

**AB Panevėžio Statybos Trestas**

Consolidated financial statements for  
the year 2015

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## **Parent company details**

### **AB Panevėžio Statybos Trestas**

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

### **Board**

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

### **Management**

Dalius Gesevičius, Managing Director

### **Auditor**

KPMG Baltics, UAB

### **Banks**

AB DNB Bankas  
AB SEB Bankas  
Swedbank, AB  
AB Šiaulių Bankas  
AB Citadele Bankas  
Pohjola Bank Plc Lithuania Branch  
OAO KS EvrositiBank



**KPMG Baltics, UAB**  
Konstitucijos Ave 29  
LT-08105, Vilnius  
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# Independent Auditor's Report

To the Shareholders of AB Panevėžio Statybos Trestas

## **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements (hereinafter "the financial statements") of AB Panevėžio Statybos Trestas and its subsidiaries (hereinafter "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated 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, set out on pages 5–47.

### *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 the 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.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the consolidated financial position of AB Panevėžio Statybos Trestas and its subsidiaries as at 31 December 2015, and of their consolidated financial performance and their consolidated 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 6 of the financial statements, which describes that low oil and gas prices, geopolitical tensions and ongoing international sanctions worsened Russia's economy performance in 2015, which together with other events described in Note 6 may have an adverse effect on the performance and financial position of the Group. 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.

### **Report on Other Legal and Regulatory Requirements**

Furthermore, we have read the consolidated annual report of AB Panevėžio Statybos Trestas for the year ended 31 December 2015, set out on pages 48–99 of the financial statements, and have not identified any material inconsistencies between the financial information included in the consolidated annual report and the consolidated financial statements of AB Panevėžio Statybos Trestas for the year ended 31 December 2015.

On behalf of KPMG Baltics, UAB



Rokas Kasperavičius  
Partner  
Certified Auditor

Vilnius, the Republic of Lithuania  
4 April 2016

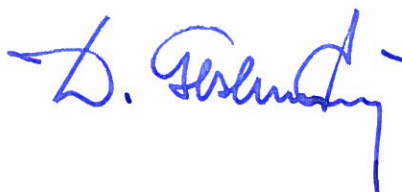
## **Confirmation of the Company's responsible employees**

To: Supervisory Service  
BANK OF LITHUANIA  
Žirmūnų St. 151, LT-09128 Vilnius  
  
Vilnius Stock Exchange  
Konstitucijos 7, 15 fl., LT-08105 Vilnius

This confirmation of responsible employees concerning the audited consolidated financial statements and the consolidated annual report of AB Panevėžio Statybos Trestas and its subsidiaries (hereinafter "the Group") for the year 2015 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).

We confirm that, as to our knowledge, the presented consolidated 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 consolidated assets, the consolidated liabilities, the consolidated financial position and the consolidated result and consolidated cash flows of the Group. The consolidated annual report fairly states the review of business development and activities, the Group's position and description of the main risks and uncertainties.

AB Panevėžio Statybos Trestas  
Managing Director  
Dalius Gesevičius



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

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

## Consolidated statement of financial position

as at 31 December

In EUR

	Note	2015	2014 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	6,190,855	7,070,649
Intangible assets	15	135,179	118,589
Investment property	16	1,270,000	6,101,702
Loans granted	17	120,408	117,121
Other assets		30,215	35,499
Deferred tax asset	13	322,063	761,975
<b>Total non-current assets</b>		<b>8,068,720</b>	<b>14,205,535</b>
<b>Current assets</b>			
Inventories	18	9,124,308	16,069,779
Trade receivables	19	18,252,028	22,932,493
Prepayments		980,311	2,400,466
Loans granted	17	1,750	764
Other assets	20	832,701	1,119,670
Advance income tax		53,823	112,479
Cash and cash equivalents	21	28,817,259	20,948,848
<b>Total current assets</b>		<b>58,062,180</b>	<b>63,584,499</b>
<b>TOTAL ASSETS</b>		<b>66,130,900</b>	<b>77,790,034</b>

The notes on pages 10–47 are an integral part of these consolidated financial statements.

Managing Director                      Dalius Gesevičius

04/04/2016

Chief Accountant                      Danguolė Širvinskienė

04/04/2016

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

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

## Consolidated statement of financial position (continued)

as at 31 December

In EUR

	Note	2015	2014 Restated
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	22	4,741,500	4,735,287
Reserves	22	5,597,341	4,928,525
Retained earnings		25,846,294	24,811,472
<b>Total equity attributable to equity holders of the Company</b>		<b>36,185,135</b>	<b>34,475,284</b>
Non-controlling interest		1,247,111	631,367
<b>Total equity</b>		<b>37,432,246</b>	<b>35,106,651</b>
Loans and borrowings	24	20,907	2,430,940
Provision	25	812,209	742,578
Deferred tax liabilities	13	301,950	775,954
Other liabilities		60,000	68,524
Subsidies and grants		13,467	23,027
<b>Total non-current liabilities</b>		<b>1,208,533</b>	<b>4,041,023</b>
<b>Current liabilities</b>			
Loans and borrowings	24	2,153,192	6,201,947
Trade payables		16,751,936	15,874,974
Prepayments received	19	1,523,290	9,844,344
Income tax payable		205,536	580,240
Other liabilities	26	6,856,167	6,140,855
<b>Total current liabilities</b>		<b>27,490,121</b>	<b>38,642,360</b>
<b>Total liabilities</b>		<b>28,698,654</b>	<b>42,683,383</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>66,130,900</b>	<b>77,790,034</b>

*\*Refer to Note 31*

The notes on pages 10–47 are an integral part of these consolidated financial statements.

Managing Director

Dalius Gesevičius

04/04/2016

Chief Accountant

Danguolė Širvinskienė

04/04/2016



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

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

## Consolidated statement of comprehensive income

for the year ended 31 December

In EUR

	Note	2015	2014 Restated
Revenue	5, 6	121,216,711	105,454,229
Cost of sales	7	(109,277,631)	(95,582,145)
<b>Gross profit</b>		<b>11,939,080</b>	<b>9,872,084</b>
Other income	11	567,132	785,531
Sales expenses	8	(594,561)	(553,053)
Administrative expenses	9	(8,189,411)	(5,575,896)
Other expenses	11	(398,831)	(364,368)
<b>Result from operating activities</b>		<b>3,323,409</b>	<b>4,164,298</b>
Finance income	12	2,286,546	65,302
Finance costs	12	(2,853,906)	(7,913,552)
<b>Result before income tax</b>		<b>2,756,049</b>	<b>(3,683,952)</b>
Income tax expense	13	(760,038)	(260,181)
<b>Net profit (loss)</b>		<b>1,996,011</b>	<b>(3,944,133)</b>
<b>Other comprehensive income</b>			
Effect of currency translation		1,387,870	3,031,019
Revaluation of property, plant and equipment		0	(53,562)
Effect of conversion to euro		21,509	0
<b>Items that will never be reclassified to profit or loss</b>		<b>1,409,379</b>	<b>2,977,457</b>
<b>Items that are or may be reclassified to profit or loss</b>		<b>0</b>	<b>0</b>
<b>Total other comprehensive income</b>		<b>1,409,379</b>	<b>2,977,457</b>
<b>Total comprehensive income</b>		<b>3,405,390</b>	<b>(966,676)</b>
<b>Net profit (loss) attributable to:</b>			
Owners of the Company		1,755,955	(2,432,168)
Non-controlling interest		240,056	(1,511,965)
		<b>1,996,011</b>	<b>(3,944,133)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		2,789,646	(337,733)
Non-controlling interest		615,744	(628,943)
		<b>3,405,390</b>	<b>(966,676)</b>
Basic and diluted earnings (loss) per share	23	0.12	(0.24)

The notes on pages 10–47 are an integral part of these consolidated financial statements.

Managing Director

Dalius Gesevičius

04/04/2016

Chief Accountant

Danguolė Širvinskienė

04/04/2016

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

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

## Consolidated statement of changes in equity

In EUR	Share capital	Legal reserve	Revaluation reserve	Currency translation reserve	Retained earnings	Equity attributable to the Company's owners	Non-controlling interest	Total equity
<b>Balance as at 31 December 2013</b>	<b>4,735,287</b>	<b>598,468</b>	<b>2,141,658</b>	<b>284,789</b>	<b>27,052,815</b>	<b>34,813,017</b>	<b>1,260,310</b>	<b>36,073,327</b>
<b>Total comprehensive income for the year</b>								
Restated net profit (loss)			(53,562)		(2,432,168)	(2,432,168)	(1,511,965)	(3,944,133)
Revaluation result			(190,826)		190,826	0		(53,562)
Revaluation of property, plant and equipment				2,147,998		2,147,998	883,022	3,031,020
Effect of currency translation								
Total other comprehensive income			(244,388)	2,147,998	190,825	2,094,435	883,022	2,977,457
Total comprehensive income for the year			(244,388)	2,147,998	(2,241,343)	(337,733)	(628,943)	(966,676)
<b>Transactions with owners of the Company, recognized directly in equity</b>								
Dividends								
Total transactions with owners of the Company								
<b>Restated equity as at 31 December 2014</b>	<b>4,735,287</b>	<b>598,468</b>	<b>1,897,270</b>	<b>2,432,787</b>	<b>24,811,472</b>	<b>34,475,284</b>	<b>631,367</b>	<b>35,106,651</b>
<b>Total comprehensive income for the year</b>								
Net profit (loss)					1,755,955	1,755,955	240,056	1,996,011
Effect of currency translation				1,013,469		1,013,469	374,401	1,387,870
Revaluation of property, plant and equipment			(344,653)		344,653	0		0
Effect of conversion to euro	6,213				14,009	20,222	1,287	21,509
Total other comprehensive income			(344,653)	1,013,469	358,662	1,033,691	375,688	1,409,379
Total comprehensive income for the year			(344,653)	1,013,469	2,114,617	2,789,646	615,744	3,405,390
<b>Transactions with owners of the Company, recognized directly in equity</b>								
Dividends								
Total transactions with owners of the Company					(1,079,795)	(1,079,795)		(1,079,795)
<b>Equity as at 31 December 2015</b>	<b>4,741,500</b>	<b>598,468</b>	<b>1,552,617</b>	<b>3,446,256</b>	<b>25,846,294</b>	<b>36,185,135</b>	<b>1,247,111</b>	<b>37,432,246</b>

The notes on pages 10–47 are an integral part of these consolidated financial statements.

Managing Director

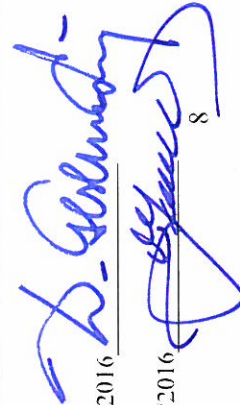
Dalius Gesevičius

Chief Accountant

Danguolė Širvinskienė

04/04/2016

04/04/2016



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

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

## Consolidated statement of cash flows

for the year ended 31 December  
In EUR

	Note	2015	2014 Restated
<b>Cash flows from operating activities</b>			
Net profit (loss)		1,996,011	(3,944,133)
Adjustments:			
Depreciation and amortization (including impairment)		1,177,761	1,089,279
Write-down to net realizable value of inventories and impairment of receivables		0	(2,232,835)
Income tax expense		94,618	(848,388)
Unrealized foreign currency gain		0	864,323
Other non-cash items		94,220	4,313,341
		4,122,648	(758,413)
Change in inventories		6,896,173	(2,602,232)
Change in trade receivables		4,680,465	(3,633,433)
Change in prepayments		1,420,155	132,729
Change in other assets		347,622	1,023,229
Change in trade payables		876,962	7,092,774
Change in prepayments received		(8,321,054)	2,395,610
Change in provisions and other liabilities		483,957	1,357,048
		10,506,928	5,007,312
Income tax paid		(850,241)	(328,380)
Elimination of results from financing activities (paid interest)		8,640,846	481,917
<b>Net cash flows from operating activities</b>		<b>18,297,533</b>	<b>5,160,849</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(2,631,214)	(1,357,141)
Disposal of property, plant and equipment		84,838	248,040
Loans granted		(3,000)	(116,550)
Loans recovered		2,014	1,159,788
Interest and dividends received		9,797	64,670
<b>Net cash flows used in investing activities</b>		<b>(2,537,565)</b>	<b>(1,193)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(1,074,643)	(5,622)
Proceeds from loans and borrowings		185,166	527,097
Loans repaid		(6,541,395)	(256,188)
Payment of finance lease liabilities		(40,343)	(133,217)
Interest paid		(325,724)	(476,295)
<b>Net cash used in financing activities</b>		<b>(7,796,939)</b>	<b>(344,225)</b>
<b>Net change in cash and cash equivalents</b>		<b>7,963,029</b>	<b>4,815,431</b>
Cash and cash equivalents at 1 January		20,948,848	16,997,740
Effect of exchange rate fluctuations on cash held		(94,618)	(864,323)
<b>Cash and cash equivalents at 31 December</b>		<b>28,817,259</b>	<b>20,948,848</b>

The notes on pages 10–47 are an integral part of these consolidated financial statements.

Managing Director

Dalius Gesevičius

04/04/2016

Chief Accountant

Danguolė Širvinskienė

04/04/2016

## 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 listed on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006. These consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (hereinafter “the Group”). The Group primarily is involved in the construction of buildings, constructions, other facilities and networks, as well as real estate development in Lithuania and abroad.

The main shareholders of the Group are:

- AB Panevėžio Keliai (49.78%);
- Swedbank AS (Estonia) clients (6.55%);
- Freely negotiable shares (43.67%).

AB Panevėžio Keliai is the ultimate controlling party which prepares its own separate and consolidated financial statements based on Business Accounting Standards (BAS) of the Republic of Lithuania. Shareholders of AB Panevėžio Keliai are private persons.

Financial information about the subsidiaries is as follows:

(in EUR)	Nature of activities	Equity as at 31/12/2015	Net profit (loss) for the year 2015	Equity as at 31/12/2014	Net profit (loss) for the year 2014
UAB PST Investicijos (consolidated)	Real estate development	3,940,008	(757,069)	3,581,286	(3,156,458)
	Constructions:				
UAB Vekada	electricity	1,289,003	(385,423)	1,690,207	103,632
UAB Metalo Meistrai	Constructions:	115,473	(499,988)	670,461	355,817
	Constructions:				
UAB Skydmedis	wood houses	982,407	405,006	852,401	367,140
	Constructions:				
UAB Alinita	conditioning	(532,719)	(599,763)	67,044	11,754
	Real estate				
TŪB Vilniaus Papėdė	development	0	0	1,229	63
	Real estate				
OOO Teritorija	development	(485,908)	289,033	(849,790)	(1,141,287)
	Intermediary				
Kingsbud Sp. z. o. o.	services	69,221	55,104	14,570	(2,464)
SIA PS Trests	Constructions	(220,986)	1,202	(222,187)	3,844
AB PST Nordic	Constructions	2,144	(4,147)	6,068	858
OOO Baltlitstroj	Constructions	(682,724)	168,249	(958,798)	(2,054,690)

## 1. Reporting entity (continued)

Subsidiary ownership:

	2015	2014
UAB PST Investicijos (consolidated)	68%	68%
UAB Vekada	96%	96%
UAB Metalo Meistrai	100%	100%
UAB Skydmedis	100%	100%
UAB Alinita	100%	100%
TŪB Vilniaus Papėdė	0%	69%
OOO Teritorija	87.5%	87.5%
Kingsbud Sp. z. o. o.	100%	100%
SIA PS Trests	100%	100%
AB PST Nordic	100%	100%
OOO Baltlitstroj	100%	100%

The Company's subsidiary UAB PST Investicijos has the following subsidiaries:

	Type of activity	2015	2014
UAB Ateities Projektai	Development of real estate projects in Palanga	100%	100%
ZAO ISK Baltevro market	Development of real estate projects in Kaliningrad	100%	100%
UAB Šeškinės Projektai	Development of real estate projects in Vilnius	100%	100%
UAB Kauno Erdvė	Development of real estate projects in Kaunas	0	100%
UAB Sakališkės	Development of real estate projects in Vilnius	0	100%
UAB Verkių Projektas	Development of real estate projects in Kaunas	0	100%

## 2. Basis of preparation

### Statement of compliance

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

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

These consolidated financial statements were approved by the Board on 4 April 2016.

### Basis of measurement

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

### Functional and presentation currency

The consolidated financial statements are presented in national currency euro, which is the Group's functional currency.

