board	-	-	-
Ukmergės keliai UAB	Member of the Board			

Terms of office: November 2014 through November 2017

No previous convictions

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

Company name	Capacity	Number of shares	Capital,%	Votes, %
Akvalda UAB		750	50	50
Emulteka UAB		11	11	11
Betono Apsaugos Sistemos UAB		40	40	40
Panevėžio Statybos Trestas AB	Member of the Board			
Panevėžio Keliai AB	Technical Director	101,735	5.45	5.45

Terms of office: November 2014 through November 2018

No previous convictions

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

Company name	Capacity	Number of shares	Capital,%	Votes, %
Dvarčionių Keramika AB	Shareholder	356	-	-
Panevėžio Keliai AB	Member of the Board	-	-	-

Terms of office: November 2014 through November 2018

No previous convictions

Administration:

DALIUS GESEVIČIUS (personal code 35807220337) – Head of the Company Administration. Managing Director. Holds 30,015 shares of the Company. University education (VISI, 1984), Construction Engineering.

No previous convictions.

DANGUOLĖ ŠIRVINSKIENĖ (personal code 46110160082) – Chief Accountant of the Company. Holds no shares of the Company. University Education (LŽUA, 1983), Accounting - Economics).

No previous conviction.

In 2014 neither the members of the Board nor the top managers of *Panevėžio statybos trestas* AB were granted loans, given guarantees and sureties, had any property transfers to them. Managing Director and Chief Accountant of the company were calculated 236 thousand Litas in total for the year 2014.

Audit committee

Following Article 52 of the Law on Audit of the Republic of Lithuania, the General Meeting of Shareholders of *Panevėžio statybos trestas* AB elects the audit committee. The audit committee consists of three members one 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 the effectiveness of the company's internal control, internal audit where applicable, and risk management systems;
3) to monitor the carrying out of audit;
4) to monitor the independence and objectivity of the auditor or audit firm.

The audit committee at *Panevėžio statybos trestas* AB consists of the following members:

Lina Ragelienė – Deputy Chief Accountant of *Panevėžio statybos trestas* AB. Holds no shares of the Company.

Regina Sukarevičienė – Economist of *Panevėžio statybos trestas* AB. Holds no shares of the Company.

Irena Kriaučiūnienė – Independent Auditor. Auditor of *IDG auditoriai* UAB. Holds no shares of the Company.

21. ALL MATERIAL AGREEMENTS TO WHICH THE ISSUER IS A PARTY AND WHICH WOULD COME INTO EFFECT, BE AMENDED OR TERMINATED IN CASE OF CHANGE IN THE ISSUER'S CONTROL, ALSO THEIR IMPACT EXCEPT THE CASES WHERE THE DISCLOSURE OF THE NATURE OF THE AGREEMENTS WOULD CAUSE SIGNIFICANT DAMAGE TO THE ISSUER

None

22. ALL AGREEMENTS OF THE ISSUER AND THE MEMBERS OF ITS MANAGEMENT BODIES OR THE EMPLOYEE AGREEMENTS PROVIDING FOR A COMPENSATION IN CASE OF THE RESIGNATION OR IN CASE THEY ARE DISMISSED WITHOUT DUE REASON OR THEIR EMPLOYMENT IS TERMINATED IN VIEW OF THE CHANGE OF CONTROL OF THE ISSUER

None

23. INFORMATION ON SIGNIFICANT TRANSACTIONS BETWEEN THE RELATED PARTIES

All transactions between the related parties are provided in the Notes to the separate Financial Statements (Note 27) and the Notes to the Consolidated Financial Statements (Note 28).

24. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The information regarding compliance with the corporate governance code is presented in the Appendix 1 to the Annual Report.

