AB Panevėžio Statybos Trestas

Separate financial statements for the year 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, presented together with the independent auditor's report and annual report

Content

Information about the Company

AB Panevėžio Statybos Trestas

Company code:	147732969
Phone:	+370 45 505 503
Fax:	+370 45 505 520
Address:	P. Puzino st. 1, LT-35173 Panevėžys

Board

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

Management

Egidijus Urbonas, Managing Director

Auditor

Ernst & Young Baltic UAB

Banks

Luminor bankas AS
SEB bankas AB
Swedbank AB
Šiaulių bank AB
OP Corporate Bank plc Lithuania

UAB „Ernst & Young Baltic“
Aukštaičių g. 7
LT-11341 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Aukštaičių St. 7
LT-11341 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of AB Panevėžio statybos trestas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying separate financial statements of AB Panevėžio statybos trestas (hereinafter the Company), which comprise the statement of financial position as of 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How the matter was addressed in the audit
Fine imposed by the Competition Council As disclosed in Note 28 of the financial statements, on 3 June 2020 the Supreme Administrative Court of Lithuania announced a non-appealable ruling on the dispute of the Company against the decision of the Competition Council and as a consequence, the Company has recognized in the financial statements for the year ended 31 December 2020 the fine amounting to EUR 8.5 million EUR and related interest charge amounting to EUR 1.4 million. Considering the management's earlier assessment of the expected outcome of this matter when preparing the financial statements for the previous year, the Company had no provision recorded as of 31 December 2019 in relation	Among other procedures, our audit procedures included: - Reading the ruling issued by the Supreme Administrative Court. - Discussion with the management and the management's external legal advisor about the ruling and further actions planned by the management. - Analysis of the responses to our inquiries provided in the external legal advisor's letter. - Consideration of the outcome of the respective prior year management's estimate, including assessment of potential management bias.

Key audit matter	How the matter was addressed in the audit
to the dispute, but disclosed this matter as a contingent liability in the financial statements. This matter was significant for our audit because an adverse outcome of this lawsuit has a material effect on financial statements of the Company in the current period and it involves significant change in accounting estimate made by the management in prior periods.	Furthermore, we have considered the adequacy of the disclosures in Note 28 of the financial statements on this matter.
Revenue recognition for constructions contracts in progress The Company's main revenue stream comes from large long-term construction contracts. As disclosed in Note 2, 3.14 and 19, the Company recognizes revenue from the customer specific construction contracts in progress as of year-end based on the estimated stage of completion of the projects, which is assessed by reference to the proportion of total costs incurred through the reporting date compared to total costs of the contract estimated by management. This matter was significant to our audit because recognition of revenue for the reporting year is highly dependent on the judgment exercised by the management in assessing the completeness and accuracy of forecast costs to complete the construction contract and changes in these judgments and related estimates throughout a contract life can result in material adjustments to revenue and margin recognised on contracts, which can be either positive or negative.	Our audit procedures included, among others: - Updating our understanding of the Company's revenue recognition process, including the model used for the revenue recognition in relation to the contracts in progress, and controls in relation to long-term construction contracts. We also assessed how the management makes the accounting estimate (determines the stage of completion of the projects) and the accuracy, completeness and relevance of the data on which it is based as further described below. - Testing the Company's key controls over allocation of revenues and costs to a specific contract. - Consideration of the accuracy of management's forecasts for potential management bias by comparing the historical financial performance of selected contracts completed in 2020 with the total cost estimates and forecasted margins for those contracts used for revenue recognition as of 31 December 2019. - Considering whether all material loss making contracts were properly identified and accounted for. - Selecting a sample of contracts with the greatest potential impact on the Company's financial statements for the year ended 31 December 2020, considering both quantitative and qualitative criteria, such as significant margin changes, loss-making contracts or projects which are unique in their nature, for additional testing as outlined below. For the sample of contracts selected, we have considered the adequacy of the management's estimate on the amount of revenue to be recognized in the financial statements by performing the following procedures, among others: - comparing the contracts signed with customers against the total contract value estimates included in the management's calculations; - considering the management's estimated costs required to complete the contracts by reference to our understanding of the contract scope and the management's contracts' cost budgets and our inquiries of contract managers; - tracing costs incurred up to date as per management's estimation of the stage of completion to the costs included in the statement of comprehensive income, considering also whether they are reflective of

Key audit matter	How the matter was addressed in the audit
	the actual progress of the work and are eligible items; - considering the margins recognised by the Company for the projects in progress taking into account our understanding of the contract scope and the historical performance of the Company; - tracing actual contract revenues accounted for in the statement of comprehensive income to the estimation of the management of the amounts of revenue to be recognized for the contracts in progress based on the assessment of their stage of completion. Finally, we considered the adequacy of the disclosures about the matter in Notes 2 and 19 of the financial statements.
Impairment assessment of investments into subsidiaries and receivables from subsidiaries As disclosed in Notes 16, 17 and 29 in the financial statements, the carrying value of the Company's investments into subsidiaries amounts to EUR 5.9 million and the total balance of receivables from these subsidiaries, including loans granted and accrued interest, amounts to EUR 29.4 million as at 31 December 2020 (EUR 5.8 million and EUR 22.2 million respectively as at 31 December 2019). The management's assessment of the recoverable amount of investments into subsidiaries and impairment losses on receivables from them, including loans granted and accrued interest, requires estimation and judgement around the assumptions used, including the recoverable value of real estate projects under development by subsidiaries as disclosed in Notes 2 and 16. Changes to these assumptions could lead to material changes in the estimated recoverable amount of investments and impairment losses on loans and receivables. This matter was important to our audit due to significance of the amounts involved and high degree of related management estimation.	Among other procedures, we have gained an understanding of the process (including assumptions and methods) how the management perform their assessment of the impairment of investments into subsidiaries and receivables from subsidiaries. We considered the completeness of the impairment indicators identified by the management by comparing the carrying value of the Company's investments into each subsidiary with the Company's share in the net assets of the subsidiary at their book value and discussing with the management their performance and their outlook. We also considered the assumptions and methodologies used by the management to determine the recoverable amounts of the investments in subsidiaries and estimated credit losses (ECL) of accounts receivable and loans granted. For investment into subsidiary which recoverable value depends on the real estate project (including land) under development in Kaliningrad, Russia we considered the management's estimation in respect of the fair value of this project and related land. We have compared the fair value estimate used by the management for these assets as of 31 December 2020 to the selling price indicated in provided to us purchase and sale agreement subsequently signed with the third-party. We have also observed that agreed partial advance payment was made by the third party under the mentioned agreement before the issue of these financial statements. We also considered the subsidiaries' ability to repay the amounts due to the Company by examining their liquidity position based on their financial statements as well as their future cash flow forecasts. Finally, we considered the adequacy of the Company's disclosures included in Notes 2, 16 and 17 about the significant assumptions used in the estimation of recoverable values and the results of the impairment assessment.

Key audit matter	How the matter was addressed in the audit
Impairment of trade accounts receivable and contract assets	
As at 31 December 2020 the Company had non-current and current trade accounts receivable and contract assets balance amounting to EUR 0.2 million and EUR 11.3 million respectively, reported in the statement of financial position as disclosed in Notes 4 and 19 of the financial statements. The estimation of the expected credit losses (ECL) as required by IFRS 9 *Financial instruments* involves significant management judgment. As disclosed in Note 2, specific factors management considers include analysis of the historical credit losses, consideration of economic developments and other subjective risk factors related to the specific debtor or debtors' group. This matter is significant to our audit due to materiality of the amounts as these receivables constitute over 18% of the total assets of the Company in the statement of financial position as at 31 December 2020 and high level of management judgment involved in the assessment of their impairment.	Our audit procedures, among others, included the following: - We gained an understanding of the management's process of estimation of impairment of trade receivables and contract assets. This included the consideration whether the model used to develop the estimate is appropriate and assessment whether the impairment accounting policy applied by the Company is in line with the requirements of IFRS 9 *Financial instruments*. - We also assessed how the management made the accounting estimate and the accuracy, completeness and relevance of the data on which it is based as follows: (i) For receivables and contract assets assessed by the management for impairment individually, we have discussed with the management selected individual balances, including management's analysis of expected recoverability of these balances, and also considered independently the indications of potential understatement of ECL by assessing the ageing of the receivables, reviewing payment patterns and subsequent collections; (ii) For receivables assessed by the management using the expected credit loss rate matrix, we have assessed the key estimates made by the management in developing the ECL matrix, including historical default rate information and forward-looking information as of 31 December 2020. We tested the correctness of aging of the receivables by agreeing the date to the invoices issued for selected items and verified the arithmetical accuracy of the management's calculation of impairment. Furthermore, we have assessed the adequacy of the disclosure in the financial statements on this matter (Notes 2, 4 and 19).

Other information

Other information consists of the information included in the Company's and Consolidated (further - the Company's) 2020 Annual Report, including the Governance Report, the Social Responsibility Report, and the Remuneration Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

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

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

- The financial information included in the Company's Annual Report, including the Governance Report and the Remuneration Report, corresponds to the financial information included in the financial statements for the year ended; and
- The Company's Annual Report, including the Governance Report and the Remuneration Report, was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment and approval of the auditor

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

Consistency with the audit report submitted to the audit committee

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

Non-audit services

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

Throughout our audit engagement period, we have not provided any non-audit services.