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. The consolidated financial statements for the current year were prepared and presented in euro. The comparative information of the previous financial year was converted into euro using the official exchange rate of LTL 3.4528 to EUR 1.

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

The preparation of the consolidated 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.

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

- Note 13 – deferred taxes recognition;
- Note 14 – revalued value of land and buildings, useful lives;
- Note 18 – write-down of inventories;
- Note 19 – impairment of trade receivables;
- Note 19 – construction contract revenue;
- Note 24 – classification of leases;
- Note 25 – provision for warranty repairs.

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

#### **Basis of consolidation**

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries have been prepared for the same reporting year, using the same accounting policies. Intra-group income and expenses, amounts receivable and payable and any unrealized results (if losses are not absorbed by majority) are eliminated in preparing the consolidated financial statements. Unrealised losses are reversed only if no impairment indications appears.

Comprehensive income of subsidiaries is attributed to non-controlling interest even if this results in a negative balance of non-controlling interest. Change of ownership share in the subsidiary when control is retained, is accounted for as equity transaction. If the Group loses control of the subsidiary company, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of non-controlling interest, if any;
- Derecognises accumulated currency exchange differences accounted for in equity;
- Accounts for consideration received at fair value;
- Accounts for retained investment at fair value;
- Accounts for arising surplus or deficit in the profit or loss;
- Reclassifies the components previously recognized in other comprehensive income and attributable to the parent company to the statement of comprehensive income or retained earnings respectively.

## **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 rates of the European Central Bank ruling at the reporting date. The foreign currency gain or loss 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. Currency exchange gain or loss is recognized in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions. Effect of translation is recognized directly in other comprehensive income. When a foreign operation is disposed of, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss.

## **Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, trade payables and other liabilities.

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognized initially at fair value plus (except for instruments 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 day of the transaction. Financial assets are derecognized if the contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the obligations of the Group specified in the contract 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 longer than 12 months. Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Current receivables are not discounted.

Loans and borrowings and other financial liabilities, including trade payables are subsequently stated at amortized cost using the effective interest 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 receipts or payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## **Derivative financial instruments**

The Group 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 the Group's 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 are capitalized in assets that comply with capitalisations requirements.

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

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

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group 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   | 5–15 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.



### **Investment property**

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

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

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

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

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

### **Intangible assets**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets of the acquirees. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

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 3–4 years.

### **Leased assets**

Leases in terms of which the Group 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. All other leases are treated as operating leases and leased assets are not capitalized.

### **Inventories**

Capitalized costs related to the real estate development are stated at the lower of cost and net realisable value (NRV).

### **Inventories (continued)**

Other 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 or conversion costs 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 Group'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. Impairment losses are 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. For that purpose, the asset's recoverable amount is measured.

The recoverable amount of an asset or cash-generating unit is the greater of its 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). Property, plant and equipment is allocated to two cash-generating units: Construction and Real estate development, part of assets is not allocated.

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. No impairment reversal for goodwill is allowed.

## **Dividends**

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

## **Provisions**

A provision is recognized if, as a result of a past event, the Group 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 Group 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.

## **Rental income**

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Rental income from other property is recognised as other income.

## **Finance income and costs**

Finance income comprises interest income. Interest income is recognized as it accrues, using the effective interest method. Finance costs comprise interest expense. Interest expenses are recognized using effective interest rate method. Foreign currency gains and losses are reported on a net basis.

### **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.

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 Group 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 Group 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.

### **Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. An operating segment's operating results are reviewed regularly by the highest managing body of the Group 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 the highest managing body of the Group include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information about geographical areas is provided in the financial statements. In 2015 and 2014 the Group has three identified geographical areas: Lithuania, Russia and Norway.

### **Determination of fair values**

A number of the Group'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 Group 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.

### **Determination of fair values (continued)**

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

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

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

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

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

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

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

### **Changes in accounting policies**

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

The Group 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 2015.

The following amendments to standards with effective date of 1 January 2015 did not have any impact on these consolidated financial statements:

- IFRIC 21 *Levies*
- Annual improvements to IFRSs
  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
  - IFRS 2 *Share-based Payment*
  - IFRS 3 *Business Combinations*
  - IFRS 8 *Operating Segments*
  - IFRS 13 *Fair Value Measurement*
  - IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
  - IAS 24 *Related Party Disclosures*
  - IAS 40 *Investment Property*

## **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 2016, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group 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 Group does not plan to adopt these amendments, standards and interpretations early.

*(i) IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)*

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Group is not a party to any joint arrangements.

*(ii) IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)*

The Amendments to include the five, narrow-focus improvements to the disclosure requirements contained in the standard.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Group.

*(iii) 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. 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 Group 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.

*(iv) IAS 27 – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)*

The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Group prepares consolidated financial statements; therefore, the amendment will not have any impact on the financial statements.

*(v) Annual Improvements to IFRSs*

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

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

## 4. Financial risk management

### Overview

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

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group controls credit risk by credit policies and procedures. The Group 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 Group only on a prepayment basis.

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

(in EUR)	2015	2014
Trade receivables	18,252,028	22,932,493
Loans granted	122,158	117,885
Cash and cash equivalents	28,817,259	20,948,848
<b>Total</b>	<b>47,191,445</b>	<b>43,999,226</b>

Trade receivables:

(in EUR)	2015	2014
Municipalities and state institutions	5,823,586	7,529,524
Other	12,428,442	15,402,969
<b>Total trade receivables</b>	<b>18,252,028</b>	<b>22,932,493</b>

**Credit risk (continued)**

Trade receivables according to major customers:

(in EUR)	2015	%	2014	%
Client 1	1,738,118	9.5	2,610,692	11.4
Client 2	784,215	4.3	2,074,540	9.0
Client 3	621,894	3.4	1,599,244	7.0
Client 4	598,494	3.3	1,345,582	5.9
Client 5	506,584	2.8	1,322,561	5.8
Client 6	378,396	2.1	932,814	4.1
Client 7	351,164	1.9	672,917	2.9
Other clients	14,712,476	80.6	13,953,610	60.8
Impairment	(1,439,313)	(7.9)	(1,579,467)	(6.9)
<b>Total</b>	<b>18,252,028</b>	<b>100.0</b>	<b>22,932,493</b>	<b>100.0</b>

Trade receivables according to geographic regions:

(in EUR)	2015	2014
Domestic market (Lithuania)	11,146,893	17,274,367
Russia	6,290,844	4,720,481
The Euro zone countries	814,291	937,645
<b>Total</b>	<b>18,252,028</b>	<b>22,932,493</b>

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

(in EUR)	2015	Impairment	2014	Impairment
Not overdue	13,665,149		19,160,513	
Overdue 0–30 days	2,131,395		437,827	
Overdue 30–90 days	1,087,449		324,054	
More than 90 days	2,807,348	1,439,313	4,589,566	1,579,467
<b>Total</b>	<b>19,691,341</b>	<b>1,439,313</b>	<b>24,511,960</b>	<b>1,579,467</b>

The Group 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. Methodology used for establishing the allowance is reviewed regularly to reduce any differences between loss estimate and actual loss experience.

Issued loans are receivable from the related parties and on 31 December 2015 were not impaired.

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

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 Group beyond the impairment already recorded.



### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation. Typically the Group ensures that it has sufficient cash on demand to meet expected operational 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 financial liabilities as at 31 December 2015, including calculated interest, as to the agreements, are presented below:

In EUR thousand	Carrying value	Contractual net cash flows	6 months or less	6–12 months	1–2 years	2–5 years	>5 years
<b>Liabilities</b>							
Loans and lease liabilities	2,174	2,198	1,467	710	18	3	
Trade payables	16,752	16,752	16,752				
<b>Total</b>	<b>18,926</b>	<b>18,950</b>	<b>18,219</b>	<b>710</b>	<b>18</b>	<b>3</b>	

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

In EUR thousand	Carrying value	Contractual net cash flows	6 months or less	6–12 months	1–2 years	2–5 years	>5 years
<b>Liabilities</b>							
Loans and lease liabilities	8,633	8,898	6,104	171	349	1,148	1,126
Trade payables	15,875	15,875	15,875				
<b>Total</b>	<b>24,508</b>	<b>24,773</b>	<b>21,979</b>	<b>171</b>	<b>349</b>	<b>1,148</b>	<b>1,126</b>

Interest rate applied for calculation of contractual net cash flows:

	2015	2014
Loans and lease liabilities	1.93–2.70%	0.92–2.22%

### 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 Group 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 2015 and 2014 the Group did not use any derivative financial instruments.

Currency risk. The Group 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 euro.

### Market risk (continued)

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

	31 December 2015	Average 2015	31 December 2014	Average 2014
1 SEK =	0.1088	0.1069	0.3625	0.3798
1 RUB =	0.0125	0.0147	0.0503	0.0688

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

Year 2015 (EUR)	EUR	RUB	SEK	Other currency	
Trade receivables	11,575,397	6,290,844		385,787	
Loans granted	122,158				
Cash and cash equivalents	28,008,394	650,167	80,376	78,322	
Loans and borrowings	(2,174,099)				
Trade payables	(12,589,432)	(4,004,141)	(8,174)	(150,189)	
<b>Total exposure</b>	<b>24,942,418</b>	<b>2,936,870</b>	<b>72,202</b>	<b>313,920</b>	

Year 2014 (EUR)	LTL	EUR	RUB	SEK	Other currency
Trade receivables	16,029,067	2,479,128	4,424,298		
Loans granted	117,121	764			
Cash and cash equivalents	14,445,856	5,165,218	1,205,005	114,186	18,583
Loans and borrowings	(5,274,727)	(3,157,278)	(200,882)		
Trade payables	(13,738,917)	(664,024)	(1,471,771)	(262)	
<b>Total exposure</b>	<b>11,578,400</b>	<b>3,823,808</b>	<b>3,956,650</b>	<b>113,924</b>	<b>18,583</b>

If the Russian rouble exchange rate dropped by 0.005 points, the Group's profit would decrease by approximately EUR 1,175 thousand.

Interest rate risk. All the Group's loans received and granted and other borrowings are subject to variable interest rates linked to EURIBOR. The change of annual average interest rate by 1% would have an effect on change in interest expenses by approximately EUR 21 thousand.

### 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 Group's financial results and strategic plans, submits proposals regarding payment of dividends.

## Operating risk management

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

The Group's management ensures that the Group's employees have appropriate expertise, experience and the latest knowledge to carry out the duties entrusted to them. The Group sends employees to training courses and organizes internal training. The Group has internal controls in place to ensure the four-eye principle, where results of the person carrying out operation are checked by one more controller, by authorising the operation. The Group 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 Group's Board and management meet regularly to discuss the matters related to performance of the Group, identification of operating risks as well as creation of plans for mitigation and elimination of the risks.

## 5. Operating segments

Year 2015 (in EUR)	Construction	Real estate development	Total
Revenue	116,430,243	4,786,468	121,216,711
Cost of sales	(105,515,593)	(3,063,338)	(108,578,931)
Other income	510,783	56,349	567,132
Operating expenses	(7,706,896)	(665,127)	(8,372,023)
Other expenses	(398,831)	0	(398,831)
Impairment of assets	39,331	27,781	67,112
Amortization and depreciation	(1,169,328)	(8,433)	(1,177,761)
<b>Operating result</b>	<b>2,189,709</b>	<b>1,133,700</b>	<b>3,323,409</b>
Finance income	13,174	2,273,372	2,286,546
Finance costs	(766,854)	(2,087,052)	(2,853,906)
Income tax income (expenses)	298,825	(1,058,863)	(760,038)
<b>Net profit (loss)</b>	<b>1,734,854</b>	<b>261,157</b>	<b>1,996,011</b>

## 5. Operating segments (continued)

### *Segment assets*

Year 2015 (in EUR)	Construction	Real estate development	Total
Non-current assets	7,939,913	128,807	8,068,720
Inventories	1,523,060	7,601,248	9,124,308
Other current assets	42,758,881	6,178,991	48,937,872
<b>Total segment assets</b>	<b>52,221,854</b>	<b>13,909,046</b>	<b>66,130,900</b>

### *Segment liabilities*

Grants and subsidies	13,467	0	13,467
Financial liabilities	59,878	2,114,221	2,174,099
Trade accounts payable	16,740,701	11,235	16,751,936
Other payables	9,567,005	192,147	9,759,152
<b>Total segment liabilities</b>	<b>26,381,051</b>	<b>2,317,603</b>	<b>28,698,654</b>

Acquisition of intangible assets and property,  
plant and equipment

2,630,400	814	2,631,214
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Year 2014 (in EUR), restated	Construction	Real estate development	Total
Revenue	104,598,592	855,637	105,454,229
Cost of sales	(94,716,749)	(280,252)	(94,997,001)
Other income	516,833	268,698	785,531
Operating expenses	(6,673,862)	(533,050)	(7,206,912)
Other expenses	(258,431)	(6,962)	(265,393)
Impairment	1,457,636	25,487	1,483,123
Amortization and depreciation	(1,034,945)	(54,334)	(1,089,279)
<b>Operating result</b>	<b>3,889,074</b>	<b>275,224</b>	<b>4,164,298</b>
Finance income	57,054	8,248	65,302
Finance costs	(2,514,128)	(5,399,424)	(7,913,552)
Income tax income (expenses)	(79,654)	(180,527)	(260,181)
<b>Net profit (loss)</b>	<b>1,352,346</b>	<b>(5,296,479)</b>	<b>(3,944,133)</b>

## 5. Operating segments (continued)

### *Segment assets*

Year 2014 (in EUR), restated	Construction	Real estate development	Total
Non-current assets	6,654,080	7,551,455	14,205,535
Inventories	3,157,710	12,912,069	16,069,779
Other current assets	46,908,046	606,674	47,514,720
<b>Total segment assets</b>	<b>56,719,836</b>	<b>21,070,198</b>	<b>77,790,034</b>

### *Segment liabilities*

Grants and subsidies	23,027	0	23,027
Financial liabilities	100,220	8,532,667	8,632,887
Trade accounts payable	15,792,836	82,138	15,874,974
Other payables	15,505,853	2,646,642	18,152,495
<b>Total segment liabilities</b>	<b>31,421,936</b>	<b>11,261,447</b>	<b>42,683,383</b>
Acquisition of intangible assets and property, plant and equipment	1,330,717	26,424	1,357,141

## 6. Geographical information

2015 (in EUR)	Lithuania	Russia	Norway	Total
Revenue	84,613,788	32,216,482	4,386,441	121,216,711
Cost of sales	(75,379,541)	(29,741,971)	(3,457,419)	(108,578,931)
Other income	514,844	52,288	0	567,132
Operating expenses	(6,254,273)	(1,107,701)	(1,010,049)	(8,372,023)
Other expenses	(396,200)	(2,631)	0	(398,831)
Impairment of assets	85,915	(18,803)	0	67,112
Amortization and depreciation	(1,080,122)	(30,800)	(66,839)	(1,177,761)
<b>Operating result</b>	<b>2,104,411</b>	<b>1,366,864</b>	<b>(147,866)</b>	<b>3,323,409</b>
Finance and investment income	2,273,322	13,224	0	2,286,546
Finance and investment costs	37,092	(2,890,998)	0	(2,853,906)
Income tax income (expenses)	(341,918)	(418,120)	0	(760,038)
<b>Net profit (loss)</b>	<b>4,072,907</b>	<b>(1,929,030)</b>	<b>(147,866)</b>	<b>1,996,011</b>

## 6. Geographical information (continued)

### *Segment assets*

2015 (in EUR)	Lithuania	Russia	Norway	Total
Non-current assets	8,023,307	45,413	0	8,068,720
Inventories	5,780,058	3,344,250	0	9,124,308
Other current assets	41,615,085	7,123,919	198,868	48,937,872
<b>Total segment assets</b>	<b>55,418,450</b>	<b>10,513,582</b>	<b>198,868</b>	<b>66,130,900</b>

### *Segment liabilities*

Grants and subsidies	13,467	0	0	13,467
Financial liabilities	1,880,023	294,076	0	2,174,099
Trade accounts payable	13,323,094	3,390,977	37,865	16,751,936
Other payables	7,369,234	2,365,513	24,405	9,759,152
<b>Total segment liabilities</b>	<b>22,585,818</b>	<b>6,050,566</b>	<b>62,270</b>	<b>28,698,654</b>

Acquisition of intangible assets and property, plant and equipment	2,631,214	0	0	2,631,214
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The Group has significant business interest in Russia. Low oil and gas prices, geopolitical tensions and ongoing international sanctions deepened Russia's economic crisis for the year 2015. The significant drop down of ruble against the euro, the double digit inflation rate led to a fall in real Russian's wages and to higher import prices, thus hurting household spending. As a result, reduced consumer demand also hurt the consumer-oriented sectors of the economy. The continuing instability in the Russian business environment may have an adverse effect on the performance and financial position of the Group. Currently, the extent of such effect cannot be estimated. These consolidated financial statements reflect the management's current assessment of the impact of the Russia's business environment on the performance and financial position of the Group. Future business environment may differ from the management's assessments. No adjustments have been made in these consolidated financial statements in view of the effect of the events in Russia and other countries after the date of these consolidated financial statements.

