AB Panevėžio Statybos Trestas

Separate financial statements and annual report for the year 2016

Contents

Company details

AB Panevėžio Statybos Trestas

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

Board

Remigijus Juodviršis, Chairman
Artūras Bučas
Virmantas Puidokas
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
OP Corporate Bank Plc Lithuania Branch

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

Opinion

We have audited the separate financial statements of AB Panevėžio Statybos Trestas ("the Company"), which comprise the separate statement of financial position as at 31 December 2016, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Company code: 111494971
VAT code: LT114949716

Impairment of investments in and the amounts due from subsidiaries in the Russian Federation

As at 31 December 2016, the carrying amounts of investments in subsidiaries: EUR 7,708,060, trade receivables: EUR 11,878,844 and loans granted: EUR 2,786,272

We refer to the information provided in the following notes to the separate financial statements: Note 2 Use of estimates and judgments, Note 3 Significant accounting policies – Impairment of financial assets and Impairment of non-financial assets, Note 3 Significant accounting policies – Investments in subsidiaries, Note 16 Investments in subsidiaries, Note 19 Trade receivables and Note 20 Current loans granted

The key audit matter	*How the matter was addressed in the audit*
The Company's business has significant exposure to the Russian market through its subsidiaries' construction projects in the areas of Kaliningrad and Cherepovets. Current geopolitical situation, including the economic sanctions imposed on the Russian Federation, further reduced its population's purchasing power, which had an adverse effect on the construction sector. The above circumstances represent an indication that investments in the Russian Federation may be impaired. The amount of such impairment, if any, is measured as an excess of the carrying amounts of investments over their recoverable amounts. A key factor in estimating the recoverable amounts of the investments in subsidiaries is the profitability of the underlying construction projects. The Company engaged external appraisers to assist it in the assessment (based on a discounted cash flow technique). In addition, the Company experienced significant delays in receiving repayments of receivables from and loans granted to its subsidiaries in the Russian Federation. Accordingly, consideration is required from management of whether there is objective evidence that impairment exists for these loans and receivables, and whether an impairment loss needs to be recognized. The process requires significant management judgement, particularly when estimating expected future cash flows from the asset.	Our audit procedures included, among others: • Testing the controls over the monitoring and identification of impairment indicators for investments, receivables and loans; • For the Company's subsidiaries operating in the Russian Federation, independently assessing, by reference to the entity's financial performance and by making inquiries of management, whether impairment indications existed as at 31 December 2016; • With the assistance of our own valuation specialists, critically assessing the work of the external appraisers engaged by the Company, including the assumptions applied and estimates made. Our work included, among others: - Understanding and evaluating the process applied by the Company in selecting, reviewing and assessing the work of the external appraisers; - Evaluating the competence and objectivity of the Company's external appraisers and assessing their valuation methodology against the requirements of the relevant financial reporting standards and market practice; - Assessing whether the key macroeconomic assumptions applied (including those in respect of discount and inflation rates) are based on and correspond with the market data in the available industry and analysts reports; • Critically assessing the subsidiaries' ability to repay the amounts due by evaluating their liquidity position (including, among others, assessing the collectability of their own receivables from customers) and by reference to the historical experience with similar receivables; • Evaluating the Company's analysis of the sensitivity of the impairment tests' results to changes in key assumptions; • Assessing the adequacy and appropriateness of the Company's disclosures related to the significant judgments and the sensitivity of the outcome of impairment assessment.

KPMG

Revenue recognition

As at 31 December 2016, revenue EUR 83,909,567, accrued revenue. EUR 2,753,051, accrued costs: EUR 845,366.

We refer to the information provided in the following notes in these financial statements: Note 2 Use of estimates and judgments, Note 3 Significant accounting policies – Construction work in progress, Note 19 Trade receivables and Note 26 Other liabilities (non-financial items).

The key audit matter	*How the matter was addressed in the audit*
The Company's main revenue stream comes from construction contracts, primarily in respect of buildings and manufacturing facilities. Where the outcome of a construction contract can be estimated reliably the recognition of revenue and expenses is based on the stage of completion of work performed. In most cases this is assessed by reference to the proportion of total costs incurred through the reporting date compared to total costs of the contract estimated by management. When the outcome cannot be estimated reliably contract revenue is recognised only to the extent of costs incurred that are likely to be recoverable. The accurate recording of revenue is highly dependent on judgment exercised by management in assessing the completeness and accuracy of forecast costs to complete. Changes in these judgments and related estimates throughout a contract life can result in material adjustments to revenue and margin recognised on contracts, which can be either positive or negative.	Our audit procedures included, among others: • Testing internal controls over the recognition of revenue from construction contracts, including approval controls over monthly work progress reports and project costs; • Assessing the accuracy of management's forecasting by comparing the historical financial performance of completed contracts with the original budgets and forecast margins for those contracts; • Selecting a sample of contracts with greatest potential impact on the Company separate financial statements, considering both quantitative and qualitative criteria, such as significant margin changes, loss-making contracts and projects unique in their nature and as such requiring a more complex assessment; • For the sample of contracts selected, where appropriate, performing the following procedures: - Inspecting the contracts to evaluate whether individual characteristics of each contract were accounted for; - challenging the estimated costs still required to complete the contracts by reference to our understanding of the contract scope and historical experience with similar contracts; - through inquiries of contract managers and inspection of client-approved statements of completion, independently assessing the stage of completion of open contracts; - tracing significant fluctuations between actual contract revenues and costs and their forecast levels and variations agreed and accounted; - critically assessing the costs incurred to date with particular focus on whether they are reflective of the actual progress of the work and only take into account eligible items; - evaluating margins on open contracts to assess whether all loss making contracts were properly identified and accounted for; • Considering the adequacy of the Company's disclosures about the degree of judgement involved in arriving at the contract revenues.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with EU IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Rokas Kasperavičius.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
30 March 2017

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

Approved on
Minutes No. ____________________

Separate statement of financial position

as at 31 December

In EUR

	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	5,074,932	5,094,315
Intangible assets	14	146,366	69,256
Investment property	15	1,270,000	1,270,000
Investments in subsidiaries	16	7,708,060	5,848,248
Loans granted	17	0	325,068
Other assets		29,223	30,070
Deferred tax assets	12	337,338	246,745
Total non-current assets		**14,565,919**	**12,883,702**
Current assets			
Inventories	18	763,560	641,570
Trade receivables	19	11,878,844	10,884,408
Prepayments		246,123	609,785
Loans granted	20	2,786,272	8,588,146
Other assets	21	1,187,181	1,162,186
Advance income tax	21	34,918	1,208
Cash and cash equivalents	22	22,409,915	20,896,409
Total current assets		**39,306,813**	**42,783,712**
TOTAL ASSETS		**53,872,732**	**55,667,414**

The notes on pages 13–46 are an integral part of these financial statements.

Managing Director Dalius Gesevičius 30/03/2017

Chief Accountant Danguolė Širvinskienė 30/03/2017

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

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Separate statement of financial position (continued)

as at 31 December

In EUR

	Note	31 December 2016	31 December 2015
EQUITY AND LIABILITIES			
Equity			
Share capital	23	4,741,500	4,741,500
Reserves	23	1,786,660	1,859,847
Retained earnings		33,212,224	31,609,648
Total equity		**39,740,384**	**38,210,995**
Non-current liabilities			
Warranty and other provisions	25	712,257	520,879
Deferred tax liabilities	12	231,619	244,643
Total non-current liabilities		**943,876**	**765,522**
Current liabilities			
Trade payables	24	9,248,266	10,889,317
Prepayments received	19	37,635	1,056,999
Current tax payable		0	182,225
Other liabilities	26	3,902,571	4,562,356
Total current liabilities		**13,188,472**	**16,690,897**
Total liabilities		**14,132,348**	**17,456,419**
TOTAL EQUITY AND LIABILITIES		**53,872,732**	**55,667,414**

The notes on pages 13–46 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	30/03/2017
Chief Accountant	Danguolė Širvinskienė	30/03/2017

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

Approved on
Minutes No. ____________

Separate statement of comprehensive income

for the year ended 31 December

In EUR

	Note	2016	2015
Revenue	5	83,909,567	77,437,607
Cost of sales	6	(77,030,708)	(70,225,777)
Gross profit		**6,878,859**	**7,211,830**
Other income	10	595,811	625,317
Sales expenses	7	(318,836)	(195,133)
Administrative expenses	8	(4,746,699)	(5,398,004)
Other expenses	10	(366,208)	(283,556)
Result from operating activities		**2,042,927**	**1,960,454**
Finance income	11	630,600	733,418
Finance costs	11	(581,316)	(2,034,993)
Profit before income tax		**2,092,211**	**658,879**
Income tax	12	(300,846)	(330,641)
Net profit (loss)		**1,791,365**	**328,238**
Other comprehensive income			
Adjustment related to the adoption of euro under Lithuanian legislation		0	6,213
Items that will never be reclassified to profit or loss		**0**	**6,213**
Items that are or may be reclassified to profit or loss		**0**	**0**
Total other comprehensive income		**0**	**0**
Total comprehensive income		**1,791,365**	**334,451**
Basic and diluted earnings per share	24	0.11	0.02

The notes on pages 13–46 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	30/03/2017
Chief Accountant	Danguolė Širvinskienė	30/03/2017

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

Approved on
Minutes No. ______

Separate statement of changes in equity

In EUR	Notes	Share capital	Compulsory reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2014		**4,735,287**	**473,537**	**1,540,662**	**32,206,158**	**38,955,644**
Total comprehensive income for the year						
Restated net profit (loss)					328,238	328,238
Total other comprehensive income		6,213		(154,352)	154,352	6,213
Total restated comprehensive income for the year		6,213		(154,352)	482,590	334,451
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company					(1,079,100)	(1,079,100)
Total contributions by and distributions to owners of the Company					(1,079,100)	(1,079,100)
Balance as at 31 December 2015		**4,741,500**	**473,537**	**1,386,310**	**31,609,648**	**38,210,995**
Total comprehensive income for the year						
Net profit (loss)					1,791,365	1,791,365
Total other comprehensive income			613	(73,800)	73187	0
Total comprehensive income for the year			613	(73,800)	1,864,552	1,791,365
Contributions by and distributions to owners of the Company						
Dividends to owners of the Company					(261,976)	(261,976)
Total contributions by and distributions to owners of the Company					(261,976)	(261,976)
Balance as at 31 December 2016		**4,741,500**	**474,150**	**1,312,510**	**33,212,224**	**39,740,384**

The notes on pages 13–46 are an integral part of these financial statements.

Managing Director Dalius Gesevičius 30/03/2017

Chief Accountant Danguolė Širvinskienė 30/03/2017

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

Approved on
Minutes No. ____________________

Separate statement of cash flows

for the year ended 31 December
In EUR

	Note	2016	2015
Cash flow from operating activities			
Net profit		1,791,365	328,238
Adjustments for:			
Depreciation and amortization	13,14	908,366	898,831
Result from disposal of property, plant and equipment		(65,185)	8,589
Income tax expense		300,846	330,641
Unrealized foreign currency gain		0	12,431
Other non-cash items		120,156	1,595,917
		3,055,548	3,174,647
Change in long-term receivables		847	2,171
Change in inventories		(73,481)	1,035,851
Change in trade receivables		(1,268,045)	6,931,224
Change in prepayments		363,662	(384,132)
Change in other assets		(215,496)	394,943
Change in trade payables		(1,641,051)	(2,382,264)
Change in prepayments received		(1,019364)	(2,770,412)
Change in other liabilities		(354,247)	200,790
		(1,151,627)	6,202,818
Income tax paid		(439,381)	(636,237)
Net cash flows from / (used in) operating activities		**(1,591,008)**	**5,566,581**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(1,017,489)	(2,414,727)
Disposal of property, plant and equipment		116,581	49,630
Acquisition of subsidiary		(1,600,000)	0
Loans granted		(243,060)	(2,441,984)
Loans recovered		5,301,549	2,220,863
Dividends and interest received		855,274	431,958
Net cash flows from / (used in) investing activities		**3,412,855**	**(2,154,260)**
Cash flows from financing activities			
Dividends paid		(262,392)	(1,073,948)
Interest paid		(45,949)	(32,268)
Net cash flows used in financing activities		**(308,341)**	**(1,106,216)**
Net increase in cash and cash equivalents		**1,513,506**	**2,306,105**
Cash and cash equivalents at 1 January		20,896,409	18,602,735
Effect of exchange rate fluctuations on cash held		0	(12,431)
Cash and cash equivalents at 31 December		**22,409,915**	**20,896,409**

The notes on pages 13–46 are an integral part of these financial statements.