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

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

Inga Gudinaitė
Auditor's licence
No. 000366

2 April 2021

CONFIRMATION OF COMPANY'S RESPONSIBLE PERSONS

This confirmation of responsible employees concerning the audited separate financial statements and the annual report of Panevėžio Statybos Trestas AB for the year 2020 is presented in accordance with the Law on Securities of the Republic of Lithuania and the Rules for Preparation and Presentation of Periodic and Additional Information approved by Resolution of the Board of the Bank of Lithuania.

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

AB Panevėžio Statybos Trestas
Managing Director
Egidijus Urbonas

2 April 2021

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

Statement of Comprehensive Income

For the year ended December 31

EUR thousand

	Note	2020	2019
Revenue from contracts with customers	5	59,712	108,464
Cost of sales	6	(58,531)	(104,913)
Gross profit		**1,181**	**3,551**
Other income	10	859	600
Selling expenses	7	(283)	(338)
Administrative expenses, total:	8	(13,493)	(3,864)
Fine imposed by the Competition Council		(8,514)	0
Impairment (loss)/reversal on trade receivables, contract assets and other receivables		(120)	47
Other administrative expenses		(4,859)	(3,911)
Other expenses	10	(706)	(336)
Operating profit (loss)		**(12,442)**	**(387)**
Finance income, total:	11	1,227	1,019
Interest income		725	232
Other finance income		502	787
Finance expense, total:	11	(1,681)	(51)
Interest expenses		(1,658)	(40)
Other finance expenses		(23)	(11)
Profit (loss) before tax		**(12,896)**	**581**
Income tax (expense)/benefit	12	478	9
Net profit/(loss)		**(12,418)**	**590**
Other comprehensive income			
Items that will never be transferred to profit/(loss)		**0**	**0**
Items that will be transferred to profit/(loss)		**0**	**0**
Other comprehensive income, total		**0**	**0**
Total comprehensive income (loss)		**(12,418)**	**590**
Basic earnings (loss) per share (in EUR)	31	(0.76)	0.04

Notes disclosed in pages 14–59 are an integral part of these financial statements.

Managing Director	Egidijus Urbonas	02/04/2021__________
Chief Accountant	Danguolė Širvinskienė	02/04/2021_________

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

Statement of Financial Position

As at 31 December

EUR thousand

	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	4,333	5,675
Intangible assets	14	204	154
Investment property	15	3,213	2,687
Right-of-use assets	26	1,129	0
Investments in subsidiaries	16	5,919	5,781
Loans granted	17	12,731	7,203
Non-current trade receivables	19	228	1,703
Other non-current financial assets		83	57
Deferred tax asset	12	447	0
Total non-current assets		**28,287**	**23,260**
Current assets			
Inventories	18	2,775	3,934
Trade receivables	4, 19	10,791	23,540
Contract assets	4, 19	491	3,413
Prepayments		235	312
Loans granted	17	15,050	11,800
Other current assets	20	13	185
Prepaid income tax		0	3
Cash and cash equivalents	21	4,648	4,890
Total current assets		**34,003**	**48,077**
TOTAL ASSETS		**62,290**	**71,337**

Notes disclosed in pages 14–59 are an integral part of these financial statements.

Managing Director	Egidijus Urbonas	02/04/2021__________
Chief Accountant	Danguolė Širvinskienė	02/04/2021__________

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

Statement of Financial Position (continued)

As at 31 December

EUR thousand

	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Issued capital	22	4,742	4,742
Reserves	22	1,745	1,878
Retained earnings		15,349	28,125
Total equity		**21,836**	**34,745**
Non-current liabilities			
Warranty provisions	25	744	809
Deferred tax liability	12	0	31
Pension fund provision	25	57	164
Non-current lease liabilities	26	878	0
Total non-current liabilities		**1,679**	**1,004**
Current liabilities			
Loans	23	15,000	11,800
Current lease liabilities	26	251	0
Trade payables	24	8,187	18,523
Contract liabilities	27	2,815	2,342
Provisions	19, 25, 27	319	111
Other liabilities	19, 27	12,203	2,812
Total current liabilities		**38,775**	**35,588**
Total liabilities		**40,454**	**36,592**
TOTAL EQUITY AND LIABILITIES		**62,290**	**71,337**

Notes disclosed in pages 14–59 are an integral part of these financial statements.

Managing Director	Egidijus Urbonas	02/04/2021__________
Chief Accountant	Danguolė Širvinskienė	02/04/2021__________

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

Statement of Changes in Equity

EUR thousand	Note	Issued capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 31/12/2019		**4,742**	**475**	**1,403**	**28,125**	**34,745**
Total comprehensive income for the year						
Net profit/(loss)					(12,418)	**(12,418)**
Total other comprehensive income					0	**0**
Total comprehensive income					(12,418)	**(12,418)**
Depreciation transfer for buildings				(133)	132	**(1)**
Contributions by and distributions to owners of the Company						
Dividends to the owners of the Company	31				(490)	(490)
Total contributions by and distributions to owners of the Company					(490)	(490)
Balance as at 31/12/2020		**4,742**	**475**	**1,270**	**15,349**	**21,836**
Balance as at 31/12/2018		**4,742**	**475**	**2,280**	**26,657**	**34,154**
Total comprehensive income for the year						
Net profit/(loss)					590	590
Total other comprehensive income					0	0
Total comprehensive income					590	590
Depreciation transfer for buildings				(132)	133	1
Transfer of revaluation reserve to retained earnings				(745)	745	0
Balance as at 31/12/2019		**4,742**	**475**	**1,403**	**28,125**	**34,745**

Notes disclosed in pages 14–59 are an integral part of these financial statements.

Managing Director Egidijus Urbonas 02/04/2021__________

Chief Accountant Danguolė Širvinskienė 02/04/2021__________

Statement of Cash Flows

For the year ended December 31
EUR thousand

	Note	2020	2019
Cash flows from operating activities			
Net profit/(loss)		(12,418)	590
Adjustments to:			
Depreciation and amortisation	13, 14	1,233	1,287
Result from disposal of property, plant and equipment		(39)	4
Income tax expense (benefit)	12	(478)	(9)
Financing activities	11	1,144	(658)
Fine imposed by the Competition Council and enforcement fees	27	8,423	0
Other non-cash items		53	(384)
		(2,082)	830
Changes in non-current receivables		(17)	1,198
Changes in inventories	18	1,192	408
Changes in trade receivables and contract assets	19	17,057	(11,189)
Changes in prepayments		77	155
Changes in other assets		175	1,364
Changes in trade payables	24	(10,336)	1,155
Change in contract liabilities (prepayments received)	19	526	(584)
Changes in other liabilities		(376)	(601)
		6,216	(7,264)
Income tax paid		0	0
Net cash flows from/ (used in) operating activities		**6,216**	**(7,264)**
Cash flows used in investing activities			
Acquisition of intangible assets and property, plant and equipment	13, 14	(638)	(858)
Disposal of property, plant and equipment		210	0
Acquisition of subsidiary	16	(147)	(63)
Loans granted	28	(8,822)	(13,213)
Collection of loans granted		45	123
Dividends received	11	513	790
Net cash flows (used in) investing activities		**(8,839)**	**(13,221)**
Cash flows from/(used in) financing activities			
Dividends paid*		(488)	(1)
Loans received	4, 23	3,200	15,000
Repayment of borrowings	4, 23	0	(3,200)
Lease payments	26	(58)	0
Interest paid	4	(273)	(132)
Net cash flows from/(used in) financing activities		**2,381**	**11,667**
Net increase/(decrease) in cash and cash equivalents		(242)	(8,818)
Effect of foreign exchange on cash		0	0
Cash and cash equivalents as at January 1	21	4,890	13,708
Cash and cash equivalents as at December 31	21	**4,648**	**4,890**

* In 2020, the Company’s General Meeting of Shareholders made a decision to pay EUR 490 thousand of dividends. There was no dividend payment in 2019. During 2020, the Company paid out 99.4% of dividends. As at 31 December 2020, total balance of dividends payable was EUR 29 thousand (as at 31 December 2019, EUR 26 thousand).

Information on non-cash items:

Non-current assets acquired in 2019 by netting with loan receivable balance	-	367

Notes disclosed in pages 14–59 are an integral part of these financial statements.

Managing Director	Egidijus Urbonas	02/04/2021__________
Chief Accountant	Danguolė Širvinskienė	02/04/2021__________

Notes

1 General

Panevėžio Statybos Trestas AB (hereinafter the Company) was established in 1957. The company code is 147732969, registered address is P. Puzino st. 1, LT-35173 Panevėžys, the Republic of Lithuania. As from 13 July 2006, the Company's ordinary shares are listed on the Official trading list of the Vilnius Stock Exchange (VSE). The main activities of the Company are construction of buildings, structures, and plant and communication facilities in Lithuania and abroad. As at 31 December 2020, the Company had 593 employees (31 December 2019 - 704 employees).

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 in the Kingdom of Sweden.

As at 31 December 2020 and 2019, the principal shareholders of the Company were as follows:

- AB Panevėžio Keliai, S. Kerbedžio st. 7, Panevėžys, company code 147710353, (49.78%) (ultimate controlling shareholder);
- Swedbank AS (Estonia), Liivalaia 8, 15040 Tallinn, Estonia, company code 10060701, (7.74 %);
- The freely traded shares, owned by natural and legal persons (42.48%). No one owns more than 5%.