## 6. Geographical information (continued)

2014 (in EUR), restated	Lithuania	Russia	Norway	Total
Revenue	72,988,078	25,934,516	6,531,635	105,454,229
Cost of sales	(67,416,284)	(22,815,784)	(4,764,933)	(94,997,001)
Other income	614,117	171,414	0	785,531
Operating expenses	(5,066,651)	(1,263,511)	(876,750)	(7,206,912)
Other expenses	(251,365)	(14,028)	0	(265,393)
Impairment of assets	2,469,437	(986,314)	0	1,483,123
Amortization and depreciation	(962,509)	(43,985)	(82,785)	(1,089,279)
<b>Operating result</b>	<b>2,374,823</b>	<b>982,308</b>	<b>807,167</b>	<b>4,164,298</b>
Finance and investment income	52,796	12,506	0	65,302
Finance and investment costs	(198,919)	(7,714,633)	0	(7,913,552)
Income tax income (expenses)	(620,487)	360,306	0	(260,181)
<b>Net profit (loss)</b>	<b>1,608,213</b>	<b>(6,359,513)</b>	<b>807,167</b>	<b>(3,944,133)</b>

### *Segment assets*

2014 (in EUR), restated	Lithuania	Russia	Norway	Total
Non-current assets	13,714,581	490,954	0	14,205,535
Inventories	9,569,736	6,500,043	0	16,069,779
Other current assets	38,642,300	8,719,658	152,762	47,514,720
<b>Total segment assets</b>	<b>61,926,617</b>	<b>15,710,655</b>	<b>152,762</b>	<b>77,790,034</b>

### *Segment liabilities*

	Lithuania	Russia		Total
Financial liabilities	8,368,813	264,074	0	8,632,887
Trade accounts payable	13,812,630	2,062,344	0	15,874,974
Other payables	11,079,217	7,055,921	17,357	18,152,495
Subsidies and grants	23,027	0	0	23,027
<b>Total segment liabilities</b>	<b>33,283,687</b>	<b>9,382,339</b>	<b>17,357</b>	<b>42,683,383</b>

Acquisition of intangible assets and property, plant and equipment	1,319,742	37,399	0	1,357,141
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## 7. Cost of sales

(in EUR)	2015	2014
Construction sub-contractors	56,668,044	40,608,488
Raw materials and consumables	30,367,462	33,785,072
Personnel	12,430,859	12,092,323
Depreciation and amortization	698,700	585,144
Other	9,112,566	8,511,118
<b>Total cost of sales</b>	<b>109,277,631</b>	<b>95,582,145</b>

<b>8. Sales expenses</b>		
(in EUR)	2015	2014
Transport services	398,572	343,410
Advertising and similar expenses	164,526	164,093
Personnel	26,462	39,317
Other	5,001	6,233
<b>Total sales expenses</b>	<b>594,561</b>	<b>553,053</b>
<b>9. Administrative expenses</b>		
(in EUR)	2015	2014
Personnel	4,394,298	4,207,225
Purchased services for administration purposes	1,155,967	877,065
Operating taxes, except income tax	376,203	404,814
Depreciation	347,073	371,205
Write-off of amounts receivable	156,181	27,186
Amortization	23,776	29,310
Write-down (reversal) of inventories to net realizable value	(27,749)	840
Impairment (reversal) of amounts receivable	(140,154)	(1,678,354)
Other expenses	1,903,816	1,336,605
<b>Total administrative expenses</b>	<b>8,189,411</b>	<b>5,575,896</b>
<b>10. Personnel expenses</b>		
(in EUR)	2015	2014
Wages and salaries	11,809,813	10,843,723
Compulsory social security contributions	3,631,553	3,356,461
Daily and illness allowances	1,020,091	1,474,920
Change in accrued vacation reserve and bonuses	496,372	715,305
<b>Total personnel expenses</b>	<b>16,957,829</b>	<b>16,390,409</b>
Included into:		
Cost of sales	12,430,859	12,092,323
Administrative expenses	4,394,298	4,207,225
Sales expenses	26,462	39,317
Expenses from other activities	106,210	51,543
<b>Total personnel expenses</b>	<b>16,957,829</b>	<b>16,390,408</b>
<b>11. Other income and expenses</b>		
(in EUR)	2015	2014
Rent and other income	288,897	535,819
Change in fair value of investment property	271,015	216,904
Gain from disposal of property, plant and equipment	7,220	32,808
<b>Total other income</b>	<b>567,132</b>	<b>785,531</b>
Depreciation of rented premises and other expenses	(384,775)	(364,368)
Loss from disposed property, plant and equipment	(14,056)	0
<b>Total other expenses</b>	<b>(398,831)</b>	<b>(364,368)</b>
<b>Total other income and expenses, net</b>	<b>168,301</b>	<b>421,163</b>



## 12. Finance income and costs

(in EUR)	2015	2014
Interest income	7,833	58,200
Gain from disposal of subsidiary	903,360	0
Result from the loss of control of subsidiaries	1,355,784	0
Other income	19,569	7,102
<b>Total finance income</b>	<b>2,286,546</b>	<b>65,302</b>
Interest expense	325,724	476,295
Foreign currency exchange loss	2,386,883	7,368,014
Other expenses	141,299	69,243
<b>Total finance costs</b>	<b>2,853,906</b>	<b>7,913,552</b>
<b>Total finance income and costs, net</b>	<b>(567,360)</b>	<b>(7,848,250)</b>

## 13. Income tax

Income tax expense:

(in EUR)	2015	2014 Restated
Current tax expense	794,130	43,525
Change in deferred tax	(34,092)	216,656
<b>Total income tax expense</b>	<b>760,038</b>	<b>260,181</b>

Reconciliation of effective tax rate:

(in EUR)	2015		2014, restated	
Profit for the year		1,996,011		(3,944,133)
Total income tax expense		760,038		260,181
Profit before tax		2,756,049		(3,683,952)
Income tax using the Group's domestic tax rate	15.0%	413,407	15.0%	(552,593)
Effect of tax rates in foreign jurisdictions	1.3%	(35,035)	2.4%	89,397
Non-deductible expenses	37.0%	1,019,659	29.1%	1,071,424
Tax exempt income	(12.8)%	(351,932)	0.5%	19,461
Utilized tax losses	11.2%	(308,178)	(0.4)%	(14,267)
Change in not recognized temporary differences	0.8%	22,117	(9.6)%	(353,241)
	<b>27.5%</b>	<b>760,038</b>	<b>37.0%</b>	<b>260,181</b>

As at 1 January 2015, the Group applied a standard rate of 15% in Lithuania, a 20% rate in Russian Federation and a rate of 15% in Latvia (as at 1 January 2014: the Group applied a standard rate of 15% in Lithuania, a 20% rate in Russian Federation and a rate of 15% in Latvia).

### 13. Income tax (continued)

Deferred tax:

(in EUR)	2015		2014, restated	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment for amounts receivable	1,439,313	258,528	1,579,467	236,920
Write-down to net realizable value of inventories	607,379	91,107	2,897,614	434,642
Vacation reserve	1,578,118	238,522	1,455,149	226,094
Accrued bonuses	536,878	80,532	515,468	77,620
Warranty provision and other	812,209	121,831	742,578	111,387
Tax losses previously not recognised	6,472,912	1,226,376	8,010,000	1,533,499
<b>Total deferred tax assets</b>		<b>2,016,896</b>		<b>2,620,162</b>
<b>Not recognized deferred tax assets</b>		<b>(1,694,833)</b>		<b>(1,858,187)</b>
<b>Recognized deferred tax assets</b>		<b>322,063</b>		<b>761,975</b>
Revaluation of land and buildings	1,835,610	275,341	2,212,998	331,950
Revaluation of investment property	177,393	26,609	2,960,025	444,004
<b>Deferred tax liabilities</b>		<b>301,950</b>		<b>775,954</b>
<b>Total deferred tax, net</b>		<b>20,113</b>		<b>(13,979)</b>

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. Deferred tax asset of impairment of a part of amounts receivable and tax differences in foreign jurisdictions has not been recognized due to uncertainty of realisation.

The tax loss carried forward as at 31 December 2015 amounted to EUR 6,473 thousand (as at 31 December 2014 EUR 8,010 thousand respectively).

Change of deferred tax:

(in EUR)	2015	2014 Restated
Net deferred tax as at 1 January	(13,979)	202,678
Recognized in other comprehensive income	0	0
Recognized in profit or loss	34,092	(216,657)
<b>Net deferred tax as at 31 December</b>	<b>20,113</b>	<b>(13,979)</b>

#### 14. Property, plant and equipment

(in EUR)	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
<b>Cost (revalued carrying value of land and buildings)</b>						
Balance at 1 January 2014	4,957,604	6,238,634	3,540,441	3,442,847	0	18,179,526
Additions	17,813	446,846	690,518	171,475	0	1,326,652
Disposals	(4,821)	(335,386)	(436,850)	(264,545)	0	(1,041,602)
Revaluation	43,754	0	0	0	0	43,754
Eliminated accumulated depreciation	(335,044)	0	0	0	0	(335,044)
Balance at 1 January 2015	4,679,306	6,350,094	3,794,109	3,349,777	0	18,173,286
Additions	18,138	707,716	642,614	197,925	0	1,566,393
Disposals and other	(1,199,580)	(230,041)	(404,142)	(204,457)	0	(2,038,220)
Revaluation	0	0	0	0	0	0
Eliminated accumulated depreciation	(299,846)	0	0	0	0	(299,846)
Balance at 31 December 2015	<u>3,198,018</u>	<u>6,827,769</u>	<u>4,032,581</u>	<u>3,343,245</u>	<u>0</u>	<u>17,401,613</u>
<b>Depreciation and impairment losses</b>						
Balance at 1 January 2014	0	5,285,386	2,981,430	3,024,442	0	11,291,258
Depreciation for the year	339,902	257,047	241,057	197,522	0	1,035,528
Revaluation	0	0	0	0	0	0
Disposals	(4,858)	(238,226)	(421,876)	(224,145)	0	(889,105)
Elimination of accumulated depreciation	(335,044)	0	0	0	0	(335,044)
Balance at 1 January 2015	0	5,304,207	2,800,611	2,997,819	0	11,102,637
Depreciation for the year	299,860	365,092	273,415	190,067	0	1,128,434
Revaluation	0	0	0	0	0	0
Disposals and other	(14)	(219,093)	(324,016)	(177,344)	0	(720,467)
Elimination of accumulated depreciation	(299,846)	0	0	0	0	(299,846)
Balance at 31 December 2015	<u>0</u>	<u>5,450,206</u>	<u>2,750,010</u>	<u>3,010,542</u>	<u>0</u>	<u>11,210,758</u>
<b>Carrying amounts</b>						
<b>At 1 January 2015</b>	<b><u>4,679,306</u></b>	<b><u>1,045,887</u></b>	<b><u>993,498</u></b>	<b><u>351,958</u></b>	<b><u>0</u></b>	<b><u>7,070,649</u></b>
<b>At 31 December 2015</b>	<b><u>3,198,018</u></b>	<b><u>1,377,563</u></b>	<b><u>1,282,571</u></b>	<b><u>332,703</u></b>	<b><u>0</u></b>	<b><u>6,190,855</u></b>

#### 14. 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 valuations and consulting on possible market prices of the Group's land and buildings provided by independent valuation companies 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 EUR 4,468 thousand is attributable to Level 3 under the hierarchy of fair value. 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 were stated at cost model, their carrying amount as at 31 December 2015 would be equal to EUR 1,335 thousand (31 December 2014: EUR 1,521 thousand).

(in EUR)	2015	2014
Depreciation included into:		
Cost of sales	673,150	560,691
Administrative expenses	347,073	371,205
Other expenses	103,211	104,702
Capitalized costs	5,000	(1,070)
<b>Total depreciation</b>	<b>1,128,434</b>	<b>1,035,528</b>

Land and buildings with a net carrying amount of EUR 2,072,359 as at 31 December 2015 are pledged to the banks. At 31 December 2015, the net carrying amount of leased non-current assets (machinery, equipment and vehicles) was EUR 172,857 (2014: EUR 201,645).

#### 15. Intangible assets

(in EUR)	Goodwill	Software	Other	Total
<b>Cost</b>				
Balance at 1 January 2014	323,356	362,972	57,145	743,473
Additions	0	30,489	0	30,489
Disposals	0	(298)	0	(298)
Balance at 1 January 2015	323,356	393,163	57,145	773,664
Additions	0	64,785	1,051	65,836
Disposals	0	(622)	0	(622)
Balance at 31 December 2015	323,356	457,326	58,196	838,878
<b>Amortization/impairment losses</b>				
Balance at 1 January 2014	292,751	295,192	13,676	601,619
Calculated during the year	0	40,808	12,943	53,751
Amortization of disposals	0	(295)	0	(295)
Balance at 1 January 2015	292,751	335,705	26,619	655,075
Calculated during the year	0	36,782	12,545	49,327
Amortization of disposals	0	(622)	0	(622)
Adjustments related to euro adoption	1	(82)	0	(81)
Balance at 31 December 2015	292,752	371,783	39,164	703,699
<b>Carrying amounts</b>				
<b>At 1 January 2015</b>	<b>30,605</b>	<b>57,458</b>	<b>30,526</b>	<b>118,589</b>
<b>At 31 December 2015</b>	<b>30,604</b>	<b>85,543</b>	<b>19,032</b>	<b>135,179</b>

## 15. Intangible assets (continued)

Amortization is accounted for in the following way: EUR 25,550 is included under cost of sales, an amount of EUR 23,776 is included under administrative expenses (2014: EUR 24,453 under cost of sales, an amount of EUR 29,310 under administrative expenses and EUR (12) under other expenses).

The goodwill is related to the subsidiary UAB Alinita. The management has estimated that value in use is higher than the carrying amount; therefore; no impairment was recognized for the goodwill.

## 16. Investment property

(in EUR)		2015	2014
Balance as at 1 January		6,101,702	5,884,798
Disposal	(*)	(6,101,702)	0
Additions	(**)	998,985	0
Change in fair value	(***)	271,015	216,904
<b>Balance as at 31 December</b>		<b>1,270,000</b>	<b>6,101,702</b>

(\*) During the year 2015, the 7-floor office centre *Ulonų Verslo Centras (Ulonų Business Centre)* in Vilnius was disposed after the sale of UAB Verkių Projektas shares in 2015.

(\*\*) During the year 2015, the Group acquired a 14-floor hotel *Panevėžys* in Panevėžys, 20% of which is rented out to third parties, and the rest of the hotel is not used. The Company has no detailed plans regarding the use of the remaining part of the building yet; however, the building is not planned to be used in the Company's activities; therefore, the whole building is classified as an investment property.

(\*\*\*) The fair value measurement of acquired property has been determined by valuation of the building carried out by the independent property appraisers UAB Ober-Haus, having appropriate professional qualification and relevant valuation experience. While carrying out the valuation the discounted cash flows method was used (discount rate – 9%, exit yield – 7%). The change in fair value was stated under other income (refer to Note 11). The identified fair value of the investment property of EUR 1,270 thousand was attributed to Level 3 under the fair value hierarchy.

At the end of the financial year, future minimum lease payments under non-cancellable lease agreements were the following: EUR 85 thousand payable in less than one year, EUR 121 thousand payable between one and five years (31 December 2014: EUR 228 thousand payable in less than one year, EUR 551 thousand payable between one and five years). Revenue from lease in 2015 amounted to EUR 29 thousand (2014: EUR 843 thousand) and was stated under other income.