Managing Director	Dalius Gesevičius	30/03/2017
Chief Accountant	Danguolė Širvinskienė	30/03/2017

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 Republic of Lithuania. The ordinary registered shares of the Company are listed on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006. The Company is primarily involved in construction of buildings, plant, equipment as well as other facilities and networks, etc. in Lithuania and abroad. The Company employed 767 employees as at 31 December 2016 (783 employees as at 31 December 2015).

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

The main shareholders of the Company are:

- AB Panevėžio Keliai (49.78%);
- Swedbank AS (Estonia) (6.69%);
- Freely negotiable shares, owned by private persons and legal entities (43.53%).

There is no controlling ultimate beneficial owner.

These financial statements are the Company's separate financial statements. The Company also prepares consolidated financial statements for the Company and its subsidiaries, which are available at 30 March 2017. Details of subsidiary companies are disclosed in Note 16.

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

2. Basis of preparation

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

The financial statements are presented in the national currency of the Republic of Lithuania, euro (unless otherwise stated), which is the Company's functional currency.

Use of estimates and judgments

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

Use of estimates and judgments (continued)

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

- Note 12 – deferred taxes recognition. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences could be utilized.
- Note 13 – fair value of land and buildings, useful lives of property, plant and equipment. The Company verifies economic useful lives of property, plant and equipment and intangible assets at least once a year.
- Note 16 – measurement of recoverable amounts of investments in subsidiaries. A key factor in estimating the recoverable amounts of the investment in subsidiaries is the recoverability of ongoing construction projects. Therefore, the Company engaged external appraisers to estimate the fair values of these projects based on DCF technique.
- Note 19 – impairment of trade receivables, construction contract revenue. The accurate recording of revenue is highly dependent on judgment exercised by management in assessing the, the completeness and accuracy of forecast costs. Estimating recoverable amounts of receivables is a process, which requires significant management judgement and estimates, particularly those that are related to future cash flows. The judgment was applied in estimating the amounts to be repaid and their timing.

3. Significant accounting policies

Foreign currency

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

Non-derivative financial instruments

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

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

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

Non-derivative financial instruments (continued)

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

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

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

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

Derivative financial instruments

The Company has no derivative financial instruments.

Property, plant and equipment

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

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

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

Property, plant and equipment (continued)

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

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

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

The estimated useful lives of the assets are the following:

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

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

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

Intangible assets

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

Investment property

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

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

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

Investment property (continued)

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

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

Leased assets

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

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

Inventories

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

Construction work in progress

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

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

Impairment of financial assets

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

Impairment loss is recognized in profit or loss.

Impairment of financial assets (continued)

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

Impairment of non-financial assets

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

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

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

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

Dividends

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

Provisions

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

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

Employee benefits

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

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, paid holidays and other benefits. There are no long-term employee benefits.

Revenue

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

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

Finance income and costs

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

Income tax

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

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

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

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

Earnings per share

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

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

Segment reporting

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

Segment reporting (continued)

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

In 2016, the Company does not distinguish geographical segments, as the Company's income did not account for more than 10% of the total income in neither of foreign countries (in Sweden, income accounted for 0.26% of the total income, in Latvia – 0.062%).

Determination of fair values

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

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

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

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

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

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

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

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

The fair value of assets and liabilities in the statement of financial position as at 31 December 2016 does not differ significantly from their carrying amount.

Changes in accounting policies

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

Changes in accounting policies (continued)

The Company has adopted the new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016:

The following new standards and amendments with effective date of 1 January 2016 did not have any impact on these financial statements:

- IFRS 14 Regulatory Deferral Accounts;
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11);
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38);
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41);
- Equity Method in Separate Financial Statements (Amendments to IAS 27);
- Annual Improvements to IFRSs – various standards;
- Investments Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28);
- Disclosure Initiative (Amendments to IAS 1).

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

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2016 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 9 Financial Instruments (2014) (Effective for annual periods beginning on or after 1 January 2018, to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

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

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Company does not expect IFRS 9 (2014) to have material impact on the financial statements. The classification and measurement of the Company's financial instruments are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial instruments that it holds. However, the Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of expected credit loss impairment model.

(ii) IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Company has not yet fully completed its initial assessment of the potential impact of IFRS 15 on the Company's separate financial statements.

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

(iii) Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (The effective date has not yet been determined by the IASB, however earlier adoption is permitted.)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no subsidiaries, associates or joint ventures.

(iv) IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.) This pronouncement is not yet endorsed by the EU.

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

After taking into account the possible effect of the new Standard, the Company does not expect that the new Standard, when initially applied, will have material impact on the financial statements.

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

(v) Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the entity because the Company does not enter into share-based payment transactions.

(vi) Amendments to IAS 7 (Effective for annual periods beginning on or after 1 January 2017, to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

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

(vii) Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017; to be applied prospectively. Early application is permitted.) This pronouncement is not yet endorsed by the EU.

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of the financial statements of the Company because the Company already measures future taxable profit in a manner consistent with the Amendments.

(viii) Amendments to IAS 40 Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. This pronouncement is not yet endorsed by the EU.

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

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

The Company does not expect that the amendments will have a material impact on the financial statements because the Company transfers a property asset to, or from, investment property only when there is an actual change in use.

(ix) IFRIC 22 Foreign Currency Transactions and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018). This pronouncement is not yet endorsed by the EU.

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Company does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Company uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

(x) Annual Improvements to IFRSs

Annual improvements to IFRSs 2014-2016 cycle were issued on 8 December 2016 and introduce two amendments to two standards and consequential amendments to other standards and interpretations that result in accounting changes for presentation, recognition or measurement purposes. The amendments on IFRS 12 Disclosure of Interest in Other Entities are effective for annual periods beginning on or after 1 January 2017 and amendments on IAS 28 Investments in Associates and Joint Ventures are effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively. Earlier application is permitted.

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

4. Financial risk management

Overview

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

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

Credit risk

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

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

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

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

(in EUR)	2016	2015
Trade receivables	11,878,844	10,884,408
Current and non-current loans granted	2,786,272	8,913,213
Current and non-current other financial assets	936,757	1,093,550
Cash and cash equivalents	22,409,915	20,896,409
Total	**38,011,788**	**41,787,580**

Trade receivables:

(in EUR)	2016	2015
Municipalities and state institutions	339,615	1,028,566
Corporate entities	11,539,229	9,855,842
Total trade receivables	**11,878,844**	**10,884,408**

Credit risk (continued)

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

(in EUR)	2016	%	2015	%
Client 1	3,487,755	29.4	1,738,118	16.0
Client 2	1,749,439	14.7	784,215	7.2
Client 3	713,535	6.0	621,894	5.7
Client 4	438,091	3.7	598,494	5.5
Client 5	366,023	3.1	506,584	4.6
Client 6	310,973	2.6	378,396	3.5
Client 7	272,491	2.3	351,164	3.2
Other clients	5,210,405	43.8	6,301,802	57.9
Impairment	(669,868)	(5.6)	(396,259)	(3.6)
Total	**11,878,844**	**100**	**10,884,408**	**100**

Trade receivables according to geographic regions:

(in EUR)	2016	2015
Local market (Lithuania)	11,563,948	10,832,628
Latvia	29,178	22,353
Russia	13,227	13,192
Sweden	272,491	16,235
Total	**11,878,844**	**10,884,408**

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

(in EUR)	2016	Impairment	2015	Impairment
Not overdue	10,949,523		7,976,083	
Overdue 0–30 days	210,830		1,756,655	
Overdue 30–90 days	288,414		918,036	
More than 90 days	1,099,945	669,868	629,893	396,259
Total	**12,548,712**	**669,868**	**11,280,667**	**396,259**

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Methodology used for establishing the allowance is reviewed regularly to reduce any differences between loss estimate and actual loss experience.

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

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

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

Liquidity risk

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

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

(In EUR)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
Liabilities				
Loans and borrowings	0	0	0	0
Trade creditors	9,248,266	9,248,266	9,248,266	
Total	**9,248,266**	**9,248,266**	**9,248,266**	**0**

Payment maturities of liabilities as at 31 December 2015, including calculated interest, as to the agreements, are presented below:

(in EUR)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
Liabilities				
Loans and borrowings	0	0	0	0
Trade creditors	10,889,317	10,889,317	10,889,317	0
Total	**10,889,317**	**10,889,317**	**10,889,317**	**0**

Market risk

Market risk is the risk that changes in market prices, such as changes in foreign currency rates and interest rates will affect the results of the Company or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. As at 31 December 2016 and 2015 the Company did not use any derivative financial instruments.

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

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

	31 December 2016	Average 2016	31 December 2015	Average 2015
1 EUR =	1.0000	1.0000	1.0000	1.0000
1 SEK =	0.1046	0.1057	0.1088	0.1069
1 RUB =	0.0158	0.0135	0.0125	0.0147

Market risk (continued)

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

Year 2016 (EUR)	EUR	RUB	GBP	SEK
Trade receivables	11,878,844			
Current loans granted	2,786,272			
Current and non-current other financial assets	936,757			
Cash and cash equivalents	22,334,224	66	6,619	69,006
Trade payables	(9,243,010)	(5,256)		
Total exposure	**28,693,087**	**(5,190)**	**6,619**	**69,006**

Year 2015 (EUR)	EUR	RUB	GBP	SEK
Non-current loans granted	325,068			
Trade receivables	10,873,916	10,492		
Current loans granted	7,929,981	658,165		
Current and non-current other financial assets	1,093,550			
Cash and cash equivalents	20,810,577	3,139	7,671	75,022
Trade payables	(10,889,317)			
Total exposure	**30,143,775**	**671,796**	**7,671**	**75,022**

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

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

Variable interest rate financial assets and liabilities were as follows:

	Currency	2016	2015
Issued non-current loans	EUR	0	325,068
Issued current loans	EUR	2,786,272	7,929,981
Issued current loans	RUB	0	658,165
Total		**2,786,272**	**8,913,214**

With an increase in the interest rate by 0.5%, the Company's profit would increase by approximately EUR 14 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 Company's financial results and strategic plans.

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

Operating risk management

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

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

Major customer

Revenue from major customer of the Company in 2016 represents approximately EUR 36,073 thousand (2015: EUR 21,893 thousand) of the Company's total revenues.

5. Sales

(In EUR)	2016	2015
Lithuania	83,639,378	77 069 004
Sweden	218,165	-
Latvia	53,024	12,390
Russia	-	356,213
Total sales	**83,909,567**	**77,437,607**

6. Cost of sales

(In EUR)	2016	2015
Constructions sub-contractors	39,960,177	41,324,509
Raw materials and consumables	20,770,876	13,580,364
Personnel expenses	9,222,722	8,953,584
Depreciation	550,095	493,510
Amortization	57,135	25,550
Other costs	6,469,703	5,848,260
Total cost of sales	**77,030,708**	**70,225,777**

7. Sales expenses

(In EUR)	2016	2015
Advertising and similar expenses	80,195	169,527
Personnel expenses	238,641	25,606
Total sales expenses	**318,836**	**195,133**

8. Administrative expenses

(In EUR)	2016	2015
Personnel expenses	2,643,285	3,058,910
Purchased services for administration purposes	743,767	658,960
Depreciation	208,191	270,939
Tantiemes	65,647	215,987
Operating taxes	169,348	195,755
Support	360,779	165,270
Amortization	617	620
Impairment of trade receivables/reversal (-)	430,402	(19,847)
Other expenses	124,663	851,410
Total administrative expenses	**4,746,699**	**5,398,004**

9. Personnel expenses

(In EUR)	2016	2015
Wages and salaries	8,594,782	8,483,462
Compulsory social security contributions	2,662,663	2,685,777
Daily and illness allowances	512,111	678,058
Change in accrued vacation reserve and bonuses	266,633	173,971
Change in pension provision	89,251	22,000
Total personnel expenses	**12,125,440**	**12,043,268**
Included into:		
Cost of sales	9,222,722	8,953,584
Administrative expenses	2,643,285	3,058,910
Sales expenses	238,641	25,606
Other operating expenses	20,792	5,168
Total personnel expenses	**12,125,440**	**12,043,268**

10. Other income and expenses

(In EUR)	2016	2015
Change in fair value of investment property	0	271,015
Gain from disposed property, plant and equipment	79,774	23,594
Rent income	190,739	64,790
Other income	325,298	265,918
Total other income	**595,811**	**625,317**
Depreciation of rented premises and other expenses	(366,208)	(283,556)
Loss from disposed property, plant and equipment	0	0
Total other expenses	**(366,208)**	**(283,556)**
Total other income and expenses, net	**229,603**	**341,761**

11. Finance income and costs

(In EUR)	2016	2015
Interest income	193,448	380,736
Dividend income	305,121	352,682
Foreign currency exchange gain	132,031	0
Total finance income	**630,600**	**733,418**
Interest expense	(45,949)	(32,268)
Foreign currency exchange loss	0	(83,996)
Impairment of investments and loans issued	(535,193)	(1,917,354)
Other expenses	(174)	(1,375)
Total finance costs	**(581,316)**	**(2,034,993)**
Total finance income and costs, net	**49,284**	**(1,301,575)**

12. Income tax

Income tax expense:

(In EUR)	2016	2015
Current tax expense	404,463	380,523
Change in deferred tax	(103,617)	(49,882)
Total income tax expense	**300,846**	**330,641**

As of 1 January 2016, the Company applied a standard rate of 15% in Lithuania, a 22% rate in the Kingdom of Sweden and a rate of 15% in Latvia (as of 1 January 2015: rate of 15% in Lithuania, a 20% rate in Russian Federation and a rate of 15% in Latvia).