25. PUBLICLY DISCLOSED INFORMATION

Title of announcement	Category of announcement	Language	Date
Unaudited Performance Results of Panevėžio statybos trestas AB and the Group for 2014	Interim information	Lt, En	27 Feb. 2015
Investor's Calendar for 2015	Other information	Lt, En	17 Dec. 2014
Resolutions of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	28 Nov. 2014
Unaudited Performance Results of Panevėžio statybos trestas AB Company and Group for Nine Months of 2014	Interim information	Lt, En	28 Nov. 2014
Draft Resolutions of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	7 Nov. 2014
Convening of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	27 Oct. 2014
Resolutions of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	27 Oct. 2014
Draft Resolutions of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	3 Oct. 2014
Convening of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	25 Sept. 2014
Notification On Construction Site Incident	Other information	Lt, En	17 Sept. 2014
Panevėžio statybos trestas AB Will Build a New Car Service in Vilnius	Notification on material event	Lt, En	3 Sept. 2014
Notification on the transactions in issuer's securities concluded by the company manager	Notifications on transactions concluded by managers of the companies	Lt, En	2 Sept. 2014
Unaudited Performance Results of Panevėžio statybos trestas AB Company and Group for the First Half of 2014	Interim information	Lt, En	28 Aug. 2014
Panevėžio statybos trestas AB Is under Reorganisation	Notification on material event	Lt, En	1 Aug.2014
Panevėžio statybos trestas AB Will Reconstruct Former Hospital in Vilnius Old Town	Notification on material event	Lt, En	16 July 2014
Panevėžio statybos trestas AB Will Build a New Factory in FEZ Territory of Panevezys	Notification on material event	Lt, En	8 July 2014

Panevėžio statybos trestas AB Will Build a New Dormitory in Klaipeda	Notification on material event	Lt, En	1 July 2014
Notification on the transactions in issuer's securities concluded by the company manager concluded by managers of the companies	Notifications on transactions concluded by managers of the companies	Lt, En	27 June 2014
Notification on the transactions in issuer's securities concluded by the company manager concluded by managers of the companies	Notifications on transactions concluded by managers of the companies	Lt, En	25 June 2014
Unaudited Performance Results of Panevėžiostatybos trestas AB Company and Group for the First Quarter of 2014	Notification on material event	Lt, En	30 May 2014
Annual Information Approved by Annual General Shareholders Meeting of Panevėžio statybos testas AB	Annual information	Lt, En	30 April 2014
Resolutions of Annual General Meeting of Shareholders	Notification on material event	Lt, En	30 April 2014
Resolutions of Annual General Meeting of Shareholders	Notification on material event	Lt, En	8 April 2014
Convening of the Annual General Meeting of Shareholders	Notification on material event	Lt, En	28 March 2014
Unaudited Performance Results of Panevėžio statybos trestas AB and Group for the Year 2013	Interim information	Lt, En	28 Feb. 2014
Investor's Calendar for 2014	Other information	Lt, En	15 Jan. 2014

All notifications of *Panevėžio statybos trestas* AB to be made public in accordance with the legal requirements are announced 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.

Managing Director Dalius Gesevičius

Appendix 1

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

The public limited liability company *Panevėžio statybos trestas*, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 20.5 of the Trading Rules of the Vilnius Stock Exchange, discloses its compliance with the Governance Code, approved by the VSE for the companies listed on the regulated market, and its specific provisions. In the event of non-compliance with the Code or with certain provisions thereof, it must be specified which provisions are not complied with and the reasons of non-compliance.

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 in the website http//www.pst.lt and notices for the Vilnius Stock Exchange and in the periodic notices to the BNS news agency, notices in the newspapers, 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 items 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	The collegial management body – the board and one-person management body – managing director are set up in the company. The collegial supervisory body – supervisory board is not formed.
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.	No	The supervision of the company's activities and the responsibility and control of the chief executive officer are ensured by the board analyzing and evaluating the material on all items of the company activities 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	One collegial management body is formed – the board that effectively supervises the functions performed by the company's chief executive officer.
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	
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 company board is made of 5 members and this number is considered to be sufficient.

[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 oversight 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 4.4 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] Definitions *'executive director'* and *'non-executive director'* are used in cases when a company has only one collegial body.

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	The supervisory board is not formed.
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 is not 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 well as representation of minority shareholders.

[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/No	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	
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 company board. The members of the board constantly participate at various refresher courses and seminars where they collect information about the essential changes in the legal acts 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.
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);	No	All five members of the board are related to the largest of the company shareholder Panevėžio Keliai AB.

[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 is notable 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.

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; 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	

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.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The practice of independence assessment and disclosure for the members of the board is not applied at the company.
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 general shareholders' meeting the amount of tantiemes allocated to the members of the board. Referring to the International Financial Reporting Standards, tantiemes for the members of the board are attributed to operating expenses of the company.
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	Once a quarter the board hear out the report of the chief executive officer and the finance director of the company, analyzes their activity and evaluates its effectiveness and provides recommendations, if required. The board analyzes, evaluates the draft of annual financial accountability of the company and draft profit (loss) allocation, and presents them to the general meeting of the shareholders.