## 17. Non-current and current loans granted

(in EUR)	Interest rate	Maturity	2015	2014
UAB Naujasis Užupis	6-month EURIBOR+2.2%	31/12/2016	120,408	117,121
Other current loans	2.0% fixed	31/12/2016	1,750	764
<b>Total</b>			<b>122,158</b>	<b>117,885</b>

## 18. Inventories

(in EUR)	2015	2014
Capitalized costs related to real estate development	7,034,271	12,859,906
Other inventories	2,090,037	3,209,873
<b>Total inventories</b>	<b>9,124,308</b>	<b>16,069,779</b>

Capitalized costs related to real estate development are as follows:

(in EUR)	2015	2014
Cost:		
Costs of acquired land and real estate	2,157,141	10,255,984
Cost of acquired long term land rent right	3,237,518	3,237,518
Real estate development project costs	2,148,665	2,246,383
Total cost	7,543,324	15,739,885
Write-down:		
Write-down to net realizable value of projects in progress	(509,053)	(2,879,979)
Total write-down	(509,053)	(2,879,979)
<b>Total capitalized costs</b>	<b>7,034,271</b>	<b>12,859,906</b>

Change in write-down of capitalized costs:

	2015	2014
<b>Write-down (disposal) to net realizable value of capitalized costs at the beginning of the period</b>	<b>2,879,979</b>	<b>2,908,941</b>
Recognized under administrative expenses	(20,204)	(28,962)
Recognized under finance costs	(2,350,722)	0
<b>Write-down (disposal) to net realizable value of capitalized costs as at the end of the period</b>	<b>509,053</b>	<b>2,879,979</b>

Write-down of capitalized expenses in relation with real estate development projects is measured taking into consideration the expected recoverable amounts of these projects, which are based on the assessment of market prices of real estate projects of entities performed by independent valuers. For each construction project under development a special purpose entity has been established and as at 31 December 2015 the Group has the following special purpose entities:

	Total capitalized costs	Capitalized costs measured at fair values	
ZAO ISK Baltevro market	5,334,271	9,264,841	(i)
UAB Ateities Projektai	400,000	400,000	(ii)
UAB Šeškinės Projektai	1,300,000	1,300,000	(ii)
<b>Total</b>	<b>7,034,271</b>	<b>10,964,841</b>	

## 18. Inventories (continued)

(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 Baltevro market in Kaliningrad. As early as of the beginning of 2013, the Board of UAB PST Investicijos considered the possibilities of selling this project. In 2014, a letter of intent was signed by UAB PST Investicijos and ZAO J&T bank regarding the sale of 100% of ZAO Baltevro market shares. At the same time, financial due diligence was taking place followed by further negotiations not only on the sale of ZAO Baltevro market, but also on future design and construction works. The due diligence was performed by Cushman & Wakefield company (Moscow, Russia). However, due to changes in the market situation in Russia, the negotiations were terminated in spring 2015. To support the recoverable amount, the Company has a market price estimate prepared by an independent property appraiser. According to the evaluation of the real estate expert CB Richard Ellis LLC (Moscow, Russia), the market value of the project developed by ZAO ISK Baltevro market as at 31 December 2015 amounted to EUR 9,264,841 (RUB 738,380,000). The valuation of one of the land plots developed by ZAO ISK Baltevro market was performed using the market comparison technique, based on which the value of the land plot was EUR 1,893,064; another land plot was evaluated using the discounted cash flows method, based on which the value of the land plot was EUR 7,371,777. Key inputs used by the valuator using the discounted cash flows method could be detailed as follows

- discount rate – 20%;
- exit yield – 12%;
- shopping centre area: annual rent prices – from 5.23 to 28.23 EUR/sq.m., occupancy rate – from 70% in the first year to 95% in the last year of the model for different premises.

(ii) Recoverable amounts of the other projects have been estimated based on the market price evaluation of the real estate valuers Ober-Haus Nekilnojamas Turtas. In the valuation, the discounted cash flow method was used. In the valuation, the discount rate of 15% was used.

Other inventories can be specified as follows:

(in EUR)	2015	2014
Raw materials and consumables	1,181,796	2,787,302
Work in progress and finished goods	739,795	294,230
Goods for resale	266,772	234,212
<b>Write-down to net realizable value at the beginning of the year</b>	<b>(105,871)</b>	<b>(106,409)</b>
Write-off	30,969	18,173
Additional write-down to net realizable value during the period	(23,424)	(17,635)
<b>Write-down to net realizable value</b>	<b>(98,326)</b>	<b>(105,871)</b>
<b>Total other inventories</b>	<b>2,090,037</b>	<b>3,209,873</b>

Change in write-down of other inventory to the net realizable value was stated under Administrative Expenses.

## 19. Trade receivables

(in EUR)	2015	2014
Trade receivables	17,747,882	19,882,488
Accrued receivables in accordance to the stage of completion	1,671,607	3,869,957
Receivables from related parties	271,852	759,515
Impairment at the beginning of the year	(1,579,467)	(3,782,801)
Repayment, write-off of doubtful trade receivables	449,343	3,092,287
Additional impairment during the period	(309,189)	(888,953)
Impairment at the end of the year	(1,439,313)	(1,579,467)
<b>Total trade receivables</b>	<b>18,252,028</b>	<b>22,932,493</b>

As at 31 December 2015 aggregate costs incurred under construction contracts in progress and recognized profits, net of recognized losses, amounted to EUR 110,964,476 (2014: EUR 34,864,497). Progress billings under open construction contracts amounted to EUR 112,680,515 as at 31 December 2015 (2014: EUR 36,233,914). Billings in excess of costs incurred and recognized profits are presented as deferred income (disclosed in Note 26) and amounted to EUR 1,716,039 as at 31 December 2015 (2014: EUR 1,369,417).

As at 31 December 2015, trade receivables include retentions (retention – a fixed percentage of the total contract price that is paid after the object has been delivered and a bank guarantee of money suspended or warranty document of the insurance company has been presented) of EUR 773,591 (2014: EUR 1,783,584) relating to construction contracts in progress.

Prepayments received from customers amounted to EUR 1,523,290 as at 31 December 2015 (31 December 2014: EUR 9,844,344).

## 20. Other current assets

(in EUR)	2015	2014
<i>Financial assets</i>		
Deposited funds for guarantee	278,400	0
Accrued receivable from the customer	169,014	0
<i>Non-financial assets</i>		
VAT overpayment	355,160	1,113,824
Other current assets	30,127	5,846
<b>Total other current assets</b>	<b>832,701</b>	<b>1,119,670</b>

## 21. Cash and cash equivalents

(in EUR)	2015	2014
Cash at bank	28,800,038	20,940,852
Cash on hand	17,221	7,996
<b>Total cash and cash equivalents</b>	<b>28,817,259</b>	<b>20,948,848</b>



## 22. Capital and reserves

The Group's share capital consists of 16,350,000 ordinary shares with a nominal value of EUR 0.29 each. The Group's share capital is fully paid. The holders of the ordinary shares are entitled to one vote per share in shareholder meetings of the Company 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 authorized share capital in 2015.

Reserves are as follows:

(in EUR)	2015	2014
Revaluation reserve	1,552,617	1,897,270
Legal reserve	598,468	598,468
Currency translation reserve	3,446,256	2,432,787
<b>Total reserves</b>	<b>5,597,341</b>	<b>4,928,525</b>

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

Movement of revaluation reserve:

	2015	2014
<b>Revaluation reserve at 1 January</b>	<b>1,897,270</b>	<b>2,141,658</b>
Revaluation result	0	(53,562)
Depreciation of revaluation	(405,474)	(224,501)
Deferred tax on revaluation	0	0
Deferred tax on depreciation of revaluation	60,821	33,675
<b>Revaluation reserve at 31 December</b>	<b>1,552,617</b>	<b>1,897,270</b>

Legal reserve is a compulsory reserve allocated in accordance with Lithuanian 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 could be used to cover losses.

## 23. Earnings per share

(in EUR)	2015	2014 Restated
Net result for the year attributable to equity holders of the Group	1,996,011	(3,944,133)
Average number of shares	16,350,000	16,350,000
<b>Basic and diluted earnings (loss) per share</b>	<b>0.12</b>	<b>(0.24)</b>

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

## 24. Loans and borrowings

(in EUR)	2015	2014
Loans	2,114,221	8,532,667
Leasing (finance lease) liabilities	59,878	100,220
<b>Total loans and borrowings</b>	<b>2,174,099</b>	<b>8,632,887</b>
Non-current	20,907	2,430,940
Current	2,153,192	6,201,947
<b>Total loans and borrowings</b>	<b>2,174,099</b>	<b>8,632,887</b>

Loans can be specified as follows:

(in EUR)	Interest rate	Maturity	2015	2014
Bank	1-month Euribor+0.6	11/2013	0	3,917,612
Bank	3-month Euribor+1.9	11/2021	0	2,371,063
Bank	3-month Euribor+1.9	12/2015	0	252,720
AB Panevėžio Keliai (loan)	1 and 6-month Euribor+1.9	09/2016	1,820,145	1,727,198
Individuals	12% fixed	04/2016	294,076	264,074
<b>Total loans</b>			<b>2,114,221</b>	<b>8,532,667</b>

Other financial liabilities include liabilities related to non-current assets acquired under leasing terms with the balance value of EUR 172,857 as at 31 December 2015 and liabilities to the bank for issued guarantees.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specific asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

Finance lease liabilities are payable as follows:

Year 2015 (in EUR)	Minimum payments	Interest	Principal amount
Less than one year	40,458	1,487	38,971
Between one and five years	20,952	45	2,0907
	<b>61,410</b>	<b>1,532</b>	<b>59,878</b>
Year 2014 (in EUR)	Minimum payments	Interest	Principal amount
Less than one year	40,869	526	40,343
Between one and five years	60,802	925	59,877
	<b>101,671</b>	<b>1,451</b>	<b>100,220</b>

## 25. Provisions

(in EUR)	2015	2014
Provision for warranties	548,057	500,427
Other	264,152	242,151
<b>Total provisions</b>	<b>812,209</b>	<b>742,578</b>

## 25. Provisions (continued)

Change of provision for warranties is as follows:

	2015	2014
<b>Provision for warranties at the beginning of the period</b>	<b>500,427</b>	<b>392,556</b>
Accrued during the period	233,152	222,978
Used during the period	(185,522)	(115,107)
<b>Provision for warranties at the end of the period</b>	<b>548,057</b>	<b>500,427</b>

Warranty provisions are related to constructions built in 2011–2015. Based on the legislation of the Republic of Lithuania, the Group 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. Changes in warranty provisions are recognised in cost of sales.

## 26. Other liabilities (non-financial items)

(in EUR)	2015	2014
Deferred income in accordance to the stage of completion	1,716,039	1,369,417
Accrued vacation reserve	1,578,118	1,455,149
Payable salaries and related taxes	1,199,336	1,196,239
Payable VAT	1,044,740	1,144,970
Salary bonuses for employees	536,878	517,468
Subsidies and grants	13,467	23,027
Other liabilities	841,056	526,136
<b>Total other liabilities</b>	<b>6,929,634</b>	<b>6,232,406</b>
<i>Including:</i>		
Non-current portion	73,467	91,551
Current portion	6,856,167	6,140,855

## 27. Contingencies

The banks issued guarantees to third parties amounting to EUR 8,753,173 in connection with obligations under the construction contracts performed by the Group. The maturity of these guarantees varies from 28 January 2016 until 25 January 2021.

Property, plant and equipment, with a carrying amount of EUR 1,008,563 as at 31 December 2015 have been pledged to bank for the guarantee limit issued and guarantees issued by bank. The guarantee limit amounts to EUR 5,000,000, the used amount as at 31 December 2015 is EUR 4,734,452. The guarantee limit agreement is effective until 2 June 2017. On 16 March 2016, an additional agreement was signed on the increase of the guarantee limit to EUR 10,000,000.

Property, plant and equipment, with a carrying amount of EUR 1,063,796 as at 31 December 2015 have been pledged to bank for the guarantee limit issued. The guarantee limit amounts to EUR 2,896,200, the used amount as at 31 December 2015 is EUR 1,164,343. The guarantee limit agreement is effective until 31 July 2017 with the possibility to issue guarantees until 31 December 2015.

On 19 May 2015, a surety agreement was signed for a one-year period with the material supplier for the liabilities of a subsidiary in the amount of PLN 300,000.

## 27. Contingencies (continued)

On 26 February 2016, a surety agreement was signed for a four-month period with material supplier AB Aksa for the liabilities of the Sweden subsidiary amounting to EUR 390,067.

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

## 28. Transactions with related parties

Related parties are defined as shareholders, employees, members of the Management Board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Group, 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 Group had sales and purchase transactions during 2015/2014 with the Parent Company AB Panevėžio Keliai and with subsidiaries of AB Panevėžio Keliai. Transactions with related parties during 2015/2014 are as follows:

(in EUR)	Type of transaction	2015	2014
<b>Sales:</b>			
AB Panevėžio Keliai	Goods and services	518,458	2,299,925
UAB Ukmergės Keliai	Goods and services	158,612	0
UAB Aukštaitijos Traktas	Goods and services	1,000	6,082
UAB Alproka	Goods and services	100	0
UAB Naujasis Užupis	Goods and services	20,937	0
UAB Convestus	Goods and services	1,995	0
UAB Sostinės Gatvės	Goods and services	6,621	671
Shareholders	Goods and services	215	0
<b>Purchases:</b>			
AB Panevėžio Keliai	Goods and services	722,111	588,262
UAB Aukštaitijos Traktas	Goods and services	6,924	99,651
UAB Ukmergės Keliai	Goods and services	848	394
UAB Keltecha	Goods and services	36,088	16,570
UAB Gelbera	Goods and services	25,883	34,248
UAB Convestus	Services	1,400	0
UAB Sostinės Gatvės	Goods and services	286,285	76,346
(in EUR)		2015	2014
<b>Receivables:</b>			
AB Panevėžio Keliai (trade receivable)		14,973	113,992
UAB Panevėžys (trade receivable)		0	642,464
UAB Aukštaitijos Traktas (trade receivable)		0	3,049
UAB Alproka (trade receivable)		10	10
UAB Naujasis Užupis (trade receivable)		120,954	121,680
UAB Konstruktus (trade receivable)		0	2,337
<b>Payables:</b>			
UAB Sostinės Gatvės		157,802	44,973
AB Panevėžio Keliai		2,023,817	171,056
UAB Gelbera		1,903	2,752
UAB Naujasis Užupis		0	2,098
UAB Keltecha		6,951	12,614

Wages, salaries and social insurance contributions, payable to management including the Board for 2015, amounted to EUR 1,555,726 (EUR 992,907 for the year 2014).

## 29. Fair value of financial instruments

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

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

### As at 31 December 2015

	Carrying amount Total	Fair value		
		Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables	18,252,028			18,252,028
Loans granted	122,158			122,158
Cash and cash equivalents	28,817,259	28,817,259		
<b>Total financial assets</b>	<b>47,191,445</b>	<b>28,817,259</b>	<b>0</b>	<b>18,374,186</b>
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	(2,114,221)			(2,114,221)
Finance lease obligations	(59,878)			(59,878)
Trade payables	(16,751,936)			(16,751,936)
<b>Total financial liabilities</b>	<b>(18,926,035)</b>	<b>0</b>	<b>0</b>	<b>(18,926,035)</b>

### As at 31 December 2014

	Carrying amount Total	Fair value		
		Level 1	Level 2	Level 3
<b>Financial assets</b>				
Trade receivables	22,932,493			22,932,493
Loans granted	117,885			117,885
Cash and cash equivalents	20,948,848	20,948,848		
<b>Total financial assets</b>	<b>43,999,226</b>	<b>20,948,848</b>	<b>0</b>	<b>23,050,378</b>
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	(8,532,667)			(8,532,667)
Finance lease obligations	(100,220)			(100,220)
Trade payables	(15,874,970)			(15,874,970)
<b>Total financial liabilities</b>	<b>(24,507,857)</b>	<b>0</b>	<b>0</b>	<b>(24,507,857)</b>

There were no transfers between levels of the fair value hierarchy in 2015 and 2014 at the Group.

### Cash

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

### **Receivables and term deposits**

The fair value of trade and other receivables and term deposits 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.

### **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 Group has no financial assets and liabilities stated at fair value.

### **Financial instruments not measured at fair value**

The main financial instruments of the Group which are not measured at fair value include trade and other receivables, term deposits, trade and other payables, current and non-current borrowing funds. As to the Group'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.

## **30. Investments in subsidiaries, non-controlling interests**

As at 31 December 2015, AB Panevėžio Statybos Trestas held 96%, 68% and 87.5% ordinary registered shares of subsidiaries UAB Vekada, UAB PST Investicijos and subsidiary OOO Teritorija respectively, and is considered a controlling shareholder of the subsidiaries.