Reconciliation of effective tax rate:

(In EUR)	2016		2015	
Profit before tax		2,092,211		658,879
Income tax applying the Company's domestic tax rate	15.0%	313,832	15.0%	98,832
Effect of tax rates in foreign jurisdictions	0	0	13.0%	85,375
Non-deductible expenses	6.2%	130,310	51.9%	341,796
Tax exempt income	(6.8%)	(143,296)	(29.7%)	(195,362)
	14.4%	**300,846**	**50.2%**	**330,641**

Deferred tax:

(In EUR)	2016		2015	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment of trade receivables	669,868	100,480	396,259	59,439
Accrued bonuses	735,440	110,316	523,959	78,593
Vacation reserve	315,096	47,264	291,685	43,753
Warranty provision	601,006	90,151	498,879	74,832
Stock write-down to NRV	45,492	6,824	94,001	14,100
Pension provision	111,251	16,688	22,000	3,300
Total deferred tax assets		**371,723**		**274,017**
Not recognized deferred tax assets		**(34,385)**		**(27,272)**
Recognized deferred tax assets		**337,338**		**246,745**
Revaluation of land and buildings	1,544,129	231,619	1,630,953	244,643
Deferred tax liability		**231,619**		**244,643**
Deferred tax, net		**105,719**		**2,102**

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Part of deferred tax has not been recognized due to uncertainty of deferred tax realisation. Deferred tax asset and liabilities are not offset as the entity haven't a legally enforceable right to make a single net corporate income tax payment.

Change in deferred tax:

(In EUR)	2016	2015
Net deferred tax at 1 January	2,102	(47,780)
Recognized in other comprehensive income	0	0
Recognized in profit or loss	103,617	49,882
Net deferred tax at 31 December	**105,719**	**2,102**

13. Property, plant and equipment

(In EUR)	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Total
Cost (revalued carrying value of land and buildings)					
Balance at 1 January 2015	**3,207,061**	**5,145,832**	**3,099,295**	**2,701,188**	**14,153,376**
Additions	18,138	663,474	560,303	112,476	1,354,391
Disposals	0	(207,334)	(344,641)	(131,166)	(683,141)
Eliminated accumulated depreciation	(284,050)	0	0	0	(284,050)
Revaluation	0	0	0	0	0
Balance at 1 January 2016	**2,941,149**	**5,601,972**	**3,314,957**	**2,682,498**	**14,540,576**
Additions	49,008	288,658	400,924	144,037	882,627
Disposals		(357,076)	(266,424)	(75,672)	(699,172)
Eliminated accumulated depreciation	(192,771)				(192,771)
Revaluation					
Balance at 31 December 2016	**2,797,386**	**5,533,554**	**3,449,457**	**2,750,863**	**14,531,260**
Depreciation and impairment losses					
Balance at 1 January 2015	**0**	**4,566,811**	**2,401,144**	**2,514,547**	**9,482,502**
Depreciation for the year	287,565	265,425	207,226	115,946	876,162
Impairment (reversal of impairment)	(3,501)	0	0	0	(3,501)
Depreciation of the assets disposed	0	(205,519)	(287,796)	(130,244)	(623,559)
Elimination of accumulated depreciation	(14)	(209)	(83)	(987)	(1,293)
Balance at 1 January 2016	**0**	**4,626,508**	**2,320,491**	**2,499,262**	**9,446,261**
Depreciation for the year	196,272	320,6,24	242,038	95,181	854,115
Impairment (reversal of impairment)	(3,501)				(3,501)
Depreciation of the assets disposed		(357,057)	(216,770)	(73,949)	(647,776)
Adjustments related to euro adoption					
Elimination of accumulated depreciation	(192,771)				(192,771)
Balance at 31 December 2016	**0**	**4,590,075**	**2,345,759**	**2,520,494**	**9,456,328**
Carrying amounts					
At 1 January 2015	**3,207,061**	**579,021**	**698,151**	**186,641**	**4,670,874**
At 1 January 2016	**2,941,149**	**975,464**	**994,466**	**183,236**	**5,094,315**
At 31 December 2016	**2,797,386**	**943,479**	**1,103,698**	**230,369**	**5,074,932**

13. Property, plant and equipment (continued)

Land and buildings are stated at revalued amount. The last external revaluation was performed as at 31 December 2013 based on the consulting on possible market prices of the Company's land and buildings provided by independent valuation company UAB Matininkai, having appropriate recognized professional qualifications and necessary experience in valuation of property at certain location and of certain category. Management performs valuation of PPA on an annual basis for financial reporting purposes. To verify management valuation, every five years external valuation report by valuation expert is commissioned.

The fair value of buildings and land equalling to EUR 2,797 thousand (2015: EUR 2,941 thousand) is attributable to Level 3 under the hierarchy of fair value. The valuation was performed using the market comparison technique.

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

If the buildings and land were stated at cost model, their carrying amount as at 31 December 2016 would be equal to EUR 2,267 thousand (31 December 2015: EUR 2,394 thousand).

(In EUR)	2016	2015
Depreciation included into:		
Cost of sales	550,095	493,510
Operating expenses	208,191	275,940
Other expenses	92,328	103,211
Total depreciation	**850,614**	**872,661**

Land and buildings with a net carrying amount of EUR 3,191 thousand as at 31 December 2016 are pledged to banks (refer to Note 26). As at 31 December 2016, the Company had no leased property, plant and equipment.

14. Intangible assets

(In EUR)	Software	Other	Total
Cost			
Balance at 1 January 2015	**278,369**	**5,729**	**284,098**
Additions	60,300	1,051	61,351
Disposed and written off assets during the year	(622)	0	(622)
Balance at 1 January 2016	**338,047**	**6,780**	**344,827**
Additions	134,862		134,862
Balance at 31 December 2016	**472,909**	**6,780**	**479,689**
Amortization and impairment losses			
Balance at 1 January 2015	**244,907**	**5,198**	**250,105**
Amortization for the year	25,874	296	26,170
Disposed and written off assets during the year	(622)	0	(622)
Adjustments related to euro adoption	(81)	(1)	(82)
Balance at 1 January 2016	**270,078**	**5,493**	**275,571**
Amortization for the year	57,273	479	57,752
Balance at 31 December 2016	**327,351**	**5,972**	**333,323**
Carrying amount			
At 1 January 2016	67,969	1,287	69,256
At 31 December 2016	**145,558**	**808**	**146,366**

14. Intangible assets (continued)

(In EUR)	2016	2015
Amortization included into:		
Cost of sales	57,135	25,550
Administrative expenses	617	620
Total amortization	**57,752**	**26,170**

15. Investment property

(In EUR)	2016	2015
Balance at 1 January	1,270,000	0
Additions	0	998,985
Change in fair value	0	271,015
Balance at 31 December	**1,270,000**	**1,270,000**

During the year 2015, the Company acquired a 14-floor hotel *Panevėžys* in Panevėžys, 29.5% of which is rented out to third parties, and the rest of the hotel is not used. The Company has no detailed plans regarding the use of the remaining part of the building yet; however, the building is not planned to be used in the Company's activities; therefore, the whole building is classified as an investment property.

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

The change in fair value was stated under other income (refer to Note 9).

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 109 thousand payable in less than one year, EUR 164 thousand payable between one and five years (31 December 2015: EUR 85 thousand payable in less than one year, EUR 121 thousand payable between one and five years). Revenue from lease in 2016 amounted to EUR 90 thousand (in 2015: EUR 29 thousand) and was stated under other income.

16. Investments in subsidiaries

(In EUR)	2016		2015	
Subsidiary	Ownership	Cost	Ownership	Cost
UAB PST Investicijos	68.3%	8,877,433	68.3%	8,877,433
UAB Šeškinės Projektai	100%	1,600,000	0	0
OOO Baltlitstroj	100%	341,077	100%	341,077
UAB Vekada	95.6%	224,885	95.6%	224,885
UAB Skydmedis	100%	144,810	100%	144,810
UAB Alinita	100%	69,509	100%	69,509
UAB Metalo Meistrai	100%	23,604	100%	23,604
AB PST Nordic	100%	6,432	100%	6,432
SIA PS Trests	100%	3,816	100%	3,816
Kingsbud Sp.z.o.o	100%	1,268	100%	1,268
OOO Teritorija	87.5%	233	87.5%	233
Impairment		(3,585,007)		(3,844,819)
Total investment		**7,708,060**		**5,848,248**

16. Investments in subsidiaries (continued)

Financial information about the subsidiaries can be specified as follows:

Subsidiaries of AB Panevėžio Statybos Trestas:

(In EUR)	Type of activities	Equity as at 31/12/2016	Net profit (loss) for 2016	Equity as at 31/12/2015	Net profit (loss) for 2015
UAB PST Investicijos (consolidated – see below)	Real estate development	2,400,310	2,570,673	3,940,008	(757,069)
OOO Baltlitstroj	Constructions	(2,431,952)	(1,150,662)	(682,724)	168,249
UAB Vekada	Constructions: electricity instalments	1,455,553	166,550	1,289,003	(374,080)
UAB Skydmedis	Constructions: wooden houses	1,032,601	350,195	982,407	405,006
UAB Alinita	Constructions: conditioning equipment	(481,933)	50,786	(532,719)	(599,763)
UAB Metalo Meistrai	Constructions	177,468	61,995	115,473	(499,988)
SIA PS Trests	Constructions	(214,860)	6,125	(220,986)	1,202
UAB Šeškinės Projektai	Real estate development	1,222,883	(22,169)	1,245,052	19,748
Kingsbud Sp.z.o.o	Constructions	71,272	6,652	69,221	54,368
AB PST Nordic	Constructions	15,203	13,456	2,144	(4,147)
OOO Teritorija	Real estate development	(1,119,146)	(431,427)	(418,486)	289,033
PST UN Arms	Constructions	(35,081)	(35,081)	0	0

Subsidiaries of UAB PST Investicijos:

(In EUR)	Ownership	Equity as at 31/12/2016	Net profit (loss) for 2016	Equity as at 31/12/2015	Net profit (loss) for 2015
ZAO ISK Baltevromarket	100%	(7,437,508)	1,839,610	(7,645,794)	(3,269,901)
UAB Ateities Projektai	100%	251,164	(10,239)	261,403	(8,560)

As at 31 December 2016 based on the management's assessment, the investments in UAB Alinita, SIA PS Trests, OOO Teritorija, PST UN Arms and OOO Baltlitstroj are impaired; therefore, 100% impairment was recognized for these investments during the year 2016. The recoverable amount was calculated for the investment in UAB PST Investicijos (see below). According to the management, other investments are not impaired.

16. Investments in subsidiaries (continued)

The calculation of recoverable amount is presented below:

(In EUR)	Ownership	Projects under development measured at fair values	Net liabilities	Net assets when managed projects are stated at fair value	Value of UAB PST Investicijos investments in subsidiaries
ZAO ISK Baltevromarket	100%	9,880,000	(10,928,598)	(1,048,598)	(1,048,598)
UAB Ateities Projektai	100%	400,000	(148,868)	251,132	251,132
Recoverable amount of UAB PST Investicijos investments in subsidiaries					(797,466)
Other assets of UAB PST Investicijos before recognition of impairment					11,616,274
Liabilities of UAB PST Investicijos					(2,364,999)
Costs of possible sale of real estate					(61,413)
Net assets of UAB PST Investicijos at fair value as at 31 December 2016					**8,392,396**
Number of shares owned by AB Panevėžio Statybos Trestas					68%
The recoverable amount of UAB PST Investicijos attributable to AB Panevėžio Statybos Trestas					**5,706,828**
Acquisition cost of the investment in UAB PST Investicijos in the financial statements as at 31 December 2016					**8,877,433**
Calculated impairment					**(3,170,605)**
Recognised in the financial statements:					
Recognised impairment as at 31 December 2015					(3,499,926)
Reversed impairment in 2016					329,321
Total recognised impairment as at 31 December 2016					**(3,170,605)**

(i) A significant portion of the recoverable amount of investments is related to the real estate project being developed by AO ISK Baltevromarket in Kaliningrad. In 2013, the Board reached the decision to sell the project AO ISK Baltevromarket. The Company will make every effort to achieve that the transaction is carried out under most favourable terms. To support the recoverable amount, the Company obtained a market price estimate prepared by an independent 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 Baltevromarket as at 31 December 2016 amounted to EUR 9,880,000.