[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.

[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.

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	
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 company board participated at the meetings of the board and each member devoted sufficient time to perform the duties as a member of the board. In all meetings of the board taken place in 2014 there was quorum prescribed by the legal acts. The members of the board participating at the meeting are recorded in the minutes of the meeting. In 2014 four members of the board participated in all meetings of the board, participation of one member of the board is 60 per cents. The members of the board newly elected in November 2014 participated at the meeting 100 per cents.
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	

[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.

4.5. 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	

[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 a board performing the functions of the nomination, remuneration committees. The Board of the company chooses and approves the candidacy of the manager of the company – Managing Director, and agrees with the candidacies of directors of the company offered by the Managing Director.. It constantly evaluates their experience, professional capabilities and implementation of the company's strategic goals, hears out the reports. The board of the company selects the candidate for the external audit and provides proposals to the general shareholders' meeting for approval. On 30 April 2014 the audit committee was elected during the Annual General Meeting of the Shareholders.
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	

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

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	The audit committee consists of three members. One member conforms to the requirements for independence. The audit committee is elected for the period of one year.
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	The rules of the audit committee were approved and published on the website of the company.
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	Applicable to 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 committee is not formed. The collegial management body of the company, the board, performs the function of the nomination committee.
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;	Not applicable	The committee is not formed. The collegial management body of the company, the board, performs the function of the nomination committee.

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 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 30 April 2014 the audit committee was elected during the Annual General Meeting of the Shareholders. The audit committee consists of three members. The audit committee organizes its work following the rules of the audit committee approved during the meeting of the shareholders.

4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 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 assessment practice of internal activities and informing on 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	
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 meeting of the company's collegial body – the board takes place based on the periodicity approved in advance and in accordance with the planned agenda.

[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.

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	Each member of the board can introduce himself/herself to the documents of the meeting, reports, and draft decisions three days prior to the meeting day.
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.	Not applicable	The supervisory board is not formed.
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 is comprised from 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 attend the shareholders' meeting actively. The shareholders are informed about the convening of the general shareholders' meeting in public and no later than 21 days prior to the meeting the shareholders are allowed to familiarize themselves to 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	
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.

[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 authorised 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.

6.7. 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 follow this recommendation as it is not possible to ensure text protection and identify the signature of a voting person. Furthermore, in the company's opinion, so far there was no need for any modern technologies at the shareholders' meeting for the purposes of participation and voting via electronic means of communication.

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 allows avoiding conflict of interests; therefore, in practice there is 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	
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 observes the motivation system of the directors approved by the Board. The company makes no public statements of the remuneration policy as it is an internal and confidential document of the company.
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 item 8.1 are not followed.
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	

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 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;	No	Recommendations provided in item 8.1 are not followed.

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: 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 motivation system of the directors defining evaluation criteria of performance results has been approved in the company since 9 March 2007.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The motivation system of the directors defining evaluation criteria of performance results has been approved in the company since 9 March 2007.
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	The motivation system of the directors defining evaluation criteria of performance results has been approved in the company since 9 March 2007.
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 allowed following the law 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 allowed following the law 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 item 8.1 are not followed.
8.13. Shares should not vest for at least three years after their award.	Not applicable	Recommendations provided in item 8.1 are not followed. 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 item 8.1 are not followed. The directors are not remunerated in shares, share options or any other right to purchase 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 item 8.1 are not followed The directors are not remunerated in shares, share options or any other right to purchase 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 followed The directors are not remunerated in shares, share options or any other right to purchase 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 followed.
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 followed The directors are not remunerated in shares, share options or any other right to purchase company's shares.

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; 5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	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 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 *Globenewswire* used by NASDAQ OMX, on the company website, in the company's annual and intermediate information statements to the extent required by legal acts and International Financial Reporting Standards valid in 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 policy report – see the commentary to 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 information in the Lithuanian and English languages at the same time through the information disclosure system *Globenewswire* used by NASDAQ OMX. 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 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 vertybinių popierių birža*, 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 OMX was also published in the website of the company.
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 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 2014, the firm of auditors provided services in tax consulting.