### 30. Investments in subsidiaries, non-controlling interests (continued)

The main financial indicators of the subsidiary that has non-controlling interests (in EUR thousand):

	<b>UAB PST Investicijos</b>	
	<b>2015</b>	<b>2014</b>
Non-controlling interest, percentage	32%	32%
Non-current assets	126	6,725
Current assets	12,899	10,254
<b>Total assets</b>	<b>13,025</b>	<b>16,979</b>
Non-current liabilities	35	9
Current liabilities	9,050	8,545
<b>Total liabilities</b>	<b>9,085</b>	<b>8,554</b>
<b>Net assets</b>	<b>3,940</b>	<b>8,425</b>
<b>Net assets attributable to non-controlling interest</b>	<b>1,261</b>	<b>2,696</b>
Income	987	972
Expenses	(1,744)	(1,579)
<b>Net profit (loss)</b>	<b>(757)</b>	<b>(607)</b>
Other comprehensive income	0	0
<b>Net profit (loss) attributable to non-controlling interest</b>	<b>(242)</b>	<b>(194)</b>
Other comprehensive income attributable to non-controlling interest	0	0
<b>Cash flows from operating activities</b>	<b>530</b>	<b>89</b>
Cash flows from investing activities	2	(1,204)
Cash flows from financing activities	(86)	1,213
Net increase (decrease) in cash and cash equivalents	446	98

	<b>UAB Vekada</b>	
	<b>2015</b>	<b>2014</b>
Non-controlling interest, percentage	4%	4%
Non-current assets	455	470
Current assets	1,267	1,810
<b>Total assets</b>	<b>1,722</b>	<b>2,280</b>
Non-current liabilities	42	43
Current liabilities	391	548
<b>Total liabilities</b>	<b>433</b>	<b>591</b>
<b>Net assets</b>	<b>1,289</b>	<b>1,689</b>
<b>Net assets attributable to non-controlling interest</b>	<b>52</b>	<b>68</b>
Income	3,080	3,351
Expenses	3,465	(3,248)
<b>Net profit (loss)</b>	<b>(385)</b>	<b>103</b>
Other comprehensive income	0	0
<b>Net profit (loss) attributable to non-controlling interest</b>	<b>(15)</b>	<b>4</b>
Other comprehensive income attributable to non-controlling interest	0	0
<b>Cash flows from operating activities</b>	<b>311</b>	<b>10</b>
Cash flows from investing activities	(58)	(72)
Cash flows from financing activities	(18)	(23)
Net increase (decrease) in cash and cash equivalents	235	(85)

### 30. Investments in subsidiaries, non-controlling interests (continued)

	OOO Teritorija	
	2015	2014
Non-controlling interest, percentage	12.5%	12.5%
Non-current assets	3	32
Current assets	1,051	3,301
<b>Total assets</b>	<b>1,054</b>	<b>3,333</b>
Non-current liabilities	0	1,915
Current liabilities	1,532	2,271
<b>Total liabilities</b>	<b>1,532</b>	<b>4,186</b>
<b>Net assets</b>	<b>(478)</b>	<b>(853)</b>
<b>Net assets attributable to non-controlling interest</b>	<b>(60)</b>	<b>(107)</b>
Income	3,859	8
Expenses	(3,570)	(1,149)
<b>Net profit (loss)</b>	<b>289</b>	<b>(1,141)</b>
Other comprehensive income	0	0
<b>Net profit (loss) attributable to non-controlling interest</b>	<b>36</b>	<b>(143)</b>
Other comprehensive income attributable to non-controlling interest	0	0
<b>Cash flows from operating activities</b>	<b>585</b>	<b>(281)</b>
Cash flows from investing activities	0	(4)
Cash flows from financing activities	614	298
Net increase (decrease) in cash and cash equivalents	(29)	13

### 31. Correction of errors

When preparing the financial statements, a mistake was found in the measurement of deferred tax assets, resulting from operations in Russia. The financial statements were adjusted by reducing the deferred tax assets resulting from operations in Russia. The management reassessed the situation and decided to recognize impairment to reflect the uncertainties and risk arising from the Russian market, where the Group has projects. The decision was taken to correct the error retrospectively. It was corrected by restating all items of the consolidated financial statements for the previous financial year related to the error. The table below presents the effect of error correction on the Group's consolidated financial statements.



### 31. Correction of errors (continued)

i) Consolidated statement of financial position

31 December 2014	Before restatement	Restatement	After restatement
Deferred tax assets	1,870,545	(1,108,570)	761,975
Others	77,028,059	-	77,028,059
<b>Total assets</b>	<b>78,898,604</b>	<b>(1,108,570)</b>	<b>77,790,034</b>
<b>Total liabilities</b>	<b>42,683,383</b>	<b>-</b>	<b>42,683,383</b>
Total equity attributable to equity holders of the Company	35,232,925	(757,641)	34,475,284
Non-controlling interest	982,296	(350,929)	631,367
<b>Total equity</b>	<b>36,215,221</b>	<b>(1,108,570)</b>	<b>35,106,651</b>

ii) Consolidated statement of comprehensive income

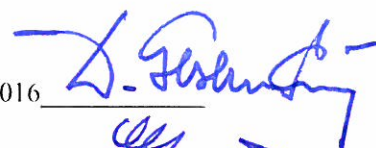
For the year ended 31 December 2014	Before restatement	Restatement	After restatement
Income tax expense	848,389	(1,108,570)	(260,181)
Others	(3,683,952)	-	(3,683,952)
Net profit (loss) attributable to owners of the Company	(1,674,527)	(757,641)	(2,432,168)
Net profit (loss) attributable to non-controlling interest	(1,161,036)	(350,929)	(1,511,965)
<b>Net profit (loss)</b>	<b>(2,835,563)</b>	<b>(1,108,570)</b>	<b>(3,944,133)</b>
<b>Total comprehensive income</b>	<b>141,893</b>	<b>(1,108,570)</b>	<b>(966,677)</b>

### 32. Subsequent events

After the end of the financial year until the date of approval of these consolidated financial statements there were no subsequent events which would have an effect on the consolidated financial statements or require a disclosure.

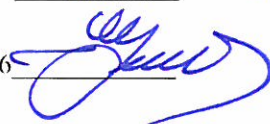
Managing Director                      Dalius Gesevičius

04/04/2016



Chief Accountant                      Danguolė Širvinskienė

04/04/2016



**PANEVEZIO STATYBOS TRESTAS AB**  
**CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2015**

**1. ACCOUNTING PERIOD COVERED BY THE ANNUAL REPORT**

The report covers the year 2015.

**2. THE ISSUER AND ITS CONTACT DETAILS**

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

**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 activities of the Company. We create the environment of higher quality to business, society and people.

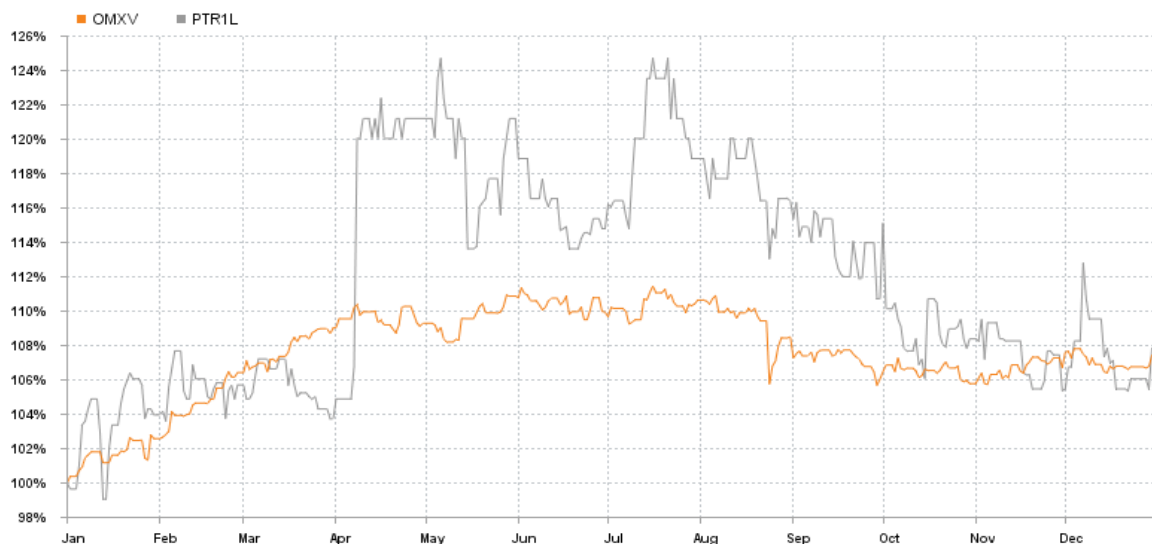
#### 4. CONTRACTS WITH INTERMEDIARY OF PUBLIC TRADING IN SECURITIES

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 *Panevezio statybos trestas AB*, totalling 16,350,000 pieces, the nominal value of each being 0.29 Euro, have been on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006.

#### *Changes in Panevezio statybos trestas AB and OMX Baltic Benchmark GI indexes in 2015*



#### *Company share price variation at VSE for the period of 2011 through 2015 (in Euros)*



### Company share price variation at VSE in 2015 (in Euros)



<i>Last price 31 Dec. 2014</i>	<i>Average share price for 2015</i>	<i>Highest price for 2015</i>	<i>Lowest price for 2015</i>	<i>Last price 31 Dec. 2015</i>
<i>0.858 EUR</i>	<i>0.965 EUR</i>	<i>1.09 EUR</i>	<i>0.84 EUR</i>	<i>0.925 EUR</i>

<i>Capitalization, mln. Euros</i>				
<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
<i>17.82</i>	<i>15.19</i>	<i>18.47</i>	<i>14.03</i>	<i>15.12</i>

## 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

*Panevezio statybos trestas AB* keeps on maintaining the position of one of the largest construction companies in Lithuania. The year 2015 was not easy for the company. The challenging competitive environment remained unchanged in the construction market. The still tense economic and geopolitical situation in the East had effect on the activities and financial results of the company. A number of Lithuanian companies are selling their services in the Scandinavian and neighbouring countries Latvia and Poland; therefore, the export trends of *Panevezio statybos trestas AB* Group are undergoing changes. In 2015 the branch in Kaliningrad Region and the representative office in Cherepovets were closed down. Over the reporting year the company started exporting to Sweden. The subsidiary company of *Panevezio statybos trestas AB*, *PST Nordic AB*, signed the construction contract with Åke Sundvall Byggnads AB.

Activities of the PST companies have significant effect on development of the infrastructure in the country, the implemented unique orders of national importance contribute to strengthening of the image of a responsible company among clients and business partners. The clients trust PST and value it as a builder experienced in large in scope and technologically complicated projects.

In 2015 construction of Sludge Treatment Plant to be used to treat waste water and utilise all sludge from Taurage Region was completed in Taurage District. Construction activities were successfully completed in Klaipeda County Police Headquarters. The project covered a new building of the headquarters together with a detention facility. The contracts awarded and signed in the year 2015 (construction of a new packaging production building for *Smurfit Kappa Baltic* UAB in Savanoriu Avenue, Vilnius, construction of a storage building with a garage and administration facilities in the area of Vilnius Airport for *Litcargus* UAB, reconstruction of the National M.K. Ciurlionis School of Art at T. Kosciuskos Street 11A, Vilnius, expansion of the shopping and leisure centre *Mega* and area landscaping for Baltic Shopping Centres AB, construction of a new storage building with offices at Liepkalnio Street 188, Vilnius for *Wirtgen Lietuva* UAB) let us hope that PST will keep on working with stable profit and at the same time maintain the high quality standard.

In the yearly competition *Lithuanian Product of the Year* organized by the Lithuanian Confederation of Industrialist the company was awarded the gold medal for construction of Sludge Treatment Plant in Taurage.

In 2015 the following branches continued their operation in the structure of the company: *Gerbusta*, focusing on construction of engineering networks and landscaping, *Pastatu apdaila*, carrying out indoor and outdoor finishing works, *Betonas*, *Konstrukcija*, *Stogas* where production capacities were concentrated, Vilnius branch *Genranga*, performing general contracting activities and project management in Vilnius Region, and *Klaipstata*, performing general contracting activities and project management in Klaipeda Region. The company has permanent establishments in the Republic of Latvia and Kingdom of Sweden.

***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 Statements (Note 4) and the Notes to the Consolidated Financial Statements (Note 4).

## 7. INFORMATION ON SUBSIDIARIES OF THE COMPANY

As of 31 December 2015 the Company Group of *Panevezio statybos trestas* AB included the following companies:

Subsidiaries	Type of activities	Share controlled (per cent)	Registered address
<i>Skydmedis</i> UAB	Construction: panel houses	100	Pramones Str. 5, Panevezys Tel.: +370 45 583341
<i>Metalo meistrai</i> UAB	Construction	100	Tinklu Str. 7, Panevezys, Tel.: +370 45 464677
<i>Vekada</i> UAB	Construction: electrical installation	95.6	Marijonu Str. 36, Panevezys Tel.: +370 45 461311
<i>Alinita</i> UAB	Construction: conditioning equipment	100	Tinklu Str. 7, Panevezys Tel.+370 45 467630
KINGSBUD Sp.zo.o.	Mediation services	100	A. Patli 16-400, Suwalki, Poland
<i>PS TRESTS</i> SIA	Construction	100	Skultes Str. 28, Skulte, Marupes County, Latvia Tel.:+371 29525066
<i>BALTILSTROIJ</i> OOO	Construction	100	Sovetskij Ave. 43, Kaliningrad Tel.: 0074012350435
<i>Teritorija</i> OOO	Real estate development	87.5	Lunacharskovo Lane 43-27, Cherepovets Vologda County
AB PST Nordic	Construction	100	Krossgatan 25 162 50 Vällingby Stockholm
<i>PST Investicijos</i> UAB	Real estate development	68	Verkiu Str. 25C, Vilnius Tel.: +370 5 2728213
<u>Subsidiaries of <i>PST investicijos</i> UAB:</u>			
<i>Ateities projektai</i> UAB	Real estate development	100	Verkiu Str. 25C, Vilnius
<i>Seskinės projektai</i> UAB	Real estate development	100	Verkiu Str. 25C, Vilnius
<i>ISK Baltevro market</i> 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 activities of the company are production, construction and outfit of timber-frame/element houses.

In 2015 the company was on the income of 5,000 thousand Euros and made net profit in the amount of 405 thousand Euros. Compared to the year 2014 (4,301 thousand Euros), the annual turnover increased by 16.3 per cent. In 2015 the major part of income was received abroad: 67.58 per cent in Norway, 15.72 per cent in France, Switzerland and other countries. 16.7 per cent of income were received in Lithuania. At the end of 2015 *Skydmedis* UAB had 89 employees.

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

	2013	2014	2015
Income from sales, thousand Euros	3,345.5	4,301.1	5,000.0
Net profit, thousand Euros	279.4	367.2	405.0
Net profitability	8.4%	8.5%	8.1%

*Skydmedis* UAB will keep on developing the *LEAN* system, the main aim of which is by using less resources to create the higher value to the client and increase compatibility of the company. The company is in the process of continuous improvement of designing, production, erection, quality and sales of timber-frame/element houses.

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

In 2015 the company was on the income of 3,067 thousand Euros. Compared to the year 2014, the income of the company decreased by 36 per cent. In 2015 the company had a loss in the amount of 500 thousand Euros. The income of the company consisted of 38.3 per cent in Lithuania, 32.8 per cent in Norway and 28.9 per cent in other foreign countries (Germany and Sweden). At the end of 2015 the company had 70 employees.

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

	2013	2014	2015
Income from sales, thousand Euros	3,180.8	4,801.3	3,067.0
Net profit, thousand Euros	-5	355.9	-500.0
Net profitability	-0.15%	7.41%	-16.30%

The company has the quality management system ISO 9001:2008 and the environmental management system ISO 14001:2004 introduced 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 2016 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.

***Vekada* UAB** (company code 147815824) was established on 1 January 1963 as *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 2015 the company was on the income of 3,040 thousand Euros, however had a loss in the amount of 385 thousand Euros. At the end of 2015 the company had 67 employees.

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

	2013	2014	2015
Income from sales, thousand Euros	3,493.5	3,336.5	3,070.0
Net profit, thousand Euros	158.7	103.6	-385.0
Net profitability	4.5%	3.1%	-12.5%

The company has the occupational health and safety management system according to OHSAS 18001 introduced and keeps on improving it, the company keeps on implementing the quality management standard ISO 9001 and environmental management standard ISO 14001.