The valuation of one of the land plots developed by AO ISK Baltevromarket was performed using the market comparison technique, based on which the value of the land plot was EUR 2,300,000; another land plot was evaluated using the discounted cash flows method, based on which the value of the land plot was EUR 7,580,000. 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 5.5 to 35.75 EUR/sq. m., occupancy rate – from 70% in the first year to 95% in the last year of the model for different premises;

(ii) The recoverable amounts of other projects have been estimated based on the consultations with the real estate appraiser Ober-Haus Nekilnojamas Turtas regarding potential market prices as at 31 December 2016. In calculation of the prices of property, the discounted cash flow method was used (discount rate of 15%).

17. Non-current loans granted

(In EUR)

	Interest rate	Maturity	2016	2015
UAB Metalo Meistrai	6-month EURIBOR + 2.0%	31/12/2017	0	325,068
Total			**0**	**325,068**

18. Inventories

(In EUR)	2016	2015
Raw materials and consumables	809,052	735,571
Write-down to net realizable value	(45,492)	(94,001)
Total inventories	**763,560**	**641,570**

In 2016 and 2015, change in write-down of inventory to the net realizable value was stated under Administrative expenses.

19. Trade receivables

(In EUR)	2016	2015
Trade receivables due from customers	9,359,450	9,531,601
Accrued receivables in accordance with the stage of completion	2,753,051	1,524,209
Trade receivables due from controlled companies	436,211	224,857
Impairment at the beginning of the year	(396,259)	(562,110)
Write-off, repayment of doubtful trade receivables	39,624	400,740
Additional impairment during the period	(313,233)	(234,889)
Impairment at the end of the year	(669,868)	(396,259)
Total trade receivables	**11,878,844**	**10,884,408**

As at 31 December 2016 aggregate costs incurred under construction contracts in progress and recognized profits, net of recognized losses, amounted to EUR 65,273,666 (2015: EUR 42,182,830). Progress billings under open construction contracts amounted to EUR 63,365,981 as at 31 December 2016 (2015: EUR 42,253,162). Billings in excess of costs incurred and recognized profits are presented as deferred income (disclosed in Note 18) and deferred costs (disclosed in Note 25) and amounted to EUR 2,753,051 and EUR 845,366 respectively as at 31 December 2016 (2015: EUR 1,524,209 and EUR 1,594,541).

As at 31 December 2016, trade receivables include retentions (retention – a fixed percentage of the total contract price which shall be repaid having delivered the construction after its completion and having presented the bank guarantee of the retained cash or warrantee document of the insurance company) of EUR 1,607,041 (2015: EUR 1,773,591) relating to construction contracts in progress.

For impairment of trade receivables refer to Note 4.

Prepayments received from customers amounted to EUR 37,635 as at 31 December 2016 (31 December 2015: EUR 1,056,999). As at the end of 2016, no construction contracts allowing for advances of EUR 1 million or more were signed.

20. Current loans granted

(In EUR)	Interest rate	Maturity	2016	2015
UAB PST Investicijos (loan)	6-month EURIBOR +2.2%	30/09/2017	1,820,767	4,534,836
UAB PST Investicijos (loan)	6-month EURIBOR +1.9%	30/09/2017	135,014	2,517,701
OOO Teritorija	12% fixed	30/06/2017	928,516	1,171,480
Impairment of OOO Teritorija loan	-	-	(771,500)	(526,080)
OOO Baltlitstroj (loan)	9% fixed	31/12/2016	549,585	658,165
Impairment of OOO Baltlitstroj loan	-	-	(549,585)	0
Kingsbud Sp.z.o.o	1.67% fixed	31/12/2017	330,342	230,293
UAB Metalo Meistrai	6-month EURIBOR +2.0%	31/12/2017	321,447	0
UAB Šeškinės Projektai	2,0% fixed	31/12/2017	8,086	0
Other current loans	1,5% fixed	12/05/2017	13,600	1,750
Total			2,786,272	8,588,145

21. Other current assets

(In EUR)	2016	2015
Financial assets		
Receivable from the subsidiary OOO Baltlitstroj related to prepayment paid to the supplier for subsidiary	1,239,554	1,239,554
Impairment	(302,797)	(146,004)
Non-financial assets		
VAT overpayment	239,759	10,767
Accrued receivable from the customer	0	56,731
Other current assets	10,665	1,138
Total other current assets	**1,187,181**	**1,162,186**

22. Cash and cash equivalents

(In EUR)	2016	2015
Cash at banks	21,386,185	19,880,757
Cash on hand	23,730	15,208
Bank deposits	1,000,000	1,000,444
Total cash and cash equivalents	**22,409,915**	**20,896,409**

As at 31 December 2016 the Company had a term deposit bearing a 0.9% interest (as at 31 December 2015: 0.27%).

23. Capital and reserves

The Company's authorized share capital consists of 16,350,000 ordinary shares with a nominal value of 29 euro cents each. The Company's authorized share capital is fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital. There were no changes in the share capital in 2016.

Reserves are as follows:

(In EUR)	2016	2015
Revaluation reserve	1,312,510	1,386,310
Legal reserve	474,150	473,537
Total reserves	**1,786,660**	**1,859,847**

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

Movement of revaluation reserve:

	2016	2015
Revaluation reserve at 1 January	**1,386,310**	**1,540,662**
Depreciation of revaluation reserve	(73,800)	(154,352)
Revaluation reserve at 31 December	**1,312,510**	**1,386,310**

Legal reserve is a compulsory reserve allocated in accordance with the legislation. An annual allocation of at least 5% of the net profit is required until the reserve is not less than 10% of the authorized share capital. The reserve cannot be paid out in dividends. As a result of the euro adoption, as at 31 December 2015 the legal reserve comprised 9.99% of the value of the authorized share capital. Under decision of the shareholders meeting, the forming of the legal reserve which as at 31 December 2016 amounts to 10% of the authorized share capital was completed.

24. Trade creditors

Trade creditors according to geographic regions:

(in EUR)	2016	2015
Local market (Lithuania)	9,095,439	10,812,792
Latvia	76,130	6,730
Poland	54,143	53,220
Germany	16,698	
Russia	5,256	
Sweden	600	16,575
Total	**9,248,266**	**10,889,317**

25. Provisions

Warranty provisions are related to constructions built in 2012–2016. Based on the legislation of the Republic of Lithuania, the Company has a warranty liability for construction works. The term of liability from 5 to 10 years after delivery of construction works. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs. Provisions for pensions and similar liabilities are recognised when they meet all of the three general criteria for recognition:

25. Provisions (continued)

- The Company has a present obligation (legal or irrevocable) as a result of past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate can be made of the amount of the obligation.

Change of provisions is as follows:

	2016	2015
Provisions at the beginning of the period	**520,879**	**471,079**
Used and recognized under cost of sales and operating costs	(137,583)	(164,745)
Accrued during the period	328,961	214,545
Provisions at the end of the period	**712,257**	**520,879**

26. Other liabilities

(In EUR)	2016	2015
Non-financial liabilities		
Deferred income in accordance with the stage of completion	845,366	1,594,541
Accrued vacation reserve	1,322,228	1,229,654
Payable salaries and related taxes	930,082	857,521
Other liabilities	69,455	356,680
Financial liabilities		
Salary bonuses for employees	735,440	523,960
Total other liabilities	**3,902,571**	**4,562,356**

27. Contingencies

Guarantees to third parties of EUR 992,882, related to liabilities in the construction contracts of the Company, have been issued by banks. The guarantees expire between 31 January 2017 to 09 December 2021. In addition, the Company has guarantees issued by insurance companies for the amount of EUR 8,410,178, which are also related to liabilities in the construction contracts. The guarantees expire between 2 January 2017 to 20 March 2020.

Property with a carrying amount of EUR 2,179,784 as at 31 December 2016 has been pledged to banks for the guarantee limit issued and guarantees issued by bank. The guarantee limit amounts to EUR 10,000,000, the used amount as at 31 December 2016 is EUR 992,882. The guarantee limit agreement is effective until 2 June 2017 with the possibility to issue guarantees until 2 June 2017 that would be valid for 3 years following their date of issue. Guarantees are valid for 5 year following their date of issue if the amount does not exceed EUR 700,000.

Property with a carrying amount of EUR 1,011,603 as at 31 December 2016 has been pledged to a bank for the guarantee limit issued. The guarantee limit amounts to EUR 3,000,000, the used amount as at 31 December 2016 is EUR 0. Additional agreement to a guarantee limit agreement as signed on 7 December 2016 is valid until 31 December 2018.

On 30 December 2016, a surety agreement was signed with material supplier for the liabilities of a subsidiary in the amount of PLN 400,000. The agreement is valid until 01 July 2017.

On 15 September 2016 a partnership PST UN ARMS was registered in the Republic of Latvia. The partnership was established for cooperation in construction of construction objects by AB Panevėžio Statybos Trestas and a limited company of the Republic of Latvia ARMS GROUP under a mutual agreement to halve set-up costs and the costs of follow-up activities.

The Company is involved in several court proceedings. Based on management judgement, 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 Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

The Company had sales and purchase transactions during 2016/2015 with subsidiaries, the parent company AB Panevėžio Keliai and with subsidiaries of AB Panevėžio Keliai. Transactions with related parties during 2016/2015 are as follows:

(In EUR)	Type of transaction	2016	2015
Sales:			
Companies under control (subsidiaries)			
UAB Alinita	Goods and services	482,686	114,586
UAB Vekada	Goods and services	243,207	106,637
AB PST Nordic	Services	222,726	19,141
UAB Metalo Meistrai	Goods, services, interest	99,784	142,166
OOO Teritorija	Services, interest	78,683	235,855
UAB PST Investicijos	Interest and services	52,821	135,045
UAB Skydmedis	Goods and services	51,343	82,015
OOO Baltlitstroj	Goods, services, interest	46,946	165,170
Other		27,044	9,194
Other related companies			
AB Panevėžio Keliai	Goods, services	134,650	433,789
UAB Ukmergės Keliai	Goods and services	76,567	155,350
Other	Services	17,402	26,285
Purchases:			
Companies under control			
UAB Alinita	Goods and services	2,567,374	2,132,761
Kingsbud Sp.z.o.o	Goods and services	1,024,092	586,377
UAB Vekada	Goods and services	2,251,445	2,309,529
UAB Metalo Meistrai	Goods and services	72,394	201,401
SIA PS Trests	Services	71,940	67,177
Other		58,319	154,234
Other related companies			
UAB Ukmergės Keliai	Goods and services	523,223	848
AB Panevėžio Keliai	Goods and services	425,019	687,567
UAB Sostinės Gatvės	Goods and services	395,988	286,285
UAB Panevėžio Ryšių Statyba	Goods and services	76,700	16,555
Other		66,345	78,669

28. Transactions with related parties (continued)

(In EUR)	2016	2015
Amounts receivable:		
Companies under control		
OOO Baltlitstroj	1,252,782	1,104,041
AB PST Nordic	272,491	16,235
UAB Metalo Meistrai	118,749	155,050
Other	44,757	311,366
Other related companies	1,600	139,197
Amounts payable:		
Companies under control		
UAB Vekada	684,489	312,099
UAB Alinita	65,805	0
Other	7,942	26,325
Other related companies		
UAB Panevėžio Keliai	328,091	203,672
UAB Sostinės Gatvės	103,206	157,802
UAB Ukmerges Keliai	71,602	0
Other	9,754	27,530
Loans receivable:		
UAB PST Investicijos	1,955,781	7,052,538
OOO Teritorija	928,516	1,170,690
OOO Baltlitstroj	549,584	658,165
UAB Metalo Meistrai	321,447	325,068
Kingsbud Sp.z.o.o	331,082	230,293
UAB Šeškinės Projektai	8,086	0

Wages, salaries and social insurance contributions, calculated to management for the year 2016, amounted to EUR 818,198 (2015: EUR 1,147,580).

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. Cash is attributed to Level 1, while receivables and payables are attributed to Level 3 in the fair value hierarchy.

29. Fair value of financial instruments (continued)

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

31 December 2016

	Carrying amount	Fair value		
	Total	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	11,878,844	-	-	11,878,844
Loans granted	4,107,357	-	-	4,107,357
Other financial assets	1,239,554	-	-	1,239,554
Cash and cash equivalents	22,409,915	22,409,915	-	
Total financial assets	**36,635,670**	**22,409,915**	-	
Financial liabilities				
Trade payables	(9,248,266)	-	-	(9,248,266)
Total financial liabilities	**(9,248,266)**	-	-	**(9,248,266)**

31 December 2015

	Carrying amount	Fair value		
	Total	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	10,884,408	-	-	10,884,408
Loans granted	8,913,214	-	-	8,913,214
Other financial assets	1,239,554	-	-	1,239,554
Cash and cash equivalents	20,896,409	20,896,409	-	-
Total financial assets	**41,933,585**	**20,896,409**	-	**21,037,176**
Financial liabilities				
Trade payables	(10,889,317)	-	-	(10,889,317)
Total financial liabilities	**(10,889,317)**	-	-	**(10,889,317)**

There were no transfers between levels of the fair value hierarchy in 2016 and 2015 at the Company.