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

The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require a new set of financial statements to be prepared. The Company's management authorised these financial statements on 2 April 2021.

2 Basis of preparation

Statement of compliance

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

Basis of preparation of the financial statements

The financial statements have been prepared on the historical cost basis except for land and buildings measured using the revaluation model and investment property measured at fair value.

Functional and presentation currency

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

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

Judgments and estimates

The preparation of financial statements in compliance with IFRS requires management to make judgments and estimates 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 recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty in applying accounting policies that have a significant effect on the amounts recognised in the financial statements and have a significant risk of causing material adjustments to the financial statements in the next financial year is included in the following notes:

2 Basis of preparation (continued)

- Note 4: classification of liabilities related to the fine imposed by the Competition Council. As disclosed in Note 4, management made a judgement that the liability must be disclosed as current in Company’s financial statements.
- Note 12: deferred taxes recognition. Deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences could be utilised.
- Note 13: fair value of land and buildings which are measured using the revaluation model, useful lives of property, plant and equipment and intangible assets. The Company assesses the useful lives of property, plant and equipment and intangible assets at least once a year (Note 3.3). 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: when preparing these financial statements the management has assessed that no periodic revaluation is needed for the property, plant and equipment carried at revalued amount as at 31 December 2020 as there are no internal or external indication of material change in the fair values accounted for during the last revaluation performed and accounted for in the financial statements in 2018.
- 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 and other assets of subsidiaries. Therefore, the Company engaged external appraisers to estimate the fair values of these projects based on discounted cash flow or comparable price technique, as well as used selling price indicated in the subsequently signed Sale-Purchase Agreement with the third party and related information.
- Notes 19 and 26: impairment of trade receivables and estimation of revenue from contracts with customers and contract assets as well as contract liabilities based on the stage of completion of the construction contracts. The accuracy of the recognition of revenue on contracts in progress is highly dependent on the judgement exercised by management in assessing the completeness and accuracy of planned costs (budget) as it is the key assumption in the assessment of revenue, contract assets and contract liabilities based on the stage of completion of the contracts in progress. Estimating the recoverable amounts of receivables is a process, which requires significant management judgement and estimates, particularly those that are related to expected credit losses assessment based on the analysis of the historical credit losses, considerations of future factors and other subjective risk factors related to the specific debtor or debtors’ group. Estimates were applied in assessing the amounts to be collected and their timing.
- Note 17: part of loans granted are classified as long-term, despite the fact that contractual maturity date of some of these loans is 31 December 2021. Based on the management judgement and assessment of the subsidiaries’ ability to repay their debts, these loans are expected to be recovered only after 31 December 2021. Also, as disclosed in the Note 17 the loan granted to UAB Šeškinės Projektai amounting to EUR 15,000 thousand is classified as short-term based on its contractual maturity, as the management estimates that UAB Šeškinės projektai will exercise the option of refinancing and return the amount due based on the term stipulated in the agreement until 14 June 2021. In addition, the impairment estimation on these loans requires the management to make an assessment of the significance of increase in credit risk since initial recognition, which is performed by the management considering the liquidity situation of subsidiaries taking into account their financial statements and cash flows forecasts.
- Note 25: the Company estimates warranty provision on a monthly basis having regard to monthly revenue. Warranty provision is being estimated by taking into account revenue, actual warranty expenses incurred in previous periods, its proportion against actual sales, statutory term of warranty and historical information.
- Note 28: the management uses judgement while assessing the possible outcome of the legal disputes. No provisions are recognised in the financial statements as based on the management judgement it is more likely than not, that the Company will win the legal disputes mentioned in the Note, or it is not possible to make a reasonable estimate of the outcome of the contingency at the moment.

2 Basis of preparation (continued)

The Company assessed the potential impact of COVID-19 pandemic situation, including the quarantine that has been announced in the Republic of Lithuania on 16 March 2020 and 7 November 2020, on the financial statements, including going concern assumption. In 2020, COVID-19 had significant impact on *Panevezio statybos trestas* AB. The main affecting factors of COVID-19 are as follows:

- during pandemic, clients have suspended their work, which results in the Company losing part of revenue;
- the start dates for the work based on the new contracts have been postponed to a further period, and a larger part of their execution have been shifted to the next year;
- signing of the awarded contracts have been delayed;
- new construction and development projects have been suspended or delayed;
- faltering material supply;
- the construction market has contracted.

The management has assessed that this matter will not affect the Company’s ability to continue as a going concern as the Company does not expect to experience a significant business disruption due to this matter and also has sufficient balance of cash and cash equivalents and liquid assets in order to manage the short-term volatility in the Company’s cash flows (see further information in Note 4, Liquidity section) if caused by COVID-19 situation. The potential impact of COVID-19 was considered by the management when making estimates and assumptions about the recoverable values of the investments into subsidiaries, impairment of loans granted to subsidiaries and expected credit losses on trade receivables and contract assets that are mentioned above. This matter also might have a significant impact on these estimates in the next financial period, which cannot be reasonably quantified at this stage by the management due to great level of uncertainty associated with further development of COVID-19 pandemic situation in the countries of operation of the Company and the economy as the whole due to general business disruption caused by this matter.

3 Summary of significant accounting policies

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2020:

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

- **IFRS 3 Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. These amendments did not have any significant impact on the Company’s financial statements.

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

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The Amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary relief, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures, regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). These amendments did not have a significant impact on the Company’s financial statements.

3 Summary of significant accounting policies (continued)

Standards issued but not yet effective and not early adopted

- **Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. These amendments will not have any impact on the separate Company's financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. These amendments will not have a significant impact on the Company's financial statements.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendment applies to annual reporting periods beginning on or after 1 June 2022. Earlier application is permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018–2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. Amendments will not have a significant impact on the Company's financial statements.

  The amendments have not yet been endorsed by the EU. These amendments will not have a significant impact on the Company's financial statements.

3 Summary of significant accounting policies (continued)

- **IFRS 16 Leases-COVID-19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorised for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment has not yet been endorsed by the EU. These amendments will not have a significant impact on the Company’s financial statements

- **Interest Rate Benchmark Reform– Phase 2– IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  On 27 August 2020, the IASB published “Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendment applies to annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted. While application is retrospective, an entity is not required to restate prior periods. These amendments will not have a significant impact on the Company’s financial statements.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of these Amendments.

3 Summary of significant accounting policies (continued)

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. Management has not yet evaluated the impact of the implementation of these Amendments.

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

3 Summary of significant accounting policies (continued)

3.1 Foreign currency

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

3.2 Financial instruments

Financial instrument: a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement
At initial recognition, financial asset is classified as either measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of the financial asset depends on the contractual cash flow characteristics of the asset and the Company’s business model for managing the asset. These assets, except for trade receivables that do not have a significant financing component, are initially measured by the Company at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. Trade receivables that do not have a significant financing component are measured at the transaction price identified under IFRS 15.

Financial asset is classified and measured at amortised cost or fair value through other comprehensive income, where cash flows arising from financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is known as the SPPI test and is performed for each financial instrument.

The Company’s financial asset management model indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling this financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial asset.

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

Subsequent measurement
After initial recognition, the Company measures financial assets:
(a) At amortised cost (debt instruments).
(b) At fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition (debt instruments). As at 31 December 2020 and 2019, the Company did not have such financial instruments.
(c) At fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments). As at 31 December 2020 and 2019, the Company did not have such financial instruments.
(d) At fair value through profit or loss. As at 31 December 2020 and 2019, the Company did not have such financial instruments.

<u>Financial asset at amortised cost (debt instruments)</u>
The Company measures financial assets at amortised cost, if the two conditions are met:
(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
(ii) Contractual terms and conditions of financial asset allow for obtaining cash flows, on certain dates, which are solely the payments of the principal or the interest on the outstanding principal.

Financial assets measured at amortised cost are subsequently accounted for by applying the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

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

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

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

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

(a) Assessment of impairment of trade receivables and contract assets
Based on the Company’s management assessment, trade receivables and contract assets do not include a significant financing component and are accordingly measured for impairment using the simplified method, i.e. management makes an individual assessment of expected credit losses for each important customer taking into account its credit history, future factors and subjective risk factors related to the borrower. To assess all other receivables the Company uses the expected loss rate matrix which is based on historical credit loss analysis and adjusted to reflect future factors specific to borrowers and the economic environment.

(b) Estimation of the impairment of loans granted
The Company grants loans to the Group companies with a fixed maturity as it is disclosed in Note 17. For assessment of impairment of loans granted the expected 12-months credit losses are assessed and accounted upon issue of the loan. In subsequent periods, given the absence of significant increase in the credit risk associated with the debtor, the Company reassesses the 12-months ECL balance based on the loan amount still outstanding as of the date of the re-assessment. If it is determined that the financial position of the debtor has significantly deteriorated compared to the position prevailing at the time of the loan issue, the Company accounts for all the ECLs over the remaining life of the loan. Loans subject to assessment of lifetime ECLs are considered to be credit-impaired financial assets.

The Company considers a financial asset as credit-impaired when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, they breach the contract (such as a default or delinquency in interest or principal payments), there exists a probability that they will enter bankruptcy or other financial reorganisation, and in cases where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

ECLs for loans and trade receivables is accounted for through profit/loss using allowance for doubtful debts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

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

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

<u>Loans received and other payables</u>

After initial recognition, loans and other payables are carried at amortised cost using the effective interest method (EIR). Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised or amortised. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. EIR amortization is included in financial expenses in the statement of comprehensive income.