***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 2015 the company was on the income of 2,406.7 thousand Euros. The income increased by 5 per cent compared to 2014. In 2015 the company had 37 employees.

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

	2013	2014	2015
Income from sales, thousand Euros	1,619	2,285.7	2,406.7
Net profit, thousand Euros	20.7	11.8	-600.0
Net profitability	1.3%	0.5%	-24.9%

In 2015 *Alinita* UAB participated in the tenders for subcontracting works in Sweden arranged by the Swedish construction company *Skanska*. In 2016 the company will keep on working with *Skanska* looking for potential clients in Sweden.

The company has the following standards introduced: 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 *Panevezio statybos trestas* AB.



**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 2015 the company was on the income of 28,118 thousand Euros. In 2015 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 was from construction of the variety theatre in Svetlogorsk and construction of the waste water treatment plant in Neman. Completion of these projects is scheduled in 2016. In 2015 the company had 90 employees.

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

	2013	2014	2015
Income from sales, thousands Euros	28,329	22,887.5	28,118.5
Net profit, thousands Euros	873.7	-2,054.6	-6.4
Net profitability	3.1%	-9.0%	-0.02%

**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 2015 the company group of *PST investicijos UAB* consisted of the parent company *PST investicijos UAB* and the following subsidiary companies: *Ateities projektai UAB*, *Seskinės projektai UAB*, *Baltevromarket ZAO ISK*. In 2015 the company had 8 employees.

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

	2013	2014	2015
Income from sales, thousand Euros	743.4	945.0	970.0
Financial and investment activities, thousand Euros	-676.6	-4,398.0	-45.0
Net profit, thousands Euros	-865.4	-3,156.0	-757.0
Net profitability	-116.4%	-334.0%	-78.0%

At the end of 2015 *PST Investicijos UAB* sold 100 per cent of the ordinary registered shares of *Verkiu projektas UAB*. *Verkiu projektas UAB* owns the office building *Ulonai Business Centre* located at Verkiu Street 25C, Vilnius. The shares were sold to the Estonian company *EfTEN Real Estate Fund III AS*. Losses are attributable to the price decline of *Baltevromarket ZAO ISK* shares related to changes in the exchange rate of the Russian Rouble in respect of the Euro and the situation in the changed real estate market.

In 2016 *PST investicijos UAB* is planning to keep on developing real estate projects.

**Kingsbud Sp.zo.o.** (company code 200380717) was founded on 11 August 2010. The main activities of the company are wholesale in construction materials.

In 2015 the company was on the income of 3,006 thousand Euros and had net profit in the amount of 55 thousand Euros. At the end of 2015 the company had 5 employees.

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

	2013	2014	2015
Income from sales, thousand Euros	939	1,369	3,006.0
Net profit, thousand Euros	5.5	-2.5	55.0
Net profitability	0.6%	-0.2%	1.8%

In 2015 the decision was taken to establish the branch of Kingsbud Sp.zo.o. in Lithuania. On 27 March 2015 the Lithuanian branch of Kingsbud Sp.zo.o. was registered and started its activities in Vilnius. The main activities of the branch are wholesale in stoneware and glazed tiles for indoor and outdoor finishing.

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

In 2015 the company was on the income of 3,816.5 thousand Euros and had net profit in the amount of 289 thousand Euros. In 2015 the income of *Teritorija OOO* was from sales of apartments and construction in progress (foundation of the apartment building). The plans of the 2016 include sales of the remaining real estate and close down of the company.

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

To search for new markets and carry out construction activities in Latvia, in 2015 the company actively participated in tenders arranged by clients. The plans of the year 2016 include signing of contracts with clients and starting fulfilling the orders.

**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 construction 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 2015 the company was in the process of the project search and had no income.

On 25 November 2015 the company signed the contract with Åke Sundvall Byggnads AB. Under this contract the company will carry out designing, delivery and erection of pre-fabricated concrete framework to be completed by 1 July 2016. The total value of the contract amounts to approximately 1.5 mln. Euros. The new apartment building will have 33 new apartments and the total area of the building will be as much as 5,000 square metres.

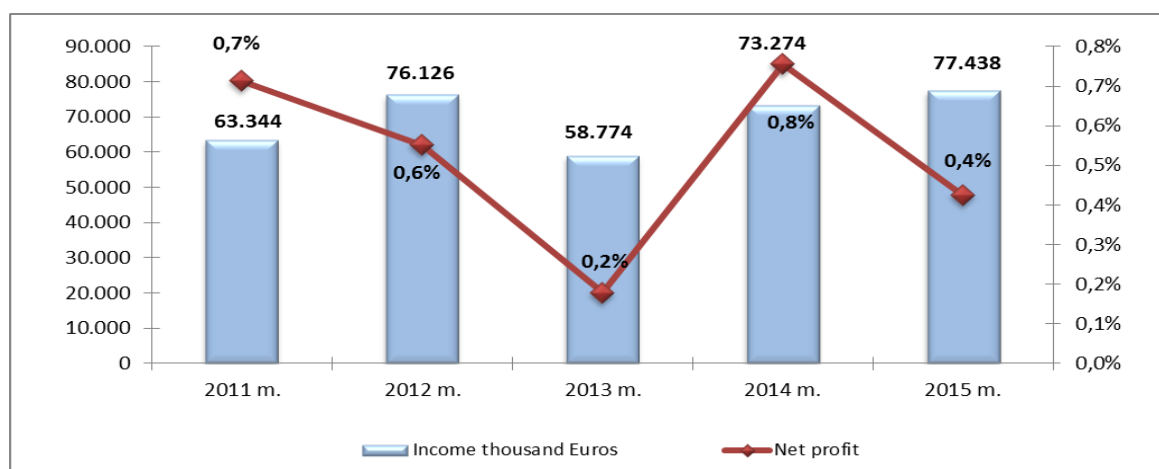
## 8. ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE, INFORMATION RELATED TO ENVIRONMENT AND EMPLOYEE MATTERS

In the year 2015 *Panevezio statybos trestas* AB (PST) Group was on the income of 121.217 mln. Euros, i.e. by 15 per cent more than in 2014 and had net profit in the amount of 1.996 mln. Euros. From the typical activities the Group had the profit in the amount of 3.155 mln. Euros.

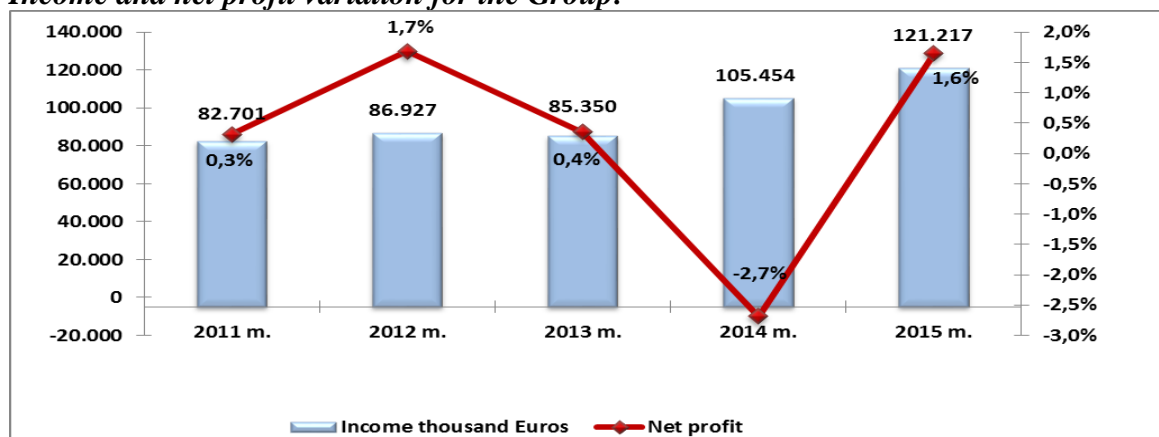
The PST Company had the net profit in the amount of 0.328 mln. Euros, and was on the income of 77.44 mln. Euros, i.e. by 5.7 per cent more than in 2014. From the typical activities the company had the profit in the amount of 1.619 mln. Euros, whereas in 2014 the profit from the construction activities amounted to 3.64 mln. Euros.

After mistakes were corrected in the Consolidated and Separate Financial Statements for 2014 following the decision by the Supervision Service of the Bank of Lithuania on use of international business and accounting standards taken after the investigation had been carried out in 2015, the loss of the Group amounted to 3.944 mln. Euros in 2014 and the net profit of the company amounted to 0.554 mln. Euros in 2014. The correction thereof is provided in the Notes to the Separate Financial Statements (Note 29) and the Notes to the Consolidated Financial Statements (Note 31).

### *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 Euros.

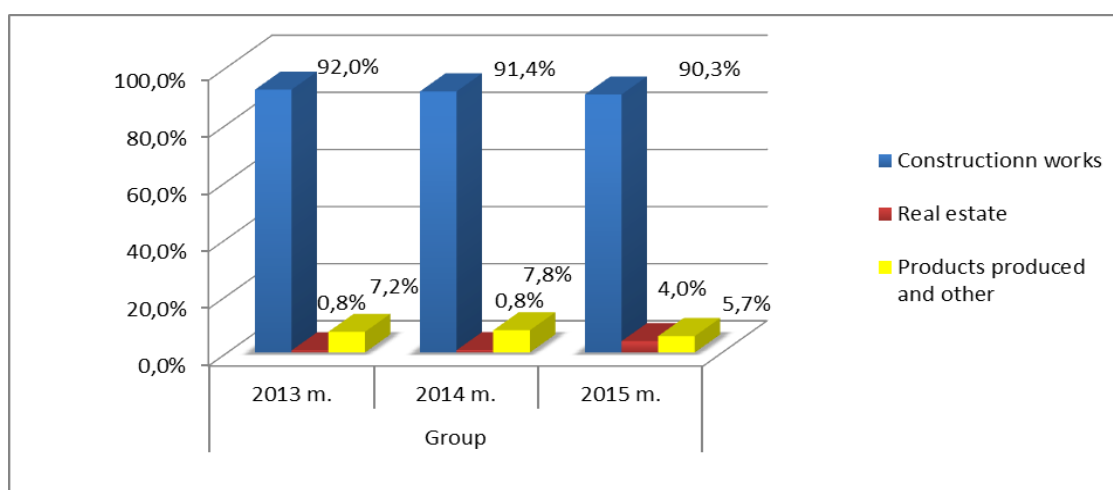
*The results (in thousands Euros) of the parent company and the Group of Panevezio statybos trestas AB for the years 2013 through 2015 are as follows:*

Group			Items	Company		
2013	2014	2015		2013	2014	2015
85,350	105,454	121,217	Income	58,774	73,274	77,438
77,284	95,582	109,278	Cost	55,107	67,249	70,226
8,066	9,872	11,939	Gross profit	3,667	6,026	7,212
9.45	9.36	9.85	Gross profit margin (per cent)	6.24	8.22	9.31
1,709	3,743	3,155	Typical operating result	19	3,634	1,619
2	3.55	2.60	Typical operating result from turnover (per cent)	0.03	4.96	2.09
1,842	-2,119	4,260	Profit before taxes, interest, depreciation and amortization <b>EBITDA</b>	959	1,848	1,590
2.16	-2.01	3.51	EBITDA margin (per cent)	1.63	2.52	2.06
299	-3,944	1,996	Net profit	105	554	328
0.35	-3.74	1.65	Nets profit (loss) margin (per cent)	0.18	0.76	0.42
0.018	-0.241	0.12	Profit (loss) per share (Euros)	0.006	0.034	0.020
0.86	-11.44	5.52	Return on equity (per cent) <b>(ROE)</b> $\frac{\text{Net profit}}{\text{Equity capital}}$	0.27	1.40	0.86
0.44	-5.07	3.02	Return on assets or asset profitability <b>(ROA)</b> $\frac{\text{Net profit}}{\text{Assets}}$	0.2	0.90	0.59
0.72	-10.08	5.14	Return on investments <b>(ROI)</b> $\frac{\text{Net profit}}{\text{Assets} - \text{Current debt}}$	0.27	1.38	0.84
2.08	1.65	2.11	Current liquidity ratio $\frac{\text{Current assets}}{\text{Current liabilities}}$	2.36	2.27	2.59
1.56	1.23	1.78	Critical liquidity ratio $\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}}$	2.31	2.20	2.52
0.52	0.44	0.55	Asset to equity ratio	0.72	0.64	0.69
2.13	2.11	2.21	Book value per share	2.35	2.41	2.34
0.53	0.41	0.42	Ratio of share price and book value <b>(P/BV)</b>	0.48	0.36	0.40

### ***Income by activity types***

The main income of the company by activity types is from building and erection activities. In 2015 income of the Group from building and construction activities totalled 90.3%, income from made products and other income amounted to 5.7%, income from real estate amounted to 4%. In 2014 income of the Group from building and construction activities totalled 91.4%, income from real estate amounted to 0.8%, income from made products and other income amounted to 7.8%. In 2013 income of the Group from building and construction activities totalled 92.0%, income from real estate amounted to 0.8%, income from made products and other income amounted to 7.2%.

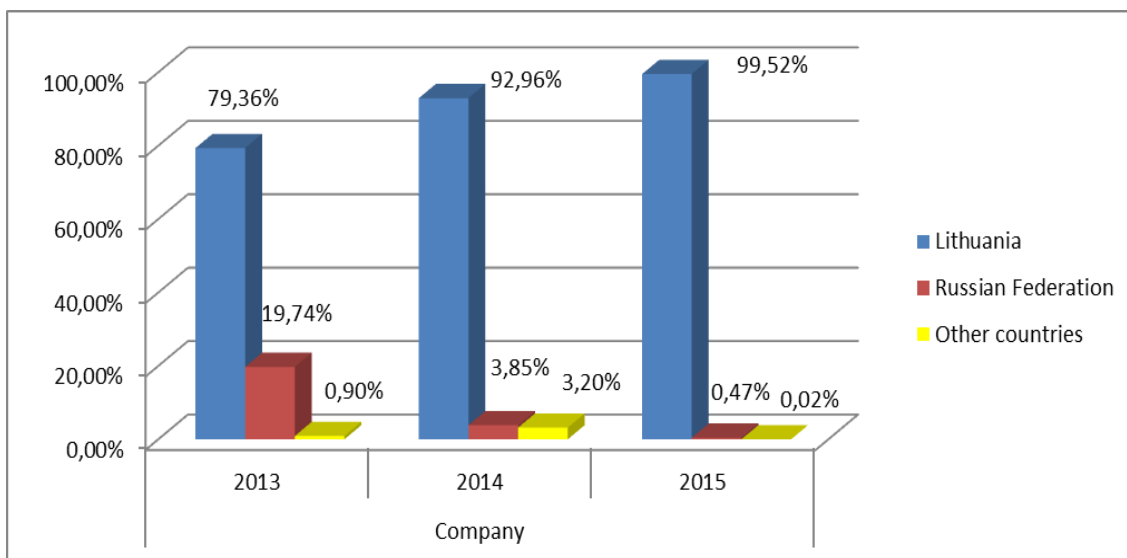
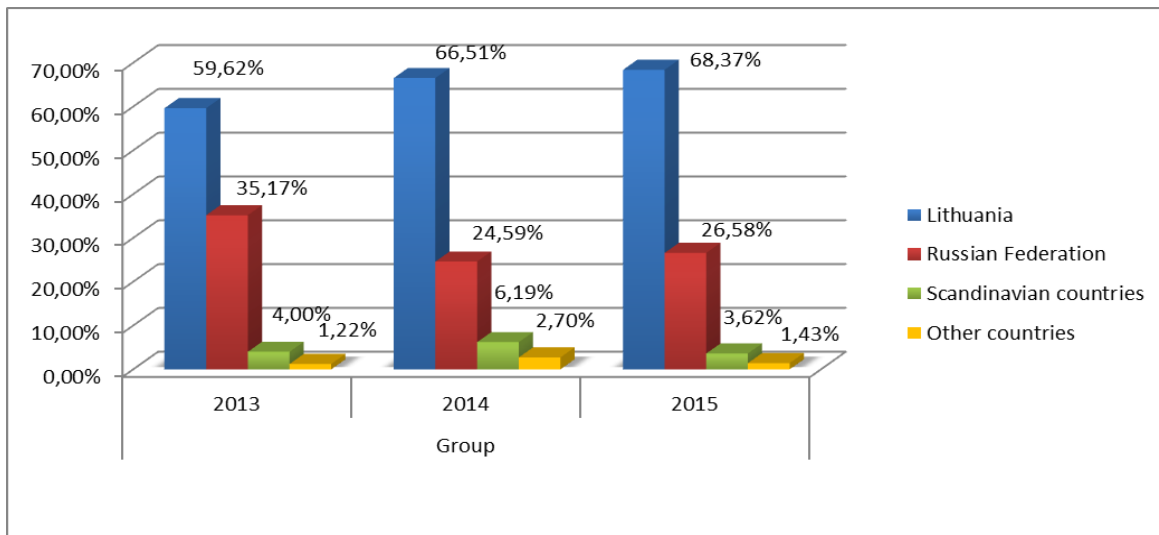
mln. Euros	Group			Company		
	2013	2014	2015	2013	2014	2015
Construction works	78.55	96.41	109.49	58.77	73.27	77.44
Real estate	0.64	0.86	4.79			
Made products and other income	6.16	8.19	6.94			



### ***Operating income (mln. Euros) by countries:***

mln. Euros	Group			Company		
	2013	2014	2015	2013	2014	2015
Lithuania	50.88	70.13	82.88	46.65	68.12	77.06
Russian Federation	30.02	25.93	32.22	11.60	2.82	0.36
Scandinavian countries	3.41	6.53	4.39			
Other countries	1.04	2.85	1.73	0.53	2.34	0.01

In the year 2015 the main activities of the company were performed in Lithuania and made 99.5% of all works carried out by the company (93% in 2014). The income of the Group from the works performed inside the country made 68.4% of the income whereas in 2014 it was 66.5%.