Cash

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

Receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other receivables with outstanding maturities shorter than six months with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial.

29. Fair value of financial instruments (continued)

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreement. Fair value of shorter term financial liabilities with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial.

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

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

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

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

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

Financial instruments not measured at fair value

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

30. Earnings per share

(In EUR)	2016	2015
Net result for the year	1,791,365	328,238
Average number of shares	16,350,000	16,350,000
Basic and diluted earnings per share	**0.11**	**0.02**

31. Subsequent events

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

32. Situation in Russia

The economic recession in Russia is in gradual decline, however, the economic situation remains eminently fragile and uncertain. A slight recovery is seen in the agricultural sector, the industry's production volume has also started to increase gradually. However, downturn continued in the construction sector where added value has decreased by almost a tenth this year. Moreover, internal consumption decreased even further this year, largely shrinking real wages. Although the expected increases in prices of raw materials in global markets in 2017 should boost Russia's economic recovery, Russia's economy is likely to remain fragile and vulnerable in 2017 due to continuing geopolitical tensions and international sanctions. The continuing instability in the Russian business environment may have an adverse effect on the performance and financial position of the Company. Currently, the extent of such effect cannot be estimated. These separate 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 Company. Future business environment may differ from the management's assessments. No adjustments have been made in these separate financial statements in view of the effect of the events in Russia and other countries after the date of these separate financial statements.

Managing Director	Dalius Gesevičius	30/03/2017_____
Chief Accountant	Danguolė Širvinskienė	30/03/2017_____

Panevezio statybos trestas AB

Consolidated Annual Report for 2016

1. Accounting period covered by the Annual Report

This Consolidated Annual Report for 2016 covers the period from 1 January 2016 till 31 December 2016.

2. The main data about the Company (the issuer)

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

3. Nature of the main activities of the issuer

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

Vision

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

Mission

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

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

As of 31 December 2016, the Group of *Panevezio statybos trestas* AB included the following companies:

Subsidiary company	***Registration date, register administrator***	***Company code***	***Registered address***	***Telephone, fax, e-mail, website***	***Portion of controlled shares (per cents)***
Skydmedis UAB	17 June 1999 State Enterprise *Centre of Registers*	148284718	Pramones Str. 5, Panevezys	Tel. (+370 45) 467626 Fax (+370 45) 460259 info@skydmedis.lt www.skydmedis.lt	100
Metalo meistrai UAB	16 June 1999 State Enterprise *Centre of Registers*	148284860	Tinklu Str. 7, Panevezys	Tel.+370 45 460377 Fax. +370 45 585087 info@metalomeistrai.lt www.metalomeistrai.lt	100
Vekada UAB	16 May 1994 State Enterprise *Centre of Registers*	147815824	Marijonu Str. 36, Panevezys	Tel. (+370 45) 461311 Fax (+370 45) 461311 info@vekada.lt www.vekada.lt	95.6
Alinita UAB	8 December 1997 State Enterprise *Centre of Registers*	141619046	Tinklu Str. 7, Panevezys	Tel. (+370 45) 467630 Fax (+370 45) 467630 info@alinita.lt www.alinita.lt	100
Kingsbud Sp.z.o.o.	11 August 2010 District Court in Bialystok, XII Economic Department of National Court	200380717	A. Patli Str. 12, 16-400 Suwalki, Poland	Tel. (+48 875) 655 021 Fax (+48 875) 655 021 biuro@kingsbud.pl www.kingsbud.lt	100
PS Trests SIA	22 May 2000 Centre of Registers, Republic of Latvia	40003495365	Skultes Str. 28, Skulte, Marupes Parish, Riga Region, Latvia	Tel. +371 29525066	100
PST un ARMS PS	5 October 2016 Centre of Registers, Republic of Latvia	40203019731	Rozu Str. 27, Marupe, Marupes Parish, LV-2167	Tel.+371 29525066	50
Baltlitstroij OOO	22 February 2001 Kaliningrad Obl. Federal Tax Service Inspection No. 1	3906077449	Rostovskaja Str. 5-7, Kaliningrad, Kaliningrad Obl., Russian Federation	Tel. +7 4012956141 Fax +7 4012954616 baltevromarketao@mail.ru bls-buh@mail.ru	100
Teritorija OOO	3 June 2013 Kaliningrad Obl. Federal Tax Service Inspection No. 12	3528202650	Lunacharskogo Drive 43-27, Cherepovets, Bologda Obl., Russian Federation	Tel. +7 9097772202 Fax +7 9217234709 baltevromarketao@mail.ru maslena11@mail.ru	87.5
PST Nordic AB	9 September 2013 Bolagsverket	5569418568	Krossgatan 25, 162 50 Vällingby Stockholm County	+46 70 68 48 562 info@pstnordic.se www.pstnordic.se	100

Seskines projektai UAB	9 November 2010 State Enterprise *Centre of Registers*	302561768	Verkiu Str. 25C, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt www.psti.lt	100
PST investicijos UAB	23 December 1998 State Enterprise *Centre of Registers*	124665689	Verkiu Str. 25C, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt www.psti.lt	68

Subsidiary companies of PST investicijos UAB:

Ateities projektai UAB	25 April 2006 State Enterprise *Centre of Registers*	300560621	Verkiu Str. 25C, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt www.psti.lt	100
ISK Baltevromarket ZAO	13 July 2001 Independent Registration Company AB	3906214631	Rostovskaja Str. 5-7, Kaliningrad, Kaliningrad Obl., Russian Federation	Tel.+79097772202 baltevromarketao@mail.ru	100

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

Skydmedis UAB – production, construction and outfit of pre-fabricated timber panel houses.
Panel houses are the main product of the company. About 80% of products are successfully exported to Norway, Sweden, France, Switzerland, Iceland and other countries.
Metalo meistrai UAB – designing and fabrication of steel structures for construction purposes. The company also supplies steel structures for other branches of industry where steel items are required.
Vekada UAB – installation of electrical systems. Alongside with the usual electrical engineering activities, works in the low current fields are carried out: video surveillance systems, security and fire alarm systems, utility system control.
Alinita UAB – installation of heating, ventilation and air-conditioning systems in buildings, indoor water supply, waste water and fire-fighting systems, designing, start-up and commissioning of indoor utility systems.
Kingsbud Sp.zo.o. – wholesale of construction materials.
Kingsbud Sp.zo.o. has a branch established in Lithuania, which focuses on wholesale of stoneware and glazed tiles for indoor and outdoor application.
PS Trests SIA – construction activities. The company was established for searching of new markets and carrying out construction activities in Latvia.
PST un ARMS PS was established for carrying out reconstruction of Latvia University of Agriculture, Jelgava Palace.
Baltlitstroj OOO – construction activities.
Teritorija OOO – real estate development.
PST NORDIC AB – construction of various buildings and structures in Stockholm Region, Sweden. The company carries out general construction activities, such as erection of pre-fabricated concrete and steel structures, masonry, finishing.
Seskines projektai UAB – real estate preparation and sale.
PST investicijos UAB – real estate preparation and sale. *PST investicijos* UAB has the following subsidiary companies established for development of real estate projects: *Ateities projektai* UAB, *Baltevromarket* ZAO ISK.

6. Contracts with the intermediary of public trading in securities

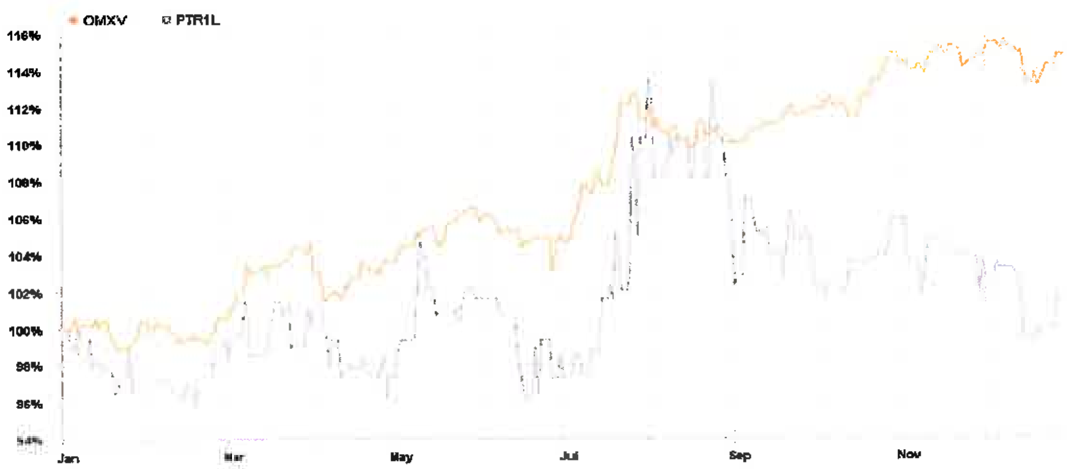
In 2013, the Company signed the contract with the Financial Brokerage Company *Finasta* AB for recording of securities and provision of services related with securities recording. On 21 December 2015, the Financial Brokerage Company *Finasta* AB had been rearranged by way of merge with Siauliu bankas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

7. Data on trading in securities of the issuer in regulated markets

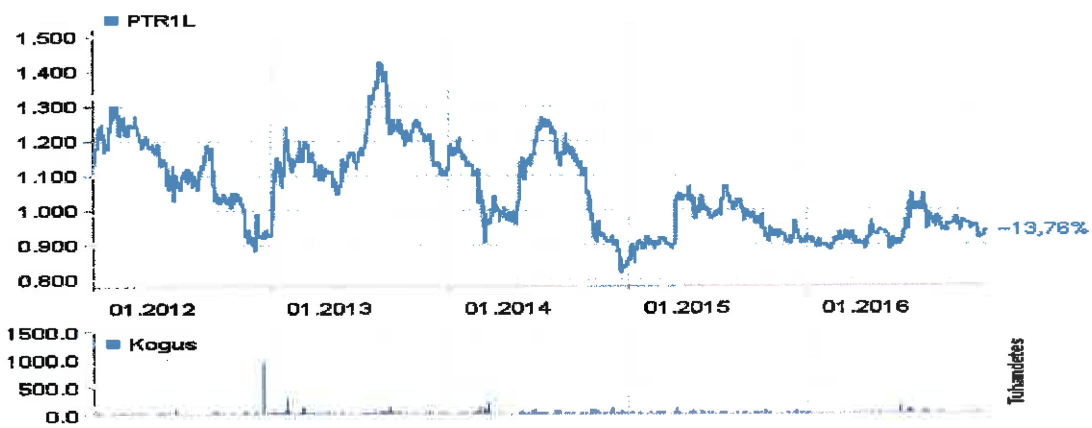
The ordinary registered shares of *Panevezio statybos trestas* AB have been on the Official Trading List of *Nasdaq Vilnius* AB since 13 July 2006 (company symbol PTR1L).

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

Comparison of PTR1L Panevezio statybos trestas and OMX Vilnius Benchmark GI indexes in 2016



Company share price variation at the stock exchange market Nasdaq Vilnius for the period 2012 through 2016 (Euros)



Company share price variation at the stock exchange market Nasdaq Vilnius in 2016 (Euros)

Table 1. Information on the company share price at the stock exchange market Nasdaq Vilnius in 2016 (Euros)

Last price 31 Dec. 2015	***Average share price for 2016***	***Highest price for 2016***	***Lowest price for 2016***	***Last price 31 Dec. 2016***
0.925 EUR	*0.951 EUR*	*1.08 EUR*	*0.845 EUR*	*0.94 EUR*

Table 2. Capitalization of the company (mln. Euros)

Capitalization				
2012	***2013***	***2014***	***2015***	***2016***
15.19	18.47	14.03	15.12	15.37

8. 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, a Lithuanian construction company performing its business in the construction sector already for 60 years, remains one of the largest construction companies in Lithuania. The current situation in the construction market is tense. The programs funded by the European Union for the period 2014 through 2020 are delayed. The competitive environment remains complicated and aggressive. *Panevezio statybos trestas* AB and the companies of the PST Group are forced to refocus and adapt to changing market conditions. *Panevezio statybos trestas* AB carries out its activities more on private sites, such as reconstruction of the complex of former hospital buildings in Boksto Street in Vilnius, extension of the Shopping and Leisure Centre *Mega* in Kaunas, construction of *Lidl* stores, storage facilities of *Lemora* UAB and *Wirtgen Lietuva* UAB, reconstruction activities are continued in the National M. K. Ciurlionis School of Art and others. The company takes an active part in renewal (modernisation) projects for apartment buildings. At the end of the year, the company was awarded a few more contracts and signed them with *JMJ Baltic* UAB for designing and construction of a production and industrial building in Kedainiai, *Schmitz Cargobull Baltic* UAB for detailed design and construction of a new annex to the production building in Panevezys. *Panevezio statybos trestas* AB and the PST Group tries to keep on expanding their business outside Lithuania. In September 2016, the contract was signed with the Latvia University of Agriculture and reconstruction of Jelgava Palace was started.