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

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

Derecognition of financial assets and liabilities

Financial assets

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

i) the contractual rights to receive cash flows from the financial asset have expired; or
ii) the Company has transferred its contractual rights to receive cash flows from the financial asset; or undertakes to remit, without material delay, any cash flows received to a third party under a transfer agreement and (a) has transferred substantially all risks and rewards of the asset, or (b) has neither transferred, nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Once the Company transfers the contractual rights to receive the cash flows of the financial asset or enters into a qualifying pass-through arrangement with a third party, the Company evaluates whether and to what extent it retains the risks and rewards of ownership of the financial asset. When the Company neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. In this case, the Company also recognizes the associated liability. The transferred asset and associated liability are measured based on the rights and obligations retained by the Company.

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

Financial liabilities

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

3.3 Property, plant and equipment

Items of property, plant and equipment except for land and buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method over the assessed useful life of an asset.

Land and buildings are carried at revalued amount which is their fair value as at the revaluation date less subsequently accumulated depreciation and impairment. Revaluations are carried out regularly ensuring that the carrying amount of land and buildings do not significantly differ from their fair values as at reporting date. The fair value of land and buildings is established by certified independent real estate appraisers. The revaluation reserve of land and buildings is reduced by an amount equal to the difference between the depreciation based on the revalued carrying amount and the depreciation based on the original cost of the land and buildings each year and is transferred directly to retained earnings or loss.

In case of revaluation, when the estimated fair value of the assets exceeds their net book value, the net book 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 recognised as income to the extent it does not exceed the decrease of previous revaluation recognised in profit or loss. Depreciation is calculated from the depreciable amount which is equal to acquisition cost or revaluated amount less residual value of an asset.

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

The accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal or recognising regular depreciation charge, any revaluation surplus relating to the particular asset being depreciation or sold is transferred to retained earnings.

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 capitalised.

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

The cost of replacing part of an item of property, plant and equipment is recognised 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 net book value of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

The estimated useful lives of the assets are the following:

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

Depreciation methods, residual values and useful lives 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 recognised net within other income or expenses. When revalued assets are sold or reclassified, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.4 Intangible assets

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

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

3.5 Investment properties

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 measured 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.

3 Summary of significant accounting policies (continued)

3.5 Investment properties (continued)

Acquisition 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 capitalised.

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, plant and equipment, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property, plant and equipment is reclassified to investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.6 Leased assets and lease liabilities

A) Company as a lessee

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company (as a lease) applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Company had only few assets (cars) lease contracts that are insignificant at the beginning of 2020, however, a long-term lease agreement for premises was signed on 9 September 2020 and for cars at the end of 2020.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Vehicles	3 years
• Buildings and structures	5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

3 Summary of significant accounting policies (continued)

3.6 Leased assets and liabilities (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the estimates of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company apply the short-term lease recognition exemption to its non-current-asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

B) The Company as a lessor:

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

3.7 Investments in subsidiaries and joint arrangements

Investments in subsidiaries are accounted for at cost less impairment.

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

- The parties are bound by a contractual arrangement.
- The contractual arrangement gives two or more of those parties joint control of the arrangement.

The Company has a joint arrangement that is a joint operation (Note 16).

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

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

3 Summary of significant accounting policies (continued)

3.8 Inventories

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

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

Unrealisable inventory is fully written-off.

3.9 Cash and cash equivalents

Cash includes cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 3 months or less and that are subject to an insignificant risk of change in value.

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

3.10 Impairment of non-financial assets

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

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

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

Impairment losses recognised 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 recognised.

3.11 Dividends

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

3 Summary of significant accounting policies (continued)

3.12 Provisions

A provision is recognised 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 to their present value 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 recognised when the underlying construction services are sold, i.e. assurance type warranties, as the Company does not grant additional warranties to the customers. The provision is based on historical warranty costs data and probabilities.

3.13 Employee benefits

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

In accordance with the requirements of the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement is entitled to a one-off payment amounting to two-month salary. Previously incurred service costs are recognised as expenses on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of changes in terms of benefits (curtailment or settlement) are recognised in the statement of comprehensive income as incurred. Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in other comprehensive income as incurred.

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

3.14 Revenue

<u>Revenue from contracts with customers</u>

The Company’s primary business activity is the construction of buildings, structures, plant and equipment and communication facilities. Revenue from contracts with customers is recognised at the amount to which the entity expects to be entitled to in return for the sale of goods or services when a control of goods or services is transferred to the customer. Generally, the Company does not have significant variable components of remuneration in its contracts with customers.

The Company has concluded that generally it is the principal in its construction services contracts even when the subcontractors are used in the implementation of the projects, because the Company:
- controls the goods and services before transferring them to the customer;
- is responsible for the overall performance of the contract with the customer and is exposed to the risk of default;
- the entity has discretion in establishing the price.

Performance obligations arising from the construction contracts with customers are fulfilled over time and respectively revenue from the construction and installation services are recognised over time if any of the following criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company’s performance; (b) the Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company’s performance does not

3 Summary of significant accounting policies (continued)

3.14 Revenue (continued)

create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

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

When the outcome of a contract cannot be estimated reliably (i.e., in the early stages of a contract), only the portion of the contract costs incurred that is expected to be recovered is recognised as revenue.

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

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

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

<u>Balances under contract</u>

Contract assets

Contract asset is the right of the Company to remuneration in exchange for the goods or services that have been transferred to the customer. If the Company performs the contract by transferring goods or services to a customer before the customer pays consideration or before the Company’s right to amount of consideration is unconditional, the Company reports such a right to consideration as a contract asset, except for any amounts reported as receivables.

Receivables

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

Contract liability

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

Revenue from the sale of other services or goods is recognised when the services are rendered or control of the inventory is transferred, but such transactions are relatively insignificant.

3 Summary of significant accounting policies (continued)

3.15 Financial income and expenses

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

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

3.16 Income tax

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

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

Deferred taxes are calculated using the balance sheet liability method. The deferred tax reflects temporary difference between the accounting value of assets and liabilities, and net tax influence of their tax base. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the date of the statement of financial position.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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 realised.

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

3.17 Earnings per share

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

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

3.18 Segment reporting

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

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

3 Summary of significant accounting policies (continued)

3.18 Segments reporting (continued)

In 2020 and 2019, the Company also does not distinguish geographical segments, as the Company’s income from foreign countries did not account for more than 10% of the total income and most of its non-current assets are also located in Lithuania.

3.19 Determination of fair value

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

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

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

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

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

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

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

Fair values have been determined for measurement and/or disclosure purposes based on the methods and assumptions described in Notes 13, 15, 16 and 30. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3.20 Offsetting

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

4 Financial Risk Management

Overview

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

The Board 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 responsibilities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contract liabilities and arises principally from the Company’s trade receivables and loans granted.

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

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

The maximum exposure to credit risk is set out below:

(EUR’000)	2020	2019
Trade receivables and contract assets	11,510	28,656
Loans granted	27,781	19,003
Cash and cash equivalents	4,648	4,890
Total	**43,939**	**52,549**

Trade receivables and contract assets:

(EUR’000)	2020	2019
Municipalities and state institutions	605	728
Legal persons	10,905	27,928
Total trade receivables and contract assets	**11,510**	**28,656**

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

4 Financial Risk Management (continued)

Breakdown of the largest credit risks related to trade receivables and contract assets by customers as at the reporting date:

(EUR'000)	2020	%	2019	%
Client 1	2,618	22.8	6,516	22.7
Client 2	1,965	17.1	3,000	10.5
Client 3	797	6.9	2,387	8.3
Client 4	739	6.4	1,840	6.4
Client 5	719	6.2	1,716	6.0
Client 6	597	5.2	1,441	5.0
Client 7	478	4.2	1,150	4.0
Other clients	3,754	32.6	10,674	37.3
Impairment	(157)	(1.4)	(68)	(0.2)
Total	**11,510**	**100**	**28,656**	**100**

Breakdown of trade receivables and contract assets by geographic regions:

(EUR'000)	2020	2019
Local market (Lithuania)	10,285	28,033
Latvia	1,225	623
Total	**11,510**	**28,656**

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

(EUR'000)	2020	Impairment	2019	Impairment
Not overdue	8,650		24,129	0
Overdue 0–30 days	899		3,482	0
Overdue 30-90 days	478		479	0
More than 90 days	1,640	157	634	68
Total	**11,667**	**157**	**28,724**	**68**

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

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

As at 31 December 2020 and 2019, the Company's other current financial assets were fully impaired (Note 20).

Cash and cash equivalents comprise cash on hand and at bank (only reliable banks are selected); therefore, the related credit risk is relatively low.

Apart from the impairment already recognised as at 31 December 2020, the management considers that there is no significant risk of material loss to the Company.

4 Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking to damage 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.

As at 31 December 2020 the Company’s current liabilities exceeded current assets by EUR 4,772 thousand. This liquidity gap resulted from the decision of the management to report the entire amount of payable penalty and related amounts to the Tax Authority according to the decision of the Competition Council under current liabilities caption in the statement of financial position as there is no agreement for the deferral of payments signed yet and the Company only has a decision letter from the Tax Authority (also see Note 28) based on which the management currently makes the payments of the penalty in equal instalments over eight years period. The State tax authority in its letter 2020 – 08 – 11 RNA – 21789 agreed that the settlement of fine and interest as imposed by the Competition Council is made in instalments over 8 years and requested to ensure that no dividends are paid/declared to the shareholders and no loans issued. The general shareholders meeting when making a decision in respect of the profit distribution should take into account the expressed position of the State tax authority. The management believes that the agreement with the Tax Authority will be signed and considering to this deferral of penalty payment, the management expects that would be able to fulfil its liabilities as they fall due and it is appropriate to apply the going concern assumption as at 31 December 2020.