### ***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 environment and resource protection and conserving, ensuring pollution prevention, in the beginning of each project the environmental plan including specific measures for control of significant aspects of environment protection and activities performed is prepared.

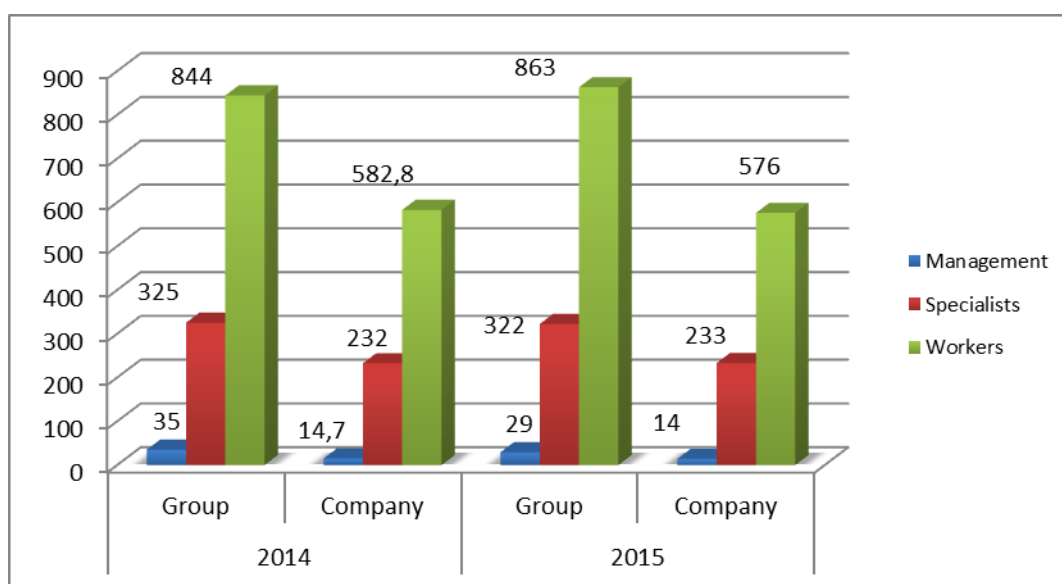
In 2013 the Lithuanian National Accreditation Bureau accredited the Construction Laboratory of the Company in accordance with LST EN ISO/IEC 17025:2005 for the period of 5 years, thus granting it the right to perform tests of building materials.

## 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 2015, the number of employees in the Group was 1,150, in the company – 783.

Number of employees on payroll	2014		2015	
	Group	Company	Group	Company
Management	35	15	29	14
Specialists	325	232	322	233
Workers	844	583	863	576

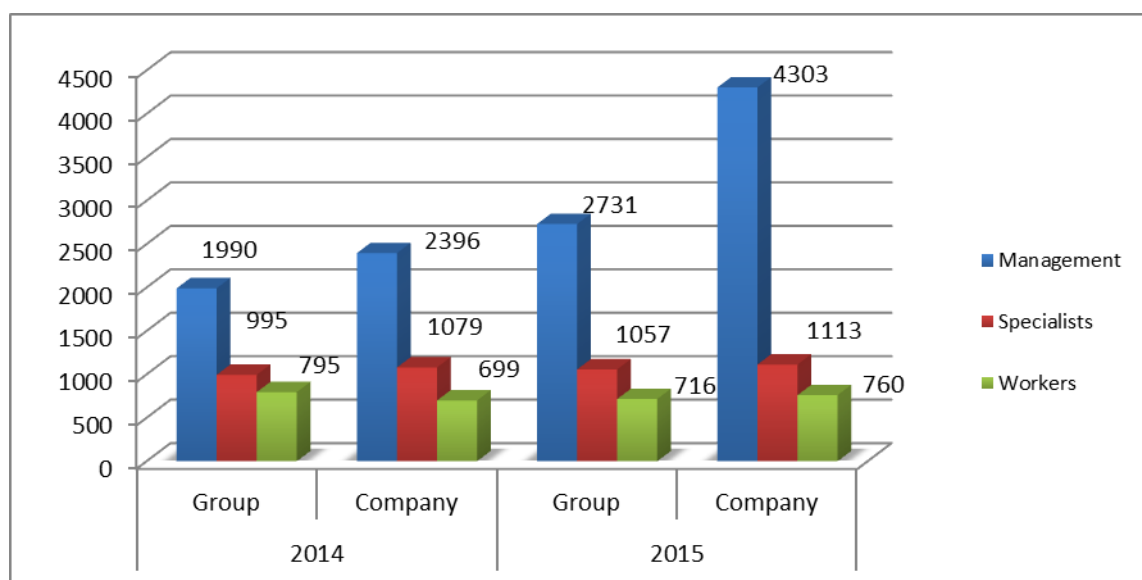


Education level of the Company employees for the end of the period:

Groups of employees	Payroll number	University education	Higher non-university education	Community college education	Secondary education	Incomplete secondary education
Management	38	30	3	5	0	0
Specialists	325	260	17	37	11	0
Workers	787	37	16	168	475	91

The average gross wage per employee per month:

Average wage per month, EUR	2014		2015	
	Group	Company	Group	Company
Management	1,990	2,396	2,731	4,303
Specialists	995	1,079	1,057	1,113
Workers	795	699	716	760



In the year 2015 following the decision of the Board the basic wage for the managers was increased, due to that the average pay increased by 50 per cent compared to 2014.

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

In 2015 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**

On 3 February 2016 *Panevezio statybos trestas AB* received the decision taken on 1 February 2016 by the Director of the Supervision Service of the Bank of Lithuania regarding imposition of sanctions on *Panevezio statybos trestas AB*.

It has been established that in the annual financial statements of *Panevezio statybos trestas AB* for 2014 the amount of deferred tax asset is unreasonably increased, risk of the loans issued to subsidiary companies is measured inadequately and information provided in the explanatory note on the assumptions for recognition of the amount of deferred tax asset and on the risk of the loans granted is disclosed insufficiently.

The company was instructed to publish a notification that by the decision taken by the Director of the Supervision Service of the Bank of Lithuania *Panevezio statybos trestas AB* was warned:

- about the infringement of Article 21 (5) of the Law on Securities of the Republic of Lithuania;
- that the financial statements of *Panevezio statybos trestas AB* for 2014 do not comply with the provisions of IAS 12 *Income Taxes* and IAS 39 *Financial Instruments: Recognition and Measurement*.

Information on important events after the end of the financial year is provided in the Notes to the Separate Financial Statements (Note 30) and the Notes to the Consolidated Financial Statements (Note 32).

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

The company signed the Co-operation Agreement with Vilnius Gediminas Technical University. Together with the Department of Reinforced Concrete and Masonry Structures the company participated in the project *Creation of Cast-in-Situ Hollow Concrete Floor Slab and its Connection to Columns* carried out by the University. The company created, manufactured and delivered plastic elements to make the slab lighter to the scientists of Vilnius Gediminas Technical University, manufactured the samples of floor slabs for testing purposes. The scientists of Vilnius Gediminas Technical University performed the research: made required calculations and carried out necessary tests, prepared technique for calculation of such floor slabs. The University submitted the report on calculation technique to the company.

The company performs research of construction service demand and real estate development market. The company registered in Sweden started carrying out construction activities.

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. The company purchased the directional drilling equipment, thus making the range of trenchless technology services wider. The company keeps on improving design preparation using not only the currently available software but also a new software package, which allows the complete designs covering its all parts in the environment of BIM (Building Information Modelling). The principles of Building Information Modelling have already been started to be used on-sites for performance of construction works.

## **11. PERFORMANCE PLANS AND FORECASTS OF THE COMPANY**

The construction market is likely to increase in the year 2016. To remain competitive the company has to be resourceful and creative in the construction business. PST aims to remain one of the largest companies in Lithuania and to search for new possibilities implementing innovative conceptions. Next year both PST and PST Group are planning to continue the work started and implement new ambitious projects in Lithuania and abroad, in the Scandinavian and Latvian markets.

## **12. AUTHORISED CAPITAL OF THE ISSUER AND ITS STRUCTURE**

As of 31 December 2015 the authorised capital of the company amounted to 4,741,500 Euros divided into 16,350,000 ordinary registered shares (ORS) the nominal value of each share being 0.29 Euros. All shares are non-certificated and fully paid. The proof of ownership is the record in the securities accounts.

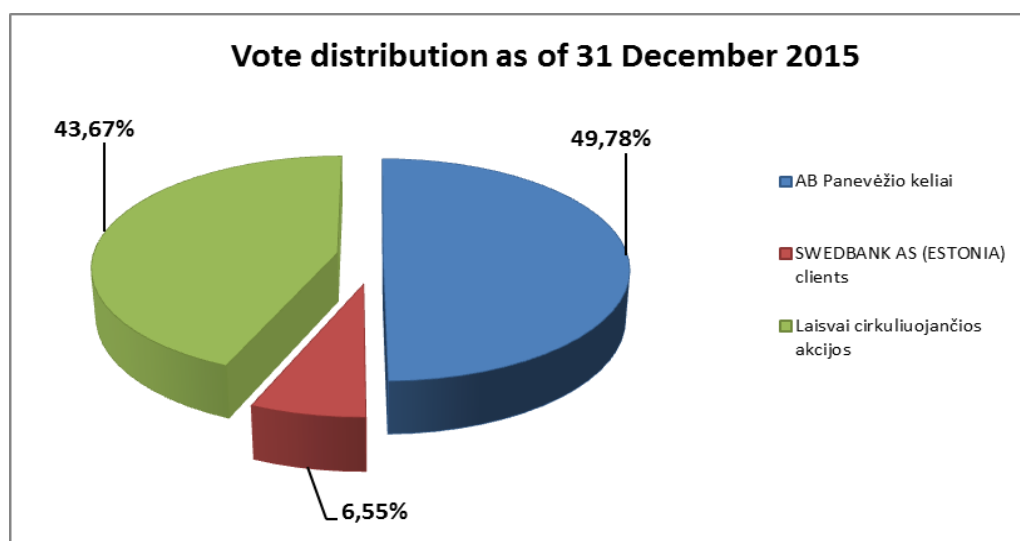
The composition of the issuer's authorised capital is as follows:

Share type	Number of shares (pcs.)	Par value (Euros)	Total par value (Euros)	Emission code
Ordinary registered shares (ORS)	16,350,000	0.29	4,741,500	101446

## INFORMATION ON THE SHAREHOLDERS OF THE ISSUER

As of 31 December 2015, the number of shareholders holding or controlling more than 5 per cents of the authorised capital of the company was 1,783:

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 (%)
<i>Panevezio keliai</i> AB S. Kerbedzio Str. 7, Panevezys Company code: 147710353	8,138,932	49.78	49.78	---
Clients of SWEDBANK AS (Estonia) Liivalaia 8, 15040 Tallinn, Estonia	1,071,508	6.55	6.55	---
Freely negotiable shares	7,139,560	43.67	43.67	---



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

The number of shares carrying votes at the general meeting of shareholders of *Panevezio statybos trestas* AB is 16,350,000.

### 13. 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 *Panevezio 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 *Panevezio statybos trestas* AB that took place on 25 April 2013 made the decision to pay dividends in the amount of 118,382 Euros for the year 2012. The dividends were paid by *DNB bankas* AB in accordance with the agreement signed.

The Annual General Meeting of the Shareholders of *Panevezio statybos trestas* AB that took place on 30 April 2014 took the decision to pay no dividends.

The General Meeting of Shareholders *Panevezio statybos trestas* AB that took place on 30 April 2015 made the decision to pay dividends in the amount of 1,079,100 Euros for the year 2014. As of 31 December 2015, 99.4 per cent of dividends were paid.

	Profit of financial year allocated for dividends				
	2008	2009	2010	2012	2014
Total amount allocated for dividends, Euros	331,470	331,470	331,470	118,382	1,079,100
Dividends per share	0.0203	0.0203	0.0203	0.0072	0.066
Ratio of dividends to net profit, %	2.4%	23.8%	11.3%	28.2%	164.8%
Dividend profitability (dividends per share / share price as of the end of the period), %	4.7%	1.8%	1.0%	0.8%	7.7%

### 14. ALL RESTRICTIONS OF SECURITY TRANSFER

Not relevant.

## **15. DESCRIPTION OF MAIN INVESTMENTS MADE DURING THE REPORTING PERIOD INCLUDING THEIR AMOUNT**

Investments of the Group for acquisition of non-current assets in the year 2015 amounted to 2,631,214 Euros. *Panevezio statybos trestas* AB acquired non-current assets for 2,414,727 Euros. In 2015 depreciation and amortization costs of non-current assets amounted to 1,177,761 Euros in the Group including 898,831 Euros accounted for in the Financial Statements of *Panevezio statybos trestas* AB.

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

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

None

## **17. AUTHORIZATIONS OF ISSUER'S BODIES TO ISSUE AND PURCHASE ISSUER'S SHARES**

None

## **18. 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.

## **19. MANAGEMENT BODIES OF THE ISSUER**

Referring to the Articles of Association of *Panevezio statybos trestas* AB. the management bodies of the company are the General Meeting of Shareholders, the Board and the Managing Director. The Supervisory Council 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 five members in the Board. The procedure of electing and dismissing the members of the Board shall not differ 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, %
<i>Tertius UAB</i>		704,638	80	80
<i>Panevezio keliai AB</i>	Member of the Board	531,675	28.47	28.47
<i>Lauktuves jums UAB</i>	Chairman of the Board	11,069	50.15	50.15
<i>Pokstas UAB</i>		111	50	50
<i>Klovainiu skalda AB</i>		470,421	8.74	8.74
<i>Emulteka UAB</i>		14	14.0	14.0
<i>Gustonių ZUT UAB</i>	Member of the Board	1,085	50.28	50.28
<i>Specializuota komplektavimo valdyba AB</i>		21,490	9.29	9.29
<i>Naujasis Uzupis UAB</i>	Chairman of the Board	-	-	-
<i>PST investicijos UAB</i>	Member of the Board	16,407	3.32	3.32
<i>Convestus UAB</i>		50,000	50	50
<i>Alproka UAB</i>	Chairman of the Board	-	-	-
<i>Kauno tiltai UAB</i>		492	0.31	0.31

Term of office: November 2014 through November 2018

No previous convictions.