The company keeps on focusing on the Swedish market. In 2016, the subsidiary company of *Panevezio statybos trestas* AB, *PST Nordic* AB, completed structure erection activities in two buildings and started designing, supply and erection activities related to the third building.
Activities of the PST companies have significate effect on development of the infrastructure in the country, the implemented unique orders of national importance contribute to strengthening of the image of the responsible company among clients and business partners. Clients trust PST and value it as a builder experienced in large in scope and technologically complicated projects.
The local companies creating innovative and competitive services were honoured during the National Business Awards *Service of the Year* initiated by the Lithuanian Business Confederation. *Panevezio statybos trestas* AB was awarded in the category *Technology of the Year* for application of BIM 4D dimension on the site of the Shopping and Leisure Centre *Mega.* PST was good in pursuance of apartment building renewal programs and successful absorption of funds, i.e. in the segment of project implementation and completion. The company was awarded in the nomination *Best Contractor in EU Funding Period 2007 through 2013* for the results achieved in the field of building renewal (modernisation) project implementation in 2015. This year the professional excellence award was received for thermal insulation works carried out in high quality. *Panevezio statybos trestas* AB was recognised as *Building Thermal Insulation Leader 2015*".
In 2016, the following branches continued their operation in the structure of the company: *Gerbusta*, focusing on construction of utility networks and landscaping. *Pastatu apdaila*, carrying out indoor and outdoor finishing works, *Betonas, Konstrukcija, Stogas* where production capacities were concentrated, Vilnius branch *Genranga,* performing general contracting activities and project management in Vilnius Region, and *Klaipstata*, performing general contracting activities and project management in Klaipeda Region. The company has permanent establishments in the Republic of Latvia and Kingdom of Sweden.

Risk factors related to the company's activities:

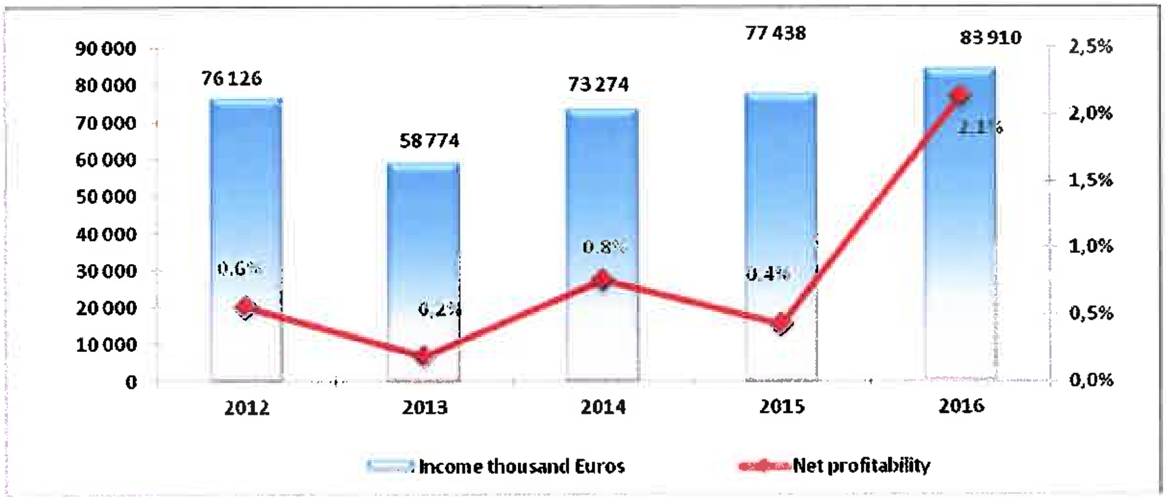
In performance of business, both the company and the Group face various types of risks:
- legal regulation;
- severe competition;
- shortage of qualified labour;
- variation in the value of the Russian Rouble;
- cyclical nature of economy;
- macroeconomic factors;
- damping.

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

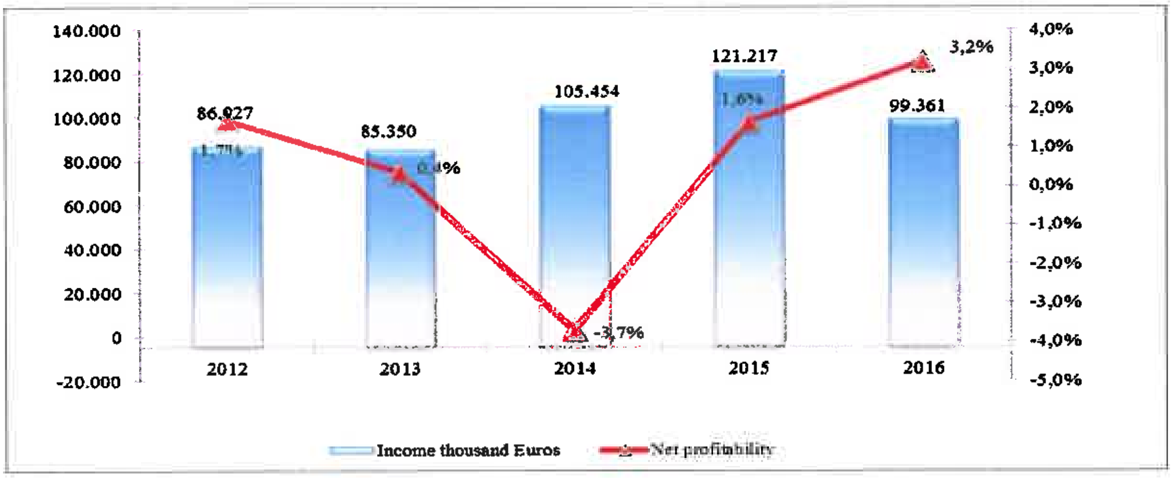
9. Analysis of financial and non-financial performance, information related to environment and employee matters

Over twelve months of 2016, the turnover of *Panevezio statybos trestas* AB was 83.9 mln. Euros and this exceeded the last year result by 8.4 per cents. During the accounting period, the company had net profit in the amount of 1.791 mln. Euros, which is higher by 1.463 mln. Euros compared to twelve months of 2015.
Referring to the same period, the total consolidated income of the PST Group amounted to 99.4 mln. Euros and decreased by 18 per cents compared to the income for twelve months of 2015, which amounted to 121.2 mln. Euros. The greatest impact on reduction in the income of the Group was the subsidiary company of *Panevezio statybos trestas* AB located in Russia, *Baltlitstroj* OOO, which did not operate in 2016. The consolidated profit of the Group before taxes for 2016 was 3.6 mln. Euros, i. e. higher by 0.859 mln. Euros compared to twelve months of 2015.
EBITDA, i. e. earnings before interest depreciation taxes and appreciation, of the company increased by 1.9 times and of the Group increased by 16.7 per cents compared to twelve months of 2015. That is, for twelve months of 2016 EBITDA of the company was 3,046 mln. Euros (1.590 mln. Euros in 2015), of the Group – 4.970 mln. Euros (4.260 mln. Euros in 2015).

Income and net profitability variation for the Company:



Income and net profitability 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.

Table 3. The results (thousands Euros) of the company and the Group of Panevėžio statybos trestas AB for the period 2014 through 2016

Group			Items	Company		
2014	2015	2016		2014	2015	2016
105,454	121,217	99,361	Income	73,274	77,438	83,910
95,582	109,278	90,221	Cost	67,249	70,226	77,031
9,872	11,939	9,140	Gross profit	6,026	7,212	6,879
9.36	9.85	9.20	Gross profit margin (per cents)	8.22	9.31	8.20
3,743	3,155	1,085	Typical operating result	3,634	1,619	1,813
3.55	2.60	1.09	Typical operating result from turnover (per cent)	4.96	2.09	2.16
-2,119	4,260	4.970	Profit before taxes, interest, depreciation and amortization EBITDA	1,848	1,590	3,046
-2.01	3.51	5.00	EBITDA margin (per cents)	2.52	2.06	3.63

Group			Items	Company		
2014	*2015*	*2016*		*2014*	*2015*	*2016*
-3,944	1,996	3,167	*Net profit*	554	328	1,791
-3.74	1.65	3.19	*Nets profit (loss) margin (per cents)*	0.76	0.42	2.13
-0.241	0.12	0.194	*Profit (loss) per share (Euros)*	0.034	0.02	0.11
-11.44	5.52	8.61	*Return on equity (per cents) (ROE)* Net profit Equity capital	1.40	0.86	4.51
-5.07	3.02	5.15	*Return on assets or asset profitability (ROA)* Net profit Assets	0.90	0.59	3.33
-10.08	5.14	8.01	*Return on investments(ROI)* Net profit Assets – Current debt	1.38	0.84	4.40
1.65	2.11	2.44	*Current liquidity ratio* Current assets Current liabilities	2.27	2.59	2.98
1.23	1.78	1.99	*Critical liquidity ratio* Current assets - Inventories Current liabilities	2.20	2.52	2.92
0.44	0.55	0.60	*Asset to equity ratio*	0.64	0.69	0.74
2.11	2.21	2.25	*Book value per share*	2.41	2.34	2.43
0.41	0.42	0.42	*Ratio of share price and book value (P/BV)*	0.36	0.40	0.39

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

mln. Euros	Group			Company		
	2014	*2015*	*2016*	*2014*	*2015*	*2016*
Construction works	96.41	109.49	91.51	73.27	77.44	83.91
Real estate	0.86	4.79	0.45			
Products produced and other income	8.19	6.94	7.40			

The main income of the company by activity types is from building and erection activities. In 2016 income of the Group from building and construction activities totalled 92.1 %, income from made products and other income amounted to 7.4 %, income from real estate amounted to 0.5 %. In 2015 income of the Group from building and construction activities totalled 90.3 %, income from real estate amounted to 5.7 %, income from made products and other income amounted to 3.9 %.

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

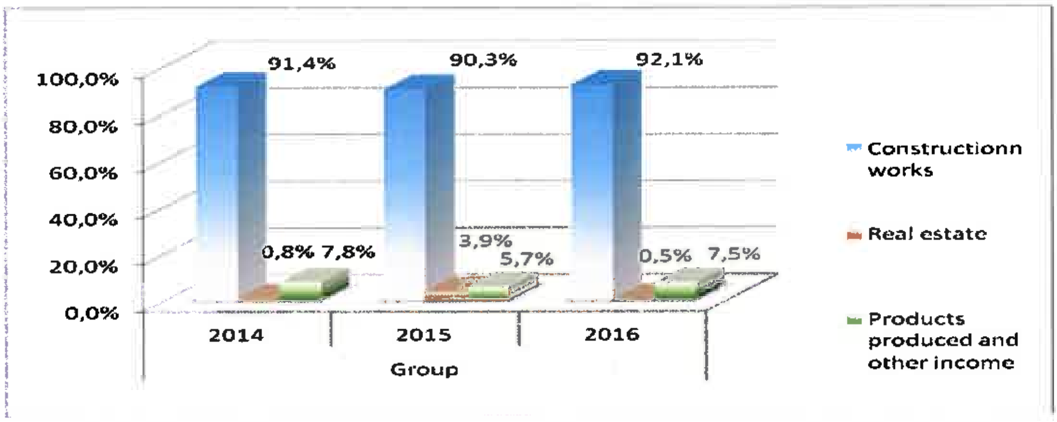
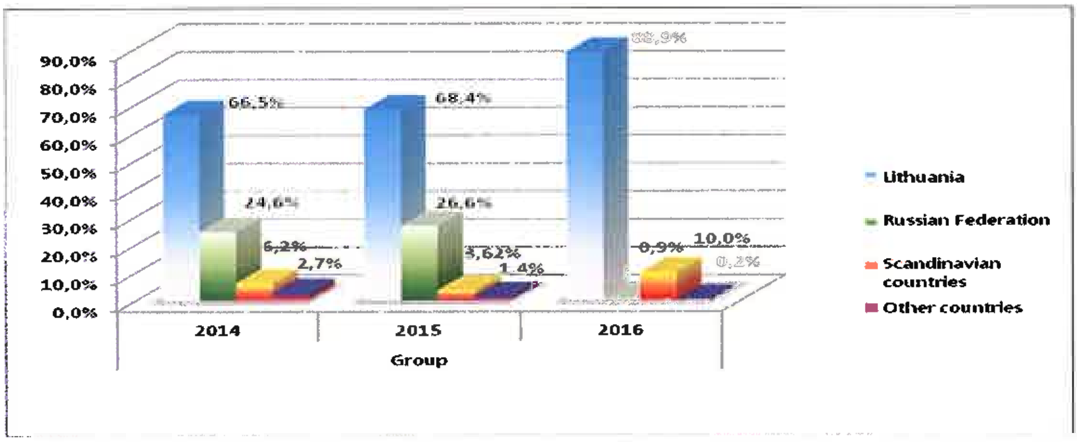