Payment maturities of financial liabilities as at 31 December 2020 (undiscounted) as to the agreements, are presented below:

(EUR’000)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
Liabilities				
Loans (overdraft)*	15,000	16,609	16,609	0
Trade payables	8,187	8187	8,187	0
Lease liabilities	1 129	1 129	126	1 003
Liabilities related to the fine imposed by the Competition Council**	9,808	9,808	9,808	0
Total	**34 124**	**35 733**	**34 730**	**1 003**

* The maturity of the overdraft according repayment schedule is within 6 months. As disclosed in Note 23, as at 31 December 2020 the Company failed to satisfy one of the financial ratios of the overdraft and due to the breach the bank has a right to request early repayment of the overdraft.

** The entire amount of the penalty is presented as payable during 6 months because as describe above the management while preparing these financial statements made a judgement that the Company has not yet an unconditional and contractual right to defer the payment when there is no signed the agreement with the Tax Authority and currently the Company pays the penalty in equal parts for a period of eight years (without additional interest).

Payment maturities of financial liabilities as at 31 December 2019 (undiscounted) as to the agreements, are presented below:

(EUR’000)	Carrying amount	Contractual net cash flows	6 months or less	More than 6 months
Liabilities				
Loans (overdraft)	11,800	11,918	0	11,918
Trade payables	18,523	18,523	18,523	0
Total	**30,323**	**30,441**	**18,523**	**11,918**

On 14 December 2017, an overdraft agreement was signed with bank with the limit of EUR 15 million. Overdraft with the repayment term of 14 June 2021 was used for the development of real estate project of Šeškinės Projektai UAB on 31 December 2020. As at 31 December 2020, the overdraft was withdrawn at 100%. As at 31 December 2019, the overdraft withdrawn amounted to EUR 11.8 million (Note 23).

4 Financial Risk Management (continued)

Change in liabilities arising from financing activities

(EUR'000)	**As at 31/12/2019**	Accrued	Cash flow in/out	Other	**As at 31/12/2020**
Loans received	11,800	0	3,200	0	15,000
Dividends payable	26	491	(488)	0	29
Interests payable	0	1,658	(271)	0	1,387
Lease liabilities	0	1,176	(58)	11	1,129
Total	**11,826**	**3,325**	**2,383**	**11**	**17,545**

Market risk

Market risk is the risk that changes in market prices, such as changes in foreign currency rates and interest rates will affect the results of the Company. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As at 31 December 2020 and 2019, the Company did not use any derivatives.

Currency risk. The Company is not exposed to the material risk of changes in foreign currency rates on sales, purchases and borrowings that are denominated in a currency other than the functional currency. The majority of monetary assets and liabilities as at 31 December 2020 and 2019 are denominated in EUR.

Interest rate risk. The Company's issued and received 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 as disclosed below.

The Company's financial assets and borrowings subject to variable interest rates outstanding as of 31 December 2020 were as follows:

	Contract currency	2020	2019
Long-term loans granted	EUR'000	12,781	7,203
Short-term loans granted		15,000	11,800
Total		**27,781**	**19,003**
Loans received (overdraft)	EUR'000	15,000	11,800
Total		**15,000**	**11,800**

With an increase in the interest rate by 0.5% as at 31 December 2020, the Company's net profit would increase by approximately EUR 64 thousand (EUR 139 thousand increase due to loans granted and EUR 75 thousand decrease due to loans received). With an increase in the interest rate by 0.5% as at 31 December 2019, the Company's net profit would increase by approximately EUR 36 thousand (EUR 95 thousand increase due to loans granted and EUR 59 thousand decrease due to loans received).

Capital management

The policy of the Board 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 higher return, which could be available if there was higher level of borrowed "funds" 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 issued capital. As at 31 December 2020 and 2019, the Company was in line with this regulation. The Company's capital management policy did not change during the year.

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

5 Revenue from contracts with customers

Revenue is derived from construction-installation work (approx. 99% in 2020 and 2019).

(EUR’000)	2020	2019
Lithuania	58,399	102,133
Latvia	1,313	5,238
Russia	0	1,093
Sales in total	**59,712**	**108,464**

Revenue from the largest customer of the Company in 2020 amounted to approximately EUR 2,618 thousand (in 2019, EUR 6,516 thousand) of the Company’s total revenues.

In 2020, the Company recognised EUR 1,850 thousand of revenue from contracts with customers that were included to the balance of contract liabilities at the beginning of the period (in 2019: EUR 2,259 thousand).

Information on contracts outstanding at the end of the financial year is disclosed in Note 19.

6 Cost of sales

(EUR’000)	2020	2019
Construction sub-contractors	30,957	58,194
Raw materials and consumables	11,234	24,402
Wages and salaries (Note 9)	9,052	10,447
Depreciation charge	633	818
Amortisation charge	21	40
Machinery expenses	1,241	2,584
Rent expenses (short term lease)	1,384	3,298
Other expenses	4,009	5,130
Total cost of sales	**58,531**	**104,913**

7 Selling expenses

(EUR’000)	2020	2019
Advertising and other expenses	27	72
Wages and salaries (Note 9)	256	266
Total selling expenses	**283**	**338**

8 Administrative expenses

(EUR’000)	2020	2019
Wages and salaries (Note 9)	2,633	2,052
Purchased services for administrative use	742	1,047
Fine imposed by the Competition Council (Note 28)	8,514	0
Provision for bailiff expenses (Note 28)	396	0
Rent expenses	20	150
Depreciation of right of use assets	65	0
Depreciation charge	273	286
Remuneration to the Board members	118	0
Operating taxes other than income tax	110	114
Sponsorship	72	158
Amortisation charge	5	7
Total expenses of impairment (reversal of impairment) of trade receivables, contract assets and other receivables:	**120**	**(47)**
Impairment (reversal of impairment) of trade receivables (Note 19)	89	(78)
Impairment of other receivables	31	31
Other expenses	425	97
Total administrative expenses	**13,493**	**3,864**

9 Wages and salaries

(EUR'000)	2020	2019
Wages and salaries	10,876	11,604
Social security contributions	215	244
Daily allowances and incapacity benefits	895	925
Change in accrued vacation reserve and bonuses	(197)	43
Change in pension provision (Notes 25 and 27)	164	(35)
Total salary related expenses	**11,953**	**12,781**
Recognised in:		
Cost of sales	9,052	10,447
Administrative expenses	2,633	2,052
Selling expenses	256	266
Other operating expenses	12	16
Total salary related expenses	**11,953**	**12,781**

10 Other income and expenses

(EUR'000)	2020	2019
Gain from sale of property, plant and equipment	51	2
Rental income (Note 15)	373	240
Other revenue	435	358
Total other income	**859**	**600**
Depreciation of rented premises	(293)	(136)
Other expenses	(413)	(200)
Total other expenses	**(706)**	**(336)**
Total other income and expenses, net	**153**	**264**

11 Finance income and expense

(EUR'000)	2020	2019
Interest income	726	232
Dividend income	501	787
Total finance income	**1,227**	**1,019**
Interest expenses, related to penalty imposed by the Competition Council (28 Note)	(1,385)	0
Loans interest expenses	(273)	(40)
Foreign currency exchange loss	0	(11)
Other expenses	(23)	0
Total finance expenses	**(1,681)**	**(51)**
Total finance income and expenses, net	**(454)**	**968**

12 Income tax

Income tax expense (benefit):

(EUR’000)	2020	2019
Current income tax expense	0	0
Change in deferred income tax	(478)	(9)
Total income tax expense	**(478)**	**(9)**

In 2020 and 2019, the Company applied a standard 15% rate in Lithuania, a 22% rate in the Kingdom of Sweden and 0% rate in Latvia. Reconciliation of effective tax rate:

(EUR’000)	2020		2019	
Profit (loss) before tax		(12,896)		581
Income tax expense (benefit) applying the Company’s domestic tax rate	15.0%	(1,934)	15.0%	87
Non-deductible expenses		1,501		71
Non-taxable income		(32)		(149)
Change in deferred tax asset’s realisation allowance		(13)		(18)
	(3.71%)	**(478)**	**(1.55%)**	**(9)**

Deferred tax:

(EUR’000)	2020		2019	
	Temporary differences	Deferred income tax	Temporary differences	Deferred income tax
Impairment of trade and other receivables	2,640	396	2,632	395
Accrued bonuses	283	42	359	54
Pension provision	241	36	164	25
Vacation reserve	18	3	24	3
Warranty provision	744	112	809	121
Inventory write-off to net realisable value	65	10	98	15
Tax loss carry forward (indefinite period)	3,850	577	1,370	205
Onerous contracts	135	20	111	17
Total deferred tax assets		**1,196**		**835**
Not recognised deferred tax assets (trade receivable allowance)		**(372)**		**(385)**
Deferred tax asset recognised		**824**		**450**
Revaluation of land and buildings	(1,495)	(224)	(1,651)	(247)
Difference in investment property value	(1,020)	(153)	(1,560)	(234)
Deferred tax liability		**(377)**		**(481)**
Deferred tax, net		**447**		**(31)**