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

COMPANY NAME	POSITION	NUMBER OF SHARES	CAPITAL, %	VOTES, %
<i>Panevezio keliai AB</i>	General Director	66,769	3.57	3.57
<i>Panevezio statybos trestas AB</i>	Member of the Board	-	-	-
<i>Skalduva UAB</i>	Director	42	42	42
<i>Klovainiu skalda AB</i>	Member of the Board	541,785	10.1	10.1
<i>Avia invest UAB</i>		10,000	100	100
<i>Istros aviaparkas UAB</i>		2,000	100	100
<i>Akvalda UAB</i>		750	50.00	50.00
<i>Emulteka UAB</i>		9	9	9

Term of office: November 2014 through November 2018

No previous convictions

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL, %	VOTES, %
<i>Panevezio keliai AB</i>	Member of the Board	-	-	-
<i>Panevezio rysiu statyba UAB</i>	Director	279,507	27	27
<i>Linus AB</i>		33,634	0.14	0.14
<i>PST investicijos UAB</i>	Member of the Board	-	-	-

Terms of office: April 2015 through November 2018

No previous convictions

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL, %	VOTES, %
<i>Akvalda UAB</i>		750	50	50
<i>Emulteka UAB</i>		11	11	11
<i>Betono apsaugos sistemas UAB</i>		40	40	40
<i>PST investicijos UAB</i>	Member of the Board	-	-	-
<i>Panevezio keliai AB</i>	Technical Director	83,058	4.45	4.45

Terms of office: November 2014 through November 2018

No previous convictions

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL, %	VOTES, %
<i>Dvarcioniu keramika AB</i>	Shareholder	356	-	-
<i>Panevezio keliai AB</i>	Member of the Board	-	-	-

Terms of office: November 2014 through November 2018

No previous convictions

***Administration:***

DALIUS GESEVICIUS (personal code 35807220337) – Head of the Company Administration, the Managing Director. Holds 30,015 shares of the Company. University education (VISI, 1984), Construction Engineering, Master Degree in Management and Business Administration.

No previous convictions.

DANGUOLE SIRVINSKIENE (personal code 46110160082) – Chief Accountant of the Company. Holds no shares of the Company. University Education (LZUA, 1983), Accounting - Economics.

No previous conviction.

In 2015 neither the members of the Board nor the top managers of *Panevezio statybos trestas AB* were granted loans, guarantees, warranties or asset transfers,

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

In 2015 neither the members of the Board nor the top managers of *Panevezio statybos trestas AB* were granted special benefits.

***Information on salaries for the top managers of the issuer in 2015***

	thousand Euros	2015
Members of the Board (bonuses and salary)		243
Average per member of the Board		49
Administration (Managing Director and Chief Accountant)		208
Average per member of Administration		104

***Audit committee***

Following Article 52 of the Law on Audit of the Republic of Lithuania, the General Meeting of Shareholders of *Panevezio statybos trestas AB* elects the audit committee. The audit committee consists of three members 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 *Panevezio statybos trestas* AB consists of the following members:

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

Regina Sukareviciene – Economist of *Panevezio statybos trestas* AB. Holds no shares of the Company.

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

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

None

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

None.

**22. INFORMATION ON SIGNIFICANT TRANSACTIONS BETWEEN THE RELATED PARTIES**

All transactions 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).

**23. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

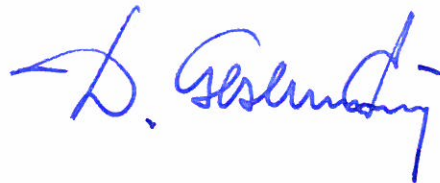
The information regarding compliance with the corporate governance code is presented in the Appendix 1 to the Annual Report.

## 24. PUBLICLY DISCLOSED INFORMATION

Description of notification	Category of notification	Language	Date
<i>PST Investicijos UAB</i> Has Sold the Shares of its Subsidiary Company, <i>Verkiu projektas UAB</i>	Notification on material event	Lt, En	31 Dec. 2015
<i>Panevezio statybos trestas AB</i> Will Build a Storage Building in Vilnius	Notification on material event	Lt, En	7 Dec. 2015
Unaudited Performance Results of <i>Panevezio statybos trestas AB</i> and the Group for Nine Months of 2015	Interim information	Lt, En	27 Nov. 2015
<i>PST Nordic AB</i> Is Starting Activities in Sweden	Notification on material event	Lt, En	25 Nov. 2015
Draft Resolutions of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	18 Nov. 2015
Draft Resolutions of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	27 Oct. 2015
<i>Panevezio statybos trestas AB</i> Has Signed the Contract with <i>Baltic Shopping Centers AB</i>	Notification on material event	Lt, En	16 Oct. 2015
Convening of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	16 Oct. 2015
Decision of the Bank of Lithuania on Results of Investigation Related to Information Disclosure by <i>PST</i>	Notification on material event	Lt, En	9 Sept. 2015
<i>Panevezio statybos trestas AB</i> Has Acquired Hotel <i>Panevezys</i>	Notification on material event	Lt, En	31 Aug. 2015
Unaudited Performance Results of <i>Panevezio statybos trestas AB</i> and the Group for the First Half of 2015	Interim information	Lt, En	28 Aug. 2015
Klaipeda County Police Headquarters	Other information	Lt, En	4 Aug. 2015
Procurement of Hotel <i>Panevezys</i>	Notification on material event	Lt, En	23 July 2015
<i>Panevezio statybos trestas AB</i> Will Reconstruct National M.K. Ciurlionis School of Art	Notification on material event	Lt, En	10 June 2015
<i>Panevezio statybos trestas AB</i> Will Build Storage Facilities at Vilnius Airport	Notification on material event	Lt, En	2 June 2015
Unaudited Performance Results of <i>Panevezio statybos trestas AB</i> and the Group for the First Quarter of 2015	Notification on material event	Lt, En	29 May 2015
<i>Panevezio statybos trestas AB</i> Will Build Packing Production Facilities in Vilnius	Notification on material event	Lt, En	29 May 2015
Close down of the Branch of <i>Panevezio statybos trestas AB</i> in Kaliningrad	Notification on material event	Lt, En	6 May 2015
Annual Information Approved by Annual General Shareholders Meeting of <i>Panevezio statybos trestas AB</i>	Annual information	Lt, En	30 April 2015
Resolutions of Annual General Meeting of Shareholders	Notification on material event	Lt, En	30 April 2015
Draft Resolutions of Annual General Meeting of Shareholders	Notification on material event	Lt, En	16 April 2015
Close Down of the Representative Office of <i>Panevezio statybos trestas AB</i> in Cherepovets	Notification on material event	Lt, En	14 April 2015
Addition to Agenda of Annual General Meeting of Shareholders	Notification on material event	Lt, En	8 April 2015
Resolutions of Annual General Meeting of Shareholders	Notification on material event	Lt, En	8 April 2015
Resignation of the Member of the Board of <i>Panevezio statybos trestas AB</i>	Notification on material event	Lt, En	1 April 2015
Convening of the Annual General Meeting of the Shareholders	Notification on material event	Lt, En	27 March 2015
Unaudited Performance Results of <i>Panevezio statybos trestas AB</i> and the Group for 2014	Interim information	Lt, En	27 Feb. 2015

All notifications of *Panevezio 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

A handwritten signature in blue ink, appearing to read 'D. Gesevicius', is positioned between the title 'Managing Director' and the name 'Dalius Gesevicius'.

Dalius Gesevicius

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

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

### Summary of Corporate Governance Report:

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

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

The Company complies with the Manager Remuneration Policy approved by the Board. The Manager Remuneration Policy is an internal and confidential document, which is not made public.

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

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

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

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

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

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

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

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

<p>3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.</p>	<p>Yes/No</p>	<p>Information on the positions taken by the members of the board or their participation in other companies' operation is continuously collected and compiled, and at the end of every year it is revised and presented in the reports prepared by the Company.</p>
<p>3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.</p>	<p>Yes</p>	<p>The information on the composition of the Board is provided in the semi-annual and annual reports prepared by the Company.</p>
<p>3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.</p>	<p>Yes</p>	<p>The Board is formed considering the Company's structure and activities, the experience of its members, diversity of knowledge related to the Company activities allow doing the work properly.</p>
<p>3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.</p>	<p>Yes</p>	<p>The new members are introduced with the Company and the regulations of the Board. The members of the Board constantly participate at various refresher courses and seminars where they collect information about the essential changes in the legislation regulating the Company's activities.</p>

<p>3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient<sup>4</sup> number of independent<sup>5</sup> members.</p>	<p>No</p>	<p>Historically the Company exhibits the situation that the sufficiency of the independent members has not been considered. As the trading of the Company shares takes place actively and the minority shareholders take an active part in the management of the Company, the Company will seek implementation of this principle.</p>
<p>3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) he/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) he/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> <li>4) he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</li> </ol>	<p>No</p>	<p>All five members of the Board are related to the largest shareholder – <i>Panevėžio keliai</i> AB. The candidates to become the members of the Board are proposed to the Shareholders' Meeting by <i>Panevėžio keliai</i> AB, which holds 49.78 per cent of the authorised capital of the Company.</p>

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

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



<p>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;</p> <p>6) he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) he/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) he/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) he/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>	<p>Not applicable</p>	<p>The recommendation provided in 3.7 is not complied with.</p>
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>No</p>	<p>The practice of independence assessment and disclosure for the members of the Board is not applied at the Company. The recommendation provided in 3.7 is not complied with.</p>

<p>3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.</p>	<p>No</p>	<p>The practice of independence assessment of and disclosure for the members of the Board is not applied at the Company. The recommendation provided in 3.7 is not complied with.</p>
<p>3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.<sup>6</sup>. The general shareholders' meeting should approve the amount of such remuneration.</p>	<p>Yes</p>	<p>The Shareholders' Meeting approves the amount of tantiemes allocated to the members of the Board. Referring to the International Accounting Standards, tantiemes for the members of the Board are attributed to operating expenses of the Company.</p>

**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<sup>7</sup> of the company's management bodies and protection of interests of all the company's shareholders.**

<p>4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.<sup>8</sup></p>	<p>Yes</p>	<p>Once a quarter the Board hears out the report of the Chief Executive Officer and the Finance Director of the Company, analyses their activities, evaluates its effectiveness and provides recommendations, if required. The Board analyses, evaluates the draft Annual Financial Statement and draft Profit (Loss) Statement of the Company, and presents them to the General Shareholders' Meeting.</p>
<p>4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).</p>	<p>Yes</p>	<p>Though historically the Company exhibits the situation that the sufficiency of the independent members has not been considered, based on the data available to the Company, all members of the Board act in good will in respect of the Company, they are guided by the interests of the Company and not those of their own or any third parties, the principles of good faith and reasonableness.</p>

<sup>6</sup> It is notable that currently it is not yet completely clear, in what form members of the supervisory board or the board may be remunerated for their work in these bodies. The Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) provides that members of the supervisory board or the board may be remunerated for their work in the supervisory board or the board by payment of annual bonuses (tantiemes) 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 (tantiemes) should be the *only* form of the company's compensation to members of the supervisory board or the board. So it seems that the Law contains no prohibition to remunerate members of the supervisory board or the board for their work in other forms, besides bonuses, although this possibility is not expressly stated either.

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

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

<p>4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half<sup>9</sup> of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.</p>	<p>Yes</p>	<p>The members of the Board participated at the meetings of the Board and each of them devoted sufficient time to perform the duties as a member of the Board.</p> <p>In all meetings of the Board taken place in 2015 there was quorum prescribed by the legislation. The members of the Board participating at the meeting are recorded in the Minutes of the Meeting. 13 meetings of the Board took place in 2015. Three members of the Board participated in all meetings of the Board and two members of the Board participated in 12 meetings.</p>
<p>4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.</p>	<p>Yes</p>	<p>The management bodies of the Company follow the principles of communication with the shareholders established by the laws.</p>
<p>4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.</p>	<p>Not applicable</p>	<p>Transactions with the members of managing bodies are not concluded.</p> <p>Only usual activity transactions are concluded with the main shareholder.</p>

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

<p>4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies<sup>10</sup>. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.</p>	<p>Yes</p>	<p>The collegial management body, which to a wide extent is dependent on the main shareholder acting in a similar business, passes decisions considering the interests only of the Company.</p> <p>The Company provides the Board with sufficient resources required for their function performance, and the employees of the Company who are responsible for the areas of operation under discussion participate at the meeting of the Board and present all necessary information.</p>
<p>4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees<sup>11</sup>. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.</p>	<p>No</p>	<p>The collegial body of the Company's management is the Board performing the functions of Nomination Committee and the Remuneration Committees. The Board chooses and approves the candidacy of the Chief Executive Officer of the Company – Managing Director, and agrees with the candidacies of Directors of the Company proposed by the Managing Director. It continuously evaluates their experience, professional capabilities and implementation of the Company's strategic goals, hears out their reports. The Board selects the candidate for the external audit and provides proposals to the General Shareholders' Meeting for approval. On 30 April 2015 the Audit Committee was elected during the Annual General Shareholders' Meeting.</p>

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

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

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

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

<p>4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</p> <p>5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
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<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <ol style="list-style-type: none"> <li>1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</li> <li>2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</li> <li>3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</li> <li>4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. the committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</li> <li>5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</li> <li>6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</li> </ol> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p>	<p>Yes</p>	<p>On 30 April 2015 the Audit Committee was elected during the Annual General Shareholders' Meeting. The Audit Committee is composed of three members, one of which is independent. The Audit Committee organizes its work following the rules of the Audit Committee approved at the Shareholders' Meeting.</p>
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<p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	There is no practice for assessment of internal activities and informing about that available at the Company.

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

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

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

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

## Principle VI: The equitable treatment of shareholders and shareholder rights

The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.

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

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

6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder can participate in the meeting in person or delegating the participation to some other person. The Company allows the shareholders voting by filling in the general voting ballot as prescribed by the law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company does not comply with the provisions of this recommendation as it is not possible to ensure text protection and identify the signature of a voting person. Furthermore, in the Company's opinion, so far there was no need for any modern technologies at the Shareholders' Meeting for the purposes of participation and voting via electronic means of communication.

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

**The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**

7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The members of the management bodies act in such a manner that there was no conflict of interests, therefore in practice there was not a single event thereof.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Not applicable	No transactions are concluded with the members of the Company's management bodies.

7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
<p><b>Principle VIII: Company's remuneration policy</b></p> <p><b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b></p>		
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 rules for the directors' remuneration, which are approved by the Board. The Company does not make the remuneration policy public 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 8.1 are not complied with.
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) an explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>5) sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>6) sufficient information on the linkage between the remuneration and performance;</li> <li>7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) sufficient information on the policy regarding termination payments;</li> <li>9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this code;</li> <li>10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this code;</li> <li>11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> <li>12) a description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>13) remuneration statement should not include commercially sensitive information.</li> </ol>	No	Recommendations provided in 8.1 are not complied with.

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

<p>during the relevant financial year;</p> <p>2) when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component (s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.</p>	Yes	On 8 December 2015 the Board approved the new rules for the directors' remuneration defining evaluation criteria of their performance results.
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>	Yes	
<p>8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.</p>	Yes	
<p>8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.</p>	Not applicable	The Company did not pay any variable components of remuneration which had been awarded on the basis of data which subsequently proved to be manifestly misstated.
<p>8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.</p>	No	Termination payments are paid following the laws of the Republic of Lithuania.
<p>8.11. Termination payments should not be paid if the termination is due to inadequate performance.</p>	No	Termination payments are paid following the laws of the Republic of Lithuania.

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



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

<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company’s website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company’s website.</p>	<p>Not applicable</p>	
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**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.**

<p>9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.</p>	<p>Yes</p>	<p>The Company respects all rights of the stakeholders, allows the stakeholders to participate in corporate governance in the manner prescribed by law. Detailed information on scheduled events of the shareholders is made public following the procedure prescribed by law, the investors (shareholders) have sufficient opportunities to familiarize themselves with the relevant information and vote in adopting decisions.</p>
<p>9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company’s share capital; creditor involvement in governance in the context of the company’s insolvency, etc.</p>	<p>Yes</p>	
<p>9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.</p>	<p>Yes</p>	

## Principle X: Information disclosure and transparency

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

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

<p>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.</p>	<p>Yes</p>	<p>The Company presents the information through the information disclosure system <i>Globenewswire</i> used by NASDAQ OMX in the Lithuanian and English languages at the same time. The Company does not disclose any information that might have effect on the price of its securities in the comments, interviews or any other ways before such information is announced through the information system of the Stock Exchange.</p>
<p>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.</p>	<p>Yes</p>	<p>The Company plans to sign a contract with <i>Vilniaus vertybinių popierių birža</i>, AB (Vilnius Stock Exchange) regarding the creation of the column for the link with the investors in the website of the Company where all information published by the information disclosure and distribution system <i>Globenewswire</i> used by NASDAQ OMX will also be published on the Company's website.</p>
<p>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.</p>	<p>Yes</p>	

**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 2015 the firm of auditors provided services in tax consulting.