Table 5. Operating income (mln. Euros) by countries:

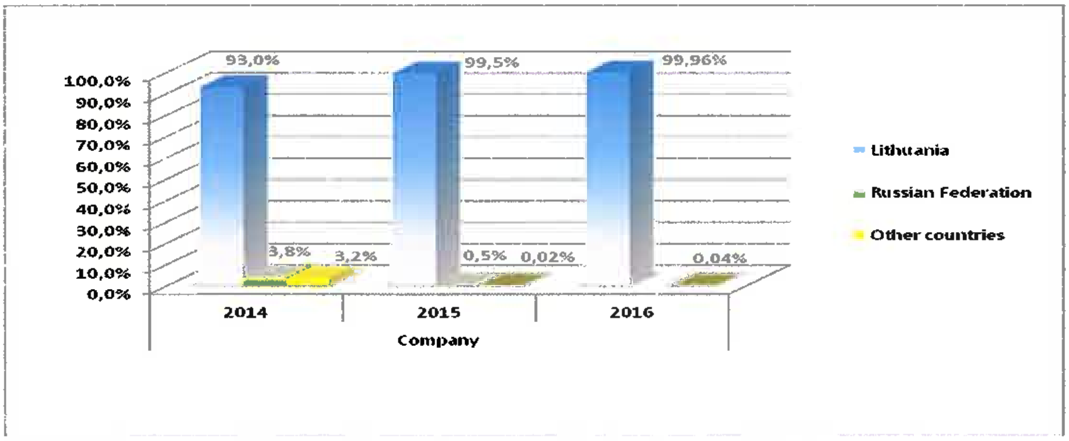
	Group			*Company*		
mln. Euros	***2014***	***2015***	***2016***	***2014***	***2015***	***2016***
Lithuania	70.13	82.88	88.30	68.12	77.07	83.88
Russian Federation	25.93	32.22	0.90	2.82	0.36	
Scandinavian countries	6.53	4.39	9.93			
Other countries	2.85	1.73	0.23	2.34	0.01	0.03

In the year 2016, the main activities of the company were performed in Lithuania and made 99.96 per cents of all works carried out by the company (99.5 per cents in 2015). The income of the Group from the works performed inside the country made 88.9 per cents of the income whereas in 2015 it was 68.4 per cents. In 2016, the income in the Scandinavian countries increased and was 10.0 per cents of the Group income (3.62 per cents in 2015).

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



Operating income distribution by countries for the company (per cents)



Environment protection

Quality, environment protection, occupational health and safety play a very important role in activities of *Panevezio statybos trestas* AB. Quality (ISO 9001), environmental (ISO 14001) and occupational health and safety (OHSAS 18001) management systems introduced and available at the company allow taking proper care of these significant factors. Assessment of occupational risk is carried out, analyses are performed and measures for risk reduction or elimination are taken on each site. For the purposes of environment and resource protection and sustainability, ensuring pollution prevention, in the beginning of each project the environmental plan including specific measures for control of significant aspects of environment protection and activities performed is prepared.
In 2013, the Lithuanian National Accreditation Bureau accredited the Construction Laboratory of the company for the period of 5 years in accordance with LST EN ISO/IEC 17025:2005, thus granting it the right to perform tests of building materials.

Employees

Professional, competent and responsible employees are the biggest asset *of Panevezio statybos trestas* AB. Therefore, much attention is paid to motivation of employees: environment favourable for generation and implementation of new ideas is being created and sharing of information is being promoted. In modern environment competence of employees is one of the key factors describing competitiveness of the company. Taking this factor into account, the company encourages employees in all organizational levels to learn and improve their skills. The employees are motivated not only by material incentives – competitive salaries, progressive bonus system but also by exceptional quality of working environment. As of 31 December 2016, the number of employees in the Group was 1,066, in the company – 767.

Table 6. Average number of employees in 2015 and 2016

Average number of employees	***2015***		***2016***	
	Group	***Company***	***Group***	***Company***
Managers	29	14	27	13
Specialists	322	233	313	236
Workers	863	576	731	525
Total	***1,214***	***823***	***1,071***	***774***

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

PST Group employees	Payroll number	Higher university level education	Higher non-university education	Junior college education	Secondary education	Incomplete secondary education
Managers	27	24	0	3	0	0
Specialists	311	242	21	34	14	0
Workers	728	38	19	159	442	70
Total:	**1,066**	**304**	**40**	**196**	**456**	**70**

Table 8. Average gross pay per employee per month (Euros) in 2015 and 2016

	2015		2016	
	Group	Company	Group	Company
Managers	2,731	4,303	2,836	3,641
Specialists	1,057	1,113	1,186	1,198
Workers	716	760	927	891

During twelve months of 2016, the natural turnover of employees took place. Employment contracts do not include any special rights and obligations of employees or some part of them.

In 2016 the company also paid much attention to qualification improvement. Training in the company is done in three directions using:

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

10. Important events having occurred since the end of the preceding financial year

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

11. Information on research and development activities performed by the company

The company is successfully expanding its business in the foreign markets. The company registered in Sweden increases its work scope. The company carries of construction works in Latvia.

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

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

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

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

12. Performance plans and forecasts of the company

The results and business environment in 2017 will depend heavily on the investment climate in Lithuania. Considering the market situation, the Group tries to make consistent plans, develop its production, technological and intellectual capacity, optimise costs and their management. In 2017, the Group hopes to maintain the number of the projects in progress in the year, continue the works started and achieve the turnover of 2016, increase the volume of exports. *Panevezio statybos trestas* AB strives to keep on focusing to the Swedish market and Latvia.

13. Authorised capital of the issuer and its structure

As of 31 December 2016, 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.
On 31 December 2016 the total number of shareholders was 1,660.

Table 9. The shareholders holding or controlling more than 5 per cents of the authorised capital of the company

Full name of a shareholder (company name, type, headquarter address, company code)	Number of ordinary registered shares held by a shareholder under ownership right (pcs.)	Portion of the authorized capital held (%)	Portion of votes granted by the shares held under ownership right (%)	Portion of votes owned by a shareholder along with acting persons (%)
Panevezio keliai 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	1,094,153	6,69	6,69	---
Freely negotiable shares	7,116,915	43.53	43.53	---

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.

14. Dividends

The decision to pay dividends is taken and the amount to be paid as dividends 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 Shareholders that adopted the relevant decision are entitled to the dividends.
Dividends are taxable in accordance with the Law on Income Tax of Individuals and the Law on Corporate Income Tax of the Republic of Lithuania.
The General Meeting of Shareholders of *Panevezio statybos trestas* AB that took place on 28 April 2016 made the resolution to pay dividends in the amount of 261,977 Euros for the year 2015. As of 31 December 2016, 99.4 per cents of dividends were paid.

Table 10. History of dividends paid over the previous years

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

15. All restrictions of security transfer

None

16. 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 2016 amounted to 1,129,264 Euros. *Panevezio statybos trestas* AB acquired non-current assets for 1,017,489 Euros. In 2016, depreciation and amortization costs of non-current assets amounted to 1,186,998 Euros in the Group including 908,366 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 16).

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

None

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

None

19. Procedure for amendment of the Articles of Association of the issuer

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

20. Management bodies of the issuer

Referring to the Articles of Association of *Panevezio statybos trestas* AB, the management bodies of the company are the General Meeting of Shareholders, the Board and the Managing Director. The Supervisory Council is not be formed in the Company.
The competence of the General Meeting of Shareholders shall not be different from that of the competence prescribed by the Law on Companies.
The Board of the Company consisting of five members is elected by the General Meeting of Shareholders for a period not longer than 4 years. At present there are five members in the Board. The procedure of electing and dismissing the members of the Board shall not different from that prescribed by the Law on Companies.
The Board is led by the Chairman of the Board. The Board elects the Chairman from the members of the Board.

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

The Board:

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

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Tertius UAB		704,638	80	80
Panevezio keliai AB	Member of the Board	531,675	28.47	28.47
Lauktuves jums UAB	Chairman of the Board	11,069	50.15	50.15
Pokstas UAB		111	50	50
Klovainiu skalda AB		470,421	8.74	8.74
Emulteka UAB		14	14.0	14.0
Gustoniu ZUT UAB	Member of the Board	1,085	50.28	50.28
Specializuota komplektavimo valdyba AB		21,490	1.075	1.075
PST investicijos UAB	Member of the Board	16,407	3.32	3/32
Convestus UAB		50,000	50	50
Alproka UAB	Chairman of the Board	-	-	-
Kauno tiltai UAB		492	0.31	0.31

Term of office: November 2014 through November 2018
No previous convictions.

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

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio keliai AB	General Director	66,769	3.57	3.57
Skalduva UAB	Director	42	42	42
Klovainiu skalda AB	Member of the Board	541,785	10.1	10.1
Avia invest UAB		10,000	100	100
Istros aviaparkas UAB		2,000	100	100
Akvalda UAB	Director	750	50.00	50.00
Emulteka UAB		9	9	9

Term of office: November 2014 through November 2018
No previous convictions

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

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

Terms of office: November 2014 through November 2018
No previous convictions

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

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

Terms of office: April 2015 through November 2017
No previous convictions

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

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

Terms of office: November 2014 through November 2018
No previous convictions

Administration:

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

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

In 2016 neither the members of the Board nor the top managers of *Panevezio statybos trestas* AB were granted special benefits.

Table 11. Information on salaries for the top managers of the issuer in 2016

thousands Euros	2016
Members of the Board (bonuses and salary)	100
Average per member of the Board	20
Administration (Managing Director and Chief Accountant)	127
Average per member of Administration	64

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 effectiveness of the company's internal control, risk management and internal audit, if applicable, systems;
3) to monitor carrying out of the audit;
4) to monitor independence and objectivity of the auditor or audit company.

The following members were elected to the Audit Committee at the Annual General Meeting of Shareholders of *Panevezio statybos trestas* AB on 28 April 2016:
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.
Drasutis Liatukas – independent auditor, Head of *Finansu auditorius* UAB, auditor. Holds no shares of the company.

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

None

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

None

23. Information on significant transactions between the related parties

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

24. Information on compliance with the corporate governance code

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

25. Publicly disclosed information

Table 12. Summary of public information:

Description of notification	*Category of notification*	*Language*	*Date*
Panevezio statybos trestas AB Will Build the Guest House in Vilnius	*Notification on material event*	*Lt, En*	*22 March 2017*
Calendar for Publishing Performance Results of Panevezio statybos trestas AB in 2017	*Notification on material event*	*Lt, En*	*2 Jan. 2017*
Panevezio statybos trestas AB Will Build a Production Building in Panevezys	*Notification on material event*	*Lt, En*	*21 Dec. 2016*
Panevezio statybos trestas AB Will Design and Build a Manufacturing Building in Kedainiai	*Notification on material event*	*Lt, En*	*24 Oct. 2016*
Initiation of Bankruptcy Proceedings	*Notification on material event*	*Lt, En*	*14 Oct. 2016*
Resolutions of Extraordinary General Meeting of Shareholders	*Notification on material event*	*Lt, En*	*3 Oct. 2016*
Panevezio statybos trestas AB Will Reconstruct Latvia University of Agriculture in Jelgava	*Notification on material event*	*Lt, En*	*20 Sept. 2016*
Draft Resolutions of Extraordinary General Meeting of Shareholders	*Notification on material event*	*Lt, En*	*2 Sept. 2016*
Convening of Extraordinary General Meeting of Shareholders	*Notification on material event*	*Lt, En*	*2 Sept. 2016*
Unaudited Performance Results of Panevezio statybos trestas AB and the Group for the First Half of 2016	*Interim information*	*Lt, En*	*31 Aug.2016*
Subsidiary Company of Panevezio statybos trestas AB, PST Nordic AB, Increases Sales in Sweden	*Notification on material event*	*Lt, En*	*24 Aug. 2016*
Panevezio statybos trestas AB Will Reconstruct Ausros Square in Radviliskis	*Notification on material event*	*Lt, En*	*20 July 2016*
Panevezio statybos trestas AB Will Build Store in Siauliai and Ukmerge	*Notification on material event*	*Lt, En*	*12 July 2016*
Panevezio statybos trestas AB Will Acquire Shares of Seskines projektai UAB	*Notification on material event*	*Lt, En*	*11 July 2016*
Panevezio statybos trestas AB Will Reconstruct the Wroblewski Library in Vilnius	*Notification on material event*	*Lt, En*	*26 May 2016*
Annual Information Approved by Annual General Shareholders Meeting of Panevezio statybos testas AB	*Annual information*	*Lt, En*	*28 Apr. 2016*
Resolutions of Annual General Meeting of Shareholders	*Notification on material event*	*Lt, En*	*28 Apr. 2016*
PST Nordic AB Is Expanding Activities in Sweden	*Notification on material event*	*Lt, En*	*15 Apr. 2016*
Draft Resolutions of Annual General Meeting of Shareholders	*Notification on material event*	*Lt, En*	*5 Apr. 2016*
Convening of Annual General Meeting of Shareholders	*Notification on material event*	*Lt, En*	*25 March 2016*
Decision Taken by Director of Supervision Service of the Bank of Lithuania	*Notification on material event*	*Lt, En*	*3 Feb. 2016*
Panevezio statybos trestas AB Will Prepare and Publish Semi-Annual and Annual Information	*Notification on material event*	*Lt, En*	*4 Jan. 2016*

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

Managing Director D. Gesevicius Dalius Gesevicius

Appendix 1

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

Following Paragraph 3, Article 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 does not prepare and does not make public the remuneration policy statement. The Company believes that such information cannot be disclosed due to commercial reasons. In its annual report the Company follows the procedure laid down in legislation and provides information on the total amounts calculated during the reporting period for the Company's Board members, the Director of the Company and the Chief Accountant.