12 Income Tax (continued)

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

Change in deferred income tax:

(EUR'000)	2020	2019
Net deferred tax as at 1 January	(31)	(40)
Amounts recognised in other comprehensive income	0	0
Recognised in profit or loss	478	9
Net deferred tax as at 31 December	**447**	**(31)**

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

13 Property, plant and equipment

(EUR'000)	Land and buildings	Machinery and equip-ment	Vehicles	Fixtures and fittings	Construction-in-progress	Total
Cost (revalued carrying amount of land and buildings)						
Balance as at 1 January 2020	3,055	2,904	1,794	727	14	8,494
Additions	0	71	168	174	141	554
Reclassification to investment property	(526)	0	0	0	0	(526)
Reclassification	155	0	0	0	(155)	0
Asset written-off	0	(219)	(87)	(161)	0	(467)
Balance as at 31 December 2020	2,684	2,756	1,875	740	0	8,055
Balance as at 1 January 2019	2,496	6,889	3,646	2,850	474	16,355
Additions	0	320	119	162	122	723
Reclassification from investment property	13	0	0	0	0	13
Reclassification	582	0	0	0	(582)	0
Asset written-off	(36)	(4,305)	(1,971)	(2,285)	0	(8,597)
Balance as at 31 December 2019	3,055	2,904	1,794	727	14	8,494
Depreciation and impairment						
Balance as at 1 January 2020	162	1,432	900,	325	0	2,819
Depreciation charge for the year	280	467	287	183	0	1,217
Impairment (reversal of impairment)	(10)	0	0	0	0	(10)
Depreciation of asset written-off	0	(108)	(68)	(128)	0	(304)
Balance as at 31 December 2020	432	1,791	1,119	380	0	3,722
Balance as at 1 January 2019	0	5,194	2,545	2,435	0	10,174
Depreciation charge for the year	198	543	326	173	0	1,240
Impairment (reversal of impairment)	(1)	0	0	0	0	(1)
Depreciation of asset written-off	(35)	(4,305)	(1,971)	(2,283)	0	(8,594)
Balance as at 31 December 2019	162	1,432	900	325	0	2,819
Net book value						
As at 1 January 2020	**2,893**	**1,472**	**894**	**402**	**14**	**5,675**
As at 31 December 2020	**2,252**	**965**	**756**	**360**	**0**	**4,333**
As at 1 January 2019	**2,496**	**1,695**	**1,101**	**415**	**474**	**6,181**

13 Property, plant and equipment (continued)

(EUR'000)	2020	2019
Depreciation recognised in:		
Cost of sales	633	818
Administrative expenses	281	286
Other expenses	293	136
Total depreciation	**1,207**	**1,240**

Land and buildings are stated at revalued amount. The last external revaluation was performed as on 31 December 2018 based on the consultations on possible market prices of the Company's land and buildings provided by independent valuation company, having appropriate recognised professional qualifications and necessary experience in valuation of property at certain location and of certain category. The valuation was performed using the comparable price method (Level 3 in the fair value hierarchy). Significant unobservable data was used in fair value measurement, i.e. price per square meter/are. The fair value would increase with an increase in price per square meter/are and decrease with a decrease in price per square meter/are.

For the purpose of financial statements, the management considers if there are any indications that the carrying value of land and buildings is significantly different from the market value on an annual basis. To verify this estimate made by the management, every five years external valuation report by valuation expert is performed.

If the buildings and land were stated at cost model, their net book value as at 31 December 2020 would be equal to EUR 1,727 thousand (as at 31 December 2019: EUR 1,697 thousand).

As at 31 December 2020, the acquisition cost of fully depreciated but still in use assets amounted to EUR 874 thousand (the Company did not have any fully depreciated but still in use assets as at 31 December 2019).

As at 31 December 2020, land and buildings with the carrying amount of EUR 2,483 thousand were pledged to banks (EUR 2,617 thousand as at 31 December 2019) (refer to Note 28).

14 Intangible assets

(EUR'000)	Computer software	Other assets	Total
Cost			
Balance as at 1 January 2020	209	4	213
Additions	83		83
Asset written-off	(37)	(3)	(40)
Balance as at 31 December 2020	255	1	256
Balance as at 1 January 2019	505	11	516
Additions	135	0	135
Asset written-off	(431)	(7)	(438)
Balance as at 31 December 2019	209	4	213
Amortisation and impairment			
Balance as at 1 January 2020	57	2	59
Amortisation charge for the year	25	1	26
Amortisation of asset written-off	(30)	(3)	(33)
Balance as at 31 December 2020	52	0	52
Balance as at 1 January 2019	442	8	450
Amortisation charge for the year	46	1	47
Amortisation of asset written-off	(431)	(7)	(438)
Balance as at 31 December 2019	57	2	59
Net book value			
As at 1 January 2020	**152**	**2**	**154**
As at 31 December 2020	**203**	**1**	**204**
As at 1 January 2019	**63**	**3**	**66**

14 Intangible assets (continued)

(EUR'000)	2020	2019
Amortisation recognised in:		
Cost of sales	21	40
Administrative expenses	5	7
Total amortisation	**26**	**47**

The Company did not have any intangible assets fully amortised but still in use neither as at 31 December 2020, nor as at 31 December 2019.

15 Investment property

(EUR'000)	2020	2019
Balance as at 1 January	2,687	2,650
Reclassification from (to) property, plant and equipment	526	(13)
Change in fair value	0	50
Balance as at 31 December	**3,213**	**2,687**

In 2015, the Company acquired a 14-floor hotel *Panevėžys* located in Panevėžys, 16.74% of which is rented out to third parties, and the rest of the hotel is not used. The Company has no detailed plans regarding the use of the remaining part of the building yet; however, the building is not planned to be further 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. The discounted cash flow method was used in the valuation (discount rate – 9%, exit yield – 7%, occupation rate 80–90%; the same assumptions were used in 2020 and 2019). If the discount rate would increase by 1% (remaining assumptions would not be changed), then investment property fair value would decrease approximately by EUR 90 thousand and if exit yield would increase by 1% (remaining assumptions would not be changed) fair value of investment property would decrease by EUR 80 thousand.

The identified fair value of the above investment property of EUR 1,350 thousand (in 2019: EUR 1,350 thousand) was attributed to Level 3 in the fair value hierarchy.

At the end of the financial year, future minimum lease payments receivable under non-cancellable lease agreements were the following: EUR 91 thousand in less than one year, EUR 64 thousand between one and five years (as at 31 December 2019: EUR 102 thousand in less than one year, EUR 90 thousand between one and five years). Revenue from the hotel premises rent in 2020 amounted to EUR 99 thousand (in 2019: EUR 105 thousand) and was accounted for under other income (refer to Note 10).

In addition, the Company has reclassified the operational buildings, storages and other premises, leased to both subsidiaries and third parties, to investment property. Calculated fair value of these buildings as at 31 December 2018 amounted to EUR 1,350 thousand, which was evaluated in accordance with the reports of independent real estate appraisers and a percentage of leased space. The assessment of assets was carried out by UAB corporation Matininkai. Assets were evaluated using comparable and income methods, with regard to the larger value. An average discount rate of 11.91% was applied to income method in accordance with weighted average cost of capital. The latter investment property was attributed to Level 3 in fair value hierarchy. The management has assessed that there is no significant change in the FV of this property during 2019 and 2020. Change of investment property was affected by operational building rented for subsidiary UAB Aliuminio fasadai in January 2020.

Expected rental receivables of this investment property under non-cancellable contracts as at 31 December 2020 amounted to: EUR 142 thousand in less than one year, EUR 369 thousand between one and five years (as at 31 December 2019: EUR 129 thousand in less than one year, EUR 413 thousand between one and five years). Revenue from lease in 2020 amounted to EUR 199 thousand (in 2019: EUR 135 thousand) and was accounted for under other income.

16 Investments in subsidiaries and joint operations

(a) Subsidiaries

(EUR'000)	2020		2019	
Subsidiary	Ownership interest	Cost	Ownership interest	Cost
UAB PST Investicijos, Verkių st. 25C, Vilnius	68.3%	8,877	68.3%	8,877
UAB Šeškinės Projektai, Verkių st. 25C, Vilnius	100%	1,600	100%	1,600
UAB Ateities Projektai, Verkių st. 25C, Vilnius	100%	400	100%	400
UAB Tauro Apartamentai, Verkių st. 25C-1, Vilnius	100%	2	100%	2
UAB Hustal, Tinklų st. 7, Panevėžys	100%	10	100%	10
UAB Vekada, Marijonų st. 36, Panevėžys	95.6%	225	95.6%	225
UAB Skydmedis, Pramonės st. 5, Panevėžys	100%	145	100%	145
UAB Alinita, Tinklų st. 7, Panevėžys	100%	70	100%	70
UAB Metalo Meistrai, Tinklų st. 7, Panevėžys	100%	24	100%	24
SIA PS Trests, Skultes iela 28, Skulte, Marupes nov., Latvia	100%	4	100%	4
Kingsbud Sp.z.o.o, A. Patli st. 12, 16-400 Suwalki, Poland	100%	1	100%	1
OOO Teritorija, Lunačiarsko ave. 43/27, Cherepovec, Vologda, Russian Federation	87.5%	0	87.5%	0
UAB Aliuminio Fasadai, Pramonės st. 5, Panevėžys	100%*	200	100%*	62
Impairment:				
UAB PST Investicijos		(5,565)		(5,565)
UAB Alinita		(70)		(70)
PS Tresats SIA		(4)		(4)
Total investments		**5,919**		**5,781**

* On 6 December 2019, the Company established UAB Aliuminio Fasadai, which was registered on 2 January 2020.