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

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

PRINCIPLES/ RECOMMENDATIONS	YES/NO / NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company's strategy and objectives are made public on the website http//www.pst.lt and in the notifications for the Vilnius Stock Exchange, periodic notifications to the BNS news agency, notifications in the newspapers and at the press conferences.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Board of the Company is responsible not only for the strategic management of the Company but also analyses and evaluates the material on all issues of the Company activities presented by the managers: implementation of activity strategy, activity arrangement, financial status, etc.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	

Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Board, and one-person management body, the Managing Director, are set up in the Company. The collegial supervisory body – the Supervisory Board is not set up.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The supervision of the Company's activities and the responsibility and control of the Chief Executive Officer are ensured by the Board, which analyses and evaluates the material on all items of the Company operation presented by the Chief Executive Officer.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company in principle complies with this recommendation, though only one collegial management body, the Board, is set up, however the authority assigned to the Board by the Articles of Association essentially matches the authority assigned to the Supervisory Board.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The Board consists of 5 members and this number is considered to be sufficient.

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

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

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Board, is set up in the Company. The Supervisory Board is not set up.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Board represents the main shareholder and has never been the Chief Executive Officer of the Company.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	Though there are no independent members of the Board at the Company, the Board ensures objective and fair monitoring of the Company's management bodies as well as representation of minority shareholders.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	Information on the positions taken by the members of the board or their participation in other companies' operation is continuously collected and compiled, and at the end of every year it is revised and presented in the reports prepared by the Company.

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

3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	The information on the composition of the Board is provided in the semi-annual and annual reports prepared by the Company.
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	The Board is formed considering the Company's structure and activities, the experience of its members, diversity of knowledge related to the Company activities allow doing the work properly.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	The new members are introduced with the Company and the regulations of the Board. The members of the Board constantly participate at various refresher courses and seminars where they collect information about the essential changes in the legislation regulating the Company's activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	Historically the Company exhibits the situation that the sufficiency of the independent members has not been considered. As the trading of the Company shares takes place actively and the minority shareholders take an active part in the management of the Company, the Company will seek implementation of this principle.

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

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

3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) he/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) he/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) he/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) he/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a	No	All five members of the Board are related to the largest shareholder – *Panevėžio keliai* AB. The candidates to become the members of the Board are proposed to the Shareholders' Meeting by *Panevėžio keliai* AB, which holds 49.78 per cents of the authorised capital of the Company.

collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) he/she has not been in the position of a member of the collegial body for over than 12 years; 9) he/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	Not applicable	The recommendation provided in 3.7 is not complied with.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	The practice of independence assessment and disclosure for the members of the Board is not applied at the Company. The recommendation provided in 3.7 is not complied with.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The practice of independence assessment of and disclosure for the members of the Board is not applied at the Company. The recommendation provided in 3.7 is not complied with.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The Shareholders' Meeting approves the amount of 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.

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

Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting

The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.

4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	Once a quarter the Board hears out the report of the Chief Executive Officer and the Chief Accountant of the Company, analyzes their activities, evaluates its effectiveness and provides recommendations, if required. The Board analyzes, evaluates the draft Annual Financial Statement and draft Profit (Loss) Statement of the Company, and presents them to the General Shareholders' Meeting.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	Though historically the Company exhibits the situation that the sufficiency of the independent members has not been considered. Based on the data available to the Company, all members of the Board act in good will in respect of the Company, they are guided by the interests of the Company and not those of their own or any third parties, the principles of good faith and reasonableness.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The members of the Board participated at the meetings of the Board and each of them devoted sufficient time to perform the duties as a member of the Board. In all meetings of the Board taken place in 2016 there was quorum prescribed by the legislation. The members of the Board participating at the meeting are recorded in the Minutes of the Meeting. 7 meetings of the Board took place in 2016. Four members of the Board participated in all meetings of the Board and one member of the Board participated in 6 meetings.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The management bodies of the Company follow the principles of communication with the shareholders established by the laws.

[7] See Footnote 3.

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

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

4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Not applicable	Transactions with the members of managing bodies are not concluded. Only usual activity transactions are concluded with the main shareholder.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The collegial management body, which to a wide extent is dependent on the main shareholder acting in the similar business, passes decisions considering the interests only of the Company. The Company provides the Board with sufficient resources required for their function performance, and the employees of the Company who are responsible for the areas of operation under discussion participate at the meeting of the Board and present all necessary information.

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

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	The collegial body of the Company's management is the Board performing the functions of Nomination Committee and the Remuneration Committees. The Board 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 28 April 2016 the Audit Committee was elected during the Annual General Shareholders' Meeting.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes/No	See commentary on the recommendation provided in 4.7. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be	Yes	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.

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

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.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	See commentary on the recommendation 4.7. The authority, rights and duties of the Audit Committee are determined by the Rules of the Audit Committee following the applicable legislation, and the authority, rights and duties of the Audit Committee are approved by the General Shareholders' meeting. The authority, rights and duties of the Audit Committee do not differ from those determined by the legislation. The approved rules of the Audit Committee are made public on the Company's website.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	See commentary on the recommendation provided in 4.7. Applicable to the Audit Committee. The members of the Board, Chief Executive Officer, Finance Director, Company employees may be invited to the meetings of the Audit Committee.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: 1) identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the	Not applicable	The Nomination Committee is not formed. The collegial management body of the Company, the Board, performs the function of the Nomination Committee. (See commentary on the recommendation provided in 4.7.)

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.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: 1) make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: 1) consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) examine the related information that is given in the company's annual report and documents intended for the	Not applicable	The committee is not formed. The collegial management body of the Company, the Board, performs the function of the Nomination Committee. (See commentary on the recommendation 4.7.)

use during the shareholders meeting; 3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. the committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the	Yes	On 28 April 2016 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.

committee; 6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		

4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There is no practice for assessment of internal activities and informing about that available at the Company.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The meetings of the Board are chaired by the Chairperson. The Board Secretary assists in arranging the work of the Board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	Yes	The meetings of the Company's collegial body, the Board, are carried out based on the periodicity approved in advance and in accordance with the planned agendas.

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

5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	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.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary registered shares granting equal personal and non-property rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Articles of Association do not assign the decision making to the General Shareholders' Meeting if they are related to the long-term assets , the balance sheet value of which is higher than 1/20 of the Company's authorized capital, investment transfer, rent, mortgage, purchase, etc.

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

6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The place, date and time of the General Shareholders' Meeting are chosen in a manner ensuring the possibilities to all shareholders to effectively participate at the Shareholders' Meeting. The shareholders are informed about the convening of the General Shareholders' Meeting in public and no later than 21 days prior to the Shareholders' Meeting are allowed to familiarize themselves with the draft resolutions.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The notices on the General Shareholders' Meeting to be convened, draft resolutions and documents proposed by the Board to the General Shareholders' Meeting as well as the resolutions adopted and documents approved are made public and are accessible on the Company's website. All information and documents for investors are made public in both Lithuanian and English through the information system of *NADAQ OMX Vilnius* and on the Company's website.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder can participate in the meeting in person or delegating the participation to some other person. The Company allows the shareholders voting by filling in the general voting ballot as prescribed by the law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	The Company does not comply with the provisions of this recommendation as it is not possible to ensure text protection and identify the signature of a voting person. Furthermore, in the Company's opinion, so far there was no need for any modern technologies at the Shareholders' Meeting for the purposes of participation and voting vie electronic means of communication.

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

Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare and does not make public the remuneration policy statement. The Company believes that such information cannot be disclosed due to commercial reasons. In its annual report the Company follows the procedure laid down in legislation and provides information on the total amounts calculated during the reporting period for the Company's Board members, the Director of the Company and the Chief Accountant. The Company observes the rules for the directors' remuneration, which are approved by the Board.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Recommendations provided in 8.1 are not complied with.
8.3. Remuneration statement should leastwise include the following information: 1) Explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this code; 11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include	No	Recommendations provided in 8.1 are not complied with.

commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	The contracts with the Chief Executive Officers are executed and approved by the Board. These contracts are confidential and their content as well as provisions thereof are not made public.
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: 1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; 2) the remuneration and advantages received from any undertaking belonging to the same group; 3) the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; 4) if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; 5) compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; 6) total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: 1) the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; 2) the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; 3) the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; 4) all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: 1) When the pension scheme is a defined-benefit scheme,	No	Recommendations provided in 8.1 are not complied with.

changes in the directors' accrued benefits under that scheme during the relevant financial year; 2) when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component (s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Yes	Management remuneration regulations as approved by the Board of the Company determine criteria for evaluation of performance results.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	The Company did not pay any variable components of remuneration which had been awarded on the basis of data which subsequently proved to be manifestly misstated.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	Termination payments are paid following the laws of the Republic of Lithuania.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	Termination payments are paid following the laws of the Republic of Lithuania.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	Recommendations provided in 8.1 are not complied with.
8.13. Shares should not vest for at least three years after their award.	Not applicable	Recommendations provided in 8.1 are not complied with. The directors are not remunerated in shears.

8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	Recommendations provided in 8.1 are not complied with. The directors are not remunerated in shears, shear options or any other right to purchase the Company's shares.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	Recommendations provided in 8.1 are not complied with. The directors are not remunerated in shears, shear options or any other right to purchase the Company's shares.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	Recommendations provided in item 8.1 are not complied with. The directors are not remunerated in shears, shear options or any other right to purchase the Company's shares.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	Recommendations provided in item 8.1 are not complied with.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	Recommendations provided in item 8.1 are not complied with.
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	There is no scheme anticipating remuneration of directors in shears, shear options or any other right to purchase shears or be remunerated on the basis of share price movements adopted at the Company.

8.20. The following issues should be subject to approval by the shareholders' annual general meeting: 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.	Not applicable	

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.

9.1. The corporate governance framework should assure	Yes	The Company respects all rights of the stakeholders, allows

that the rights of stakeholders that are protected by law are respected.		the stakeholders to participate in corporate governance in the manner prescribed by law. Detailed information on scheduled events of the shareholders is made public following the procedure prescribed by law, the investors (shareholders) have sufficient opportunities to familiarize themselves with the relevant information and vote in adopting decisions.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) the financial and operating results of the company; 2) company objectives; 3) persons holding by the right of ownership or in control of a block of shares in the company; 4) members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) material foreseeable risk factors; 6) transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) material issues regarding employees and other stakeholders; 8) governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The information mentioned in this recommendation is disclosed in notifications of material events through the information disclosure and distribution system *Globenewswire* used by NASDAQ 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.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes/No	See the commentary to recommendation 3.2, principle III. The Company does not prepare and make public the remuneration statement – see the commentary on recommendation 8.1, principle VIII.

10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes/No	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The Company presents the information through the information disclosure system *Globenewswire* used by NASDAQ OMX in the Lithuanian and English languages at the same time. The Company does not disclose any information that might have effect on the price of its securities in the comments, interviews or any other ways before such information is announced through the information system of the Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The Company plans to sign a contract with *Vilniaus vertybinių popierių birža*, AB (Vilnius Stock Exchange) regarding the creation of the column for the link with the investors in the website of the Company where all information published by the information disclosure and distribution system *Globenewswire* used by NASDAQ OMX will also be published on the Company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The audit of 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 2016 the firm of auditors provided services in tax consulting.