Financial information on subsidiaries can be specified as follows:

Subsidiaries of AB Panevėžio Statybos Trestas:

(EUR'000)	Type of activity	Equity As at 31/12/2020	Net profit (loss) for 2020	Equity As at 31/12/2019	Net profit (loss) for 2019
UAB PST Investicijos (consolidated sub-group, see below)	Real estate development	2,580	(2,795)	3,890	1,249
UAB Vekada	Construction: electricity installation	1,242	7	1,292	59
UAB Skydmedis	Construction: wooden houses	1,000	674	826	353
UAB Alinita	Construction: conditioning equipment	(187)	191	(378)	101
UAB Metalo Meistrai	Construction	758	318	429	(82)
UAB Hustal	Trade	226	147	79	69
UAB Aliuminio fasadai	Aluminium structure production	52	(48)		
PS Trests SIA	Construction	(163)	12	(175)	(9)
UAB Šeškinės Projektai	Real estate development	4,367	3,649	717	(390)
Kingsbud Sp.z.o.o	Trade	242	6	252	93
OOO Teritorija	Real estate development	(1,126)	(349)	(1,267)	130
UAB Ateities Projektai	Real estate development	294	(55)	349	(72)
UAB Tauro Apartamentai	Real estate development	3	0	3	0

16 Investments in subsidiaries and joint operations (continued)

Subsidiaries of UAB PST Investicijos:

(EUR'000)	Ownership interest	Equity As at 31/12/2020	Net profit (loss) for 2020	Equity As at 31/12/2019	Net profit (loss) for 2019
ZAO ISK Baltevromarket	100 %	(9,119)	(2,375)	(9,264)	1,021

As at 31 December 2020 and 2019, based on the management's assessment, the investments in UAB Alinita, PS Trests SIA and OOO Teritorija were fully impaired; therefore, 100% impairment was recognised. The management determined the potential impairment indicators and assessed recoverable amount for investments into UAB PST Investicijos and UAB Šeškinės Projektai as of 31 December 2020 and 2019 as described below. There were no impairment indications for other investments as at 31 December 2020 and 2019.

As at 31 December 2020, UAB PST Investicijos recoverable amount was estimated as follows:

Carrying value of UAB PST Investicijos as at 31 December 2020 (cost less impairment recognised)	3,312
Estimated fair value of the project under development by ZAO ISK Baltevromarket	6,500
Other assets less liabilities at estimated fair value	(1,080)
Recoverable value of UAB PST Investicijos	5,420
Amount of shares controlled by AB Panevėžio Statybos Trestas	68.344,%
UAB PST Investicijos recoverable value attributed to AB Panevėžio Statybos Trestas	3,704
Estimated potential impairment reversal as at 31 December 2020	392
Estimated impairment until 31 December 2019	**(5,566)**
Additional impairment accounted for under financial expenses in 2020	0
Total impairment for as of 31 December 2020	**(5,566)**

Estimation of the recoverable amount of investment made by UAB PST Investicijos is mainly based on the real estate project, which is developed by ZAO ISK Baltevromarket in Kaliningrad. On 5 February 2021, an agreement was signed with ZAO ISK Baltevromarket for the sale of the remaining plots for EUR 6,500 thousand. However, taking into account the Russian market, the management believes there is no guarantee that the transaction will be successfully completed as intended, therefore the estimated possible additional increase in value was not accounted for in the financial statements for 2020.

As at 31 December 2019, UAB PST Investicijos recoverable amount was estimated as follows:

Carrying value of UAB PST Investicijos as at 31 December 2019 (cost less impairment recognised)	3,312
Estimated fair value of the project under development by ZAO ISK Baltevromarket	6,500
Other assets less liabilities at estimated fair value	(1,926)
Recoverable value of UAB PST Investicijos	4,574
Amount of shares controlled by AB Panevėžio Statybos Trestas	68.344,%
UAB PST Investicijos recoverable value attributed to AB Panevėžio Statybos Trestas	3,126
Estimated potential additional impairment as at 31 December 2019	(186)
Estimated impairment until 31 December 2018	**(5,566)**
Additional impairment accounted for under financial expenses in 2019	0
Total impairment for as of 31 December 2019	**(5,566)**

16 Investments in subsidiaries and joint operations (continued)

Based on the judgement of the management, the impact of the potential estimated impairment in 2019 on the financial statements was insignificant, therefore, was not accounted for.

When estimating the fair value of the project of ZAO ISK Baltevromarket in 2019, the management has considered the fair value estimations as provided by the independent appraiser using a discounted cash flows method as well as commercial proposals that were received from the potential buyers of the land plots in 2019.

The management considered the fair value that was determined by the independent appraiser to be EUR 7,500 thousand. On 30 November 2019, ZAO ISK Baltevromarket land plots (54% of all land plot) designated for development of commercial properties were valued using the comparable value method, based on which the value of the land plots are EUR 3,670 thousand. The land plots designated for residential property development were valued using the residual method (where such approaches were analysed: the cost approach, market approach and income approach), based on which the value of the land plots are EUR 3.830 thousand. The following principal assumptions that were used in discounted cash flows method:

- discount rate – 25%;
- disposal of land plot – 62 EUR/sq. m;
- significant unobservable data used to determine fair value – price for 1 sq. m, planned various project cost, discount rate.

The fair value of land plots (designated for development of commercial properties) evaluated using comparable value method would increase if the price per 1 sq. m was higher and would decrease if price per 1 sq. m. was lower. If the disposal price of this type of land plots decreased by 5%, fair value would decrease by approximately EUR 183 thousand.

If the discount rate of land plot, which was evaluated using discounted cash flows method (designated for residential property development), increased by 0.25% (remaining assumptions would not be changed), the fair value of land plot would decrease by EUR 35 thousand, if the land plot disposal price decreased by 5%, it would result in fair value decrease by EUR 235 thousand. If project cost increased by 5%, the estimated net realizable value would decrease by EUR 58 thousand.

The management considered that the fair value of the ZAO ISK Baltevromarket project as of 31 December 2019 ranges from EUR 6,500 thousand (the value of land plots based on commercial offer, which was also used to measure the recoverable amount on 31 December 2018) to EUR 7,500 thousand (the value determined by the appraiser as disclosed above). The management concluded that the lower range estimate of the fair value of EUR 6,500 thousand represents more accurate estimate for the preparation of the financial statements as of 31 December 2019 considering some specific characteristics of the project (land plots) that were raised in the discussions with the potential buyers. If the higher fair value estimate of the ZAO ISK Baltevromarket project would be taken into impairment assessment, the impairment of the investment into subsidiary would be reduced accordingly in 2019.

Investment into UAB Šeškinės Projektai

The project of UAB Šeškinės Projektai is developing an administrative building project (the building was handed over to the state commission in September 2020) using funds borrowed primarily from the Company (see also Note 17). Based on the assessment of the management of the fair value of the project under development by UAB Šeškinės Projektai, the carrying value of the investment was not impaired as at 31 December 2020 and 2019. In addition to this investment, the Company has a loan receivable balance of EUR 23,662 thousand as at 31 December 2020 and EUR 16,311 thousand as at 31 December 2019 from this subsidiary that was granted to finance development of the project and the loans were assessed as not impaired as well as disclosed in Note 17.

The management has considered the consultation of the independent appraiser on the fair value of the project as of 30 November 2020 and 2019 and the management’s estimation of the changes in the fair value during December when determining the recoverable value of the investment in subsidiary.

16 Investments in subsidiaries and joint operations (continued)

Key assumptions used by the management in the estimation of the recoverable value of investment as of 31 December 2020 were as follows: discount rate – 8% (pre-tax), occupation rate – 94% and rent prices of premises – 12.60 EUR/sq. m. per month. Any unfavourable change in the key assumption used by the management (a reduction in rent prices or plot occupation or increase in discount rate) would result in impairment of investment into this subsidiary as of 31 December 2020.

Key assumptions used by the management in the estimation of the recoverable value of investment as of 31 December 2019 were as follows: developer’s margin (discount rate) – 13% (pre-tax), sales prices of office and commercial area – from 1,961 to 2,280 EUR/sq. m. and the remaining construction costs –EUR 6,1 million. Any unfavourable change in the key assumption used by the management (a reduction in sales prices or increase in discount rate or, if applicable, remaining construction costs) would result in impairment of investment into this subsidiary as of 31 December 2019.

(b) Joint operations

In 2016, the Company concluded the agreement with limited liability company SIA ARMS GROUP, Gobu iela 1-129, Baloži, Kekavas novads, Latvia, regarding joint operations and several liability for newly established general partnership enterprise PST Un Arms. General partnership enterprise PST Un Arms is established for certain project developed in Latvia.

Under this agreement, 50% of operating expenses, assets and liabilities of PST Un Arms belong to the Company and these amounts were included in these financial statements of the Company.

General information of PST un Arms

(EUR’000)	2020	2019
Assets in total	696	805
Liabilities in total	617	755
Equity	79	50
Revenue	846	1 778
Net result	29	72

17 Non-current and current loans granted

(EUR'000)	Interest rate	Maturity	2020	2019
Long-term loans				
UAB PST Investicijos	6-month EURIBOR+2.2 %	As at 31/12/2021	1,641	1,605
UAB PST Investicijos	6-month EURIBOR+1.9 %	As at 31/12/2021	176	144
UAB PST Investicijos	6-month EURIBOR+2.0 %	As at 31/12/2021	85	83
UAB PST Investicijos)	6-month EURIBOR+3.0 %	As at 31/12/2021	36	12
OOO Baltlitstroj	Fixed at 9%	As at 31/12/2016	161	281
OOO Baltlitstroj loan impairment	-	-	(161)	(281)
Kingsbud Sp.z.o.o	Fixed at 1.5 %	As at 31/12/2021	140	140
UAB Šeškinės Projektai	3-month EURIBOR+0.98 %, as from 05/11/2019 3-month EURIBOR+3.0%	As at 14/06/2021	8,662	4,232
UAB Šeškinės Projektai	6-month EURIBOR+2.0%, as from 05/11/2019 3-month EURIBOR+3.0%	As at 14/06/2021	507	490
OOO Teritorija	Fixed at 12%, as from 30 November 2017 – 6%	As at 31/12/2021	1,082	1,051
OOO Teritorija loans impairment	-	-	(1,082)	(1,051)
UAB Ateities Projektai	6-month EURIBOR+2.0 %	As at 31/12/2021	363	355
UAB Ateities Projektai	6-month EURIBOR+3.35%	As at 31/12/2021	1,110	35
UAB Alinita	6-month EURIBOR+2.0 %	As at 31/01/2021	0	87
Employees	0%	As at 25/02/2023	9	17
Employees	1.50%	As at 25/08/2022	2	3
Short-term loans				
UAB Šeškinės Projektai	3-month EURIBOR+0.98%, from 05/11/2019 3-month EURIBOR+3.0%	As at 14/06/2021	15,000	11,800
UAB Alinita	6-month EURIBOR+2.0 %	As at 31/01/2021	50	0
Total			**27,781**	**19,003**

The part of loans granted are accounted for as non-current, despite the fact that contractual maturity date in most cases is 31 December 2021. Based on management assessment and taking into account the possibilities of the subsidiaries' to return the loans, the maturities will be prolonged beyond 2021.

The loan granted to UAB Šeškinės Projektai amounting to EUR 15,000 thousand is classified as short-term in line with the contractual terms of the loan agreement, as the management believes that UAB Šeškinės Projektai will refinance the loan granted and repay it to the Company on time (under the contract).

As at 31 December 2020 and 2019, the recoverability of loans was assessed under the principles disclosed in Note 3.2, and the principal assumptions that impact the assessment are the same as disclosed in Note 16.

As at 31 December 2020 and 2019, all the Company's long term loans granted were not past due.

18 Inventories

(EUR'000)	2020	2019
Raw materials and consumables	664	2,087
Projects under development	2,176	1,945
Write-down to net realisable value	(65)	(98)
Total inventories	**2,775**	**3,934**

In 2020 and 2019, change in write-down of inventory to the net realizable value was accounted for in administrative expenses.

19 Trade receivables and contract assets

(EUR'000)	2020	2019
Trade receivables	9,520	22,061
Contract assets (accrued income based on the stage of completion)	491	3,413
Receivables from subsidiaries	1,656	3,250
Impairment at the beginning of the year	(68)	(438)
Write-off of doubtful trade receivables	0	305
Repayment of doubtful trade receivables	0	13
Additional (impairment)/reversal during the period	(89)	52
Impairment at the end of the year	(157)	(68)
Total trade receivables and contract assets, net	**11,510**	**28,656**

As at 31 December 2020, a part of trade receivables was accounted for as non-current trade receivables at an amount of EUR 228 thousand, as at 31 December 2019 – EUR 1,703 thousand. These amounts are related with non-current retentions as described below.

As at 31 December 2020, trade receivables include retentions (retention is a fixed percentage of the total contract price which shall be paid by the customer when the construction is completed and the bank guarantee in the amount of the retained payment is provided or insurance policy guaranteeing payment is provided by the Company to the customer) of EUR 4,405 thousand (in 2019: EUR 9,027 thousand) relating to construction contracts in progress. For impairment of trade receivables see Note 4.

Information about customers' specific projects in progress as at 31 December 2020 and 2019:

(EUR'000)	2020	2019
Sales by specific customers' projects in progress, recognised in the statement of comprehensive income during the year	30,277	82,652
Sales by specific customers' projects in progress, recognised over the contract period	78,553	132,701
Expenses incurred for completing specific customers' projects in progress, recognised in the statement comprehensive income during the year	30,525	77,742
Expenses incurred for completing specific customers' projects in progress, recognised in the statement comprehensive income over the contract period	77,477	127,343
Contract assets (Note 19)	491	3,413
Contract liability (deferred income) under outstanding contracts at the year-end (Note 27)	1,731	1,850
Contract liability (payments from customers for purchase of inventories and etc.)	1,084	492
Provisions for onerous contracts (Note 27)	135	111
Trade receivables (under the caption of trade receivables and receivables from related parties)	7,421	21,632

As at 31 December 2020, the total contract amount attributed to performance obligations under the construction contracts with customers that were outstanding (or partly outstanding) amounted to EUR 63,887 thousand (as at 31 December 2019: EUR 65,565 thousand). Most of these construction projects are expected to be completed and revenue recognised within one year.

20 Other current assets

(EUR'000)	2020	2019
Financial assets		
Receivables from the former subsidiary OOO Baltlitstroj related to pre-payment paid to the supplier on behalf of this subsidiary	1,240	1,240
Impairment of receivables from OOO Baltlitstroj	(1,240)	(1,240)
Loan granted to OOO Baltlitstroj	160	281
Impairment of loans granted to OOO Baltlitstroj	(160)	(281)
Financial assets, total	**0**	**0**
Non-financial assets		
Excess VAT	13	185
Other current assets	0	0
Non-financial assets, total	**13**	**185**
Other current assets, total	**13**	**185**

Former subsidiary OOO Baltlitstroj is undergoing bankruptcy procedure. Legal proceedings are in progress to recover trade receivables from OOO Baltlitstroj. Based on the management's estimate it is a low possibility to recover the amounts, therefore the allowance was established.

As at 31 December 2020 and 2019, the Company did not have any term deposits.

21 Cash and cash equivalents

(EUR'000)	2020	2019
Cash at bank	4,640	4,888
Cash on hand	8	2
Cash and cash equivalents, total	**4,648**	**4,890**

22 Capital and reserves

The Company's issued capital consists of 16,350,000 ordinary shares with a nominal value of 29 euro cents each. The Company's issued 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 issued capital in 2020 and 2019. The Company did not hold its own shares as at 31 December 2020 and 2019. As at 31 December 2020 and 2019, the subsidiaries had not acquired any shares of the Company.

The reserves were as follows:

(EUR'000)	2020	2019
Revaluation reserve	1,270	1,403
Legal reserve	475	475
Total reserves	**1,745**	**1,878**

22 Capital and reserves (continued)

The revaluation reserve relates to the revaluation of land and buildings and is equal to the net book value of revaluation less the related deferred tax liability.

Dynamics in revaluation reserve:	2020	2019
Revaluation reserve as at 1 January	**1,403**	**2,280**
Transfer of revaluation reserve to retained earnings	0	(745)
Depreciation of revaluation reserve	(133)	(132)
Revaluation reserve as at 31 December	**1,270**	**1,403**

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 issued capital. The reserve cannot be paid out in dividends. Legal reserve at 31 December 2020 and 2019 amounted to 10% of the issued capital.

23 Loans

(EUR'000)	Interest rate	Maturity	2020	2019
OP Corporate Bank plc. Lithuania (overdraft)	3-month EURIBOR+1.95%	14/06/2021	15,000	11,800
Total			**15,000**	**11,800**

As at 31 December 2019, the unwithdrawn balance of overdraft limit amounted to EUR 3,200 thousand and it was available for withdrawal until the maturity date, no unused overdraft balance available as at 31 December 2020.

Under the contract with bank for using the overdraft facility on 31 December 2020 the Company has pledged a right to rent a land plot together with a non-residential building at Ukmergės st. 219, Vilnius owned by its subsidiary UAB Šeškinės Projektai, as a collateral.

Under the terms of the contract with bank, the Company has to ensure compliance with certain financial and non-financial covenants. As at 31 December 2020, the Company failed to satisfy one of the financial ratios (the Group's net debt to EBITDA ratio) of the overdraft which is classified as current liability. The management believes that the bank will not request of early repayment of the overdraft due to this incompliance.

24 Trade payables

Payables to suppliers by geographic region:

(EUR'000)	2020	2019
Local market (Lithuania)	7,390	17,783
Latvia	651	676
Japan	0	19
Sweden	0	2
Poland	136	34
Germany	10	9
Total	**8,187**	**18,523**

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

25 Provisions

Warranty provisions are related to constructions built in 2016–2020. Based on the legislation of the Republic of Lithuania, the Company has a warranty liability for construction works. The term of liability varies from 5 to 10 years after delivery of construction works, i.e. an assurance type warranty and it is not provided as the Company’s separate service. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs.

Change in provisions:	Warranty 2020	Pension* 2020	Warranty 2019	Pension 2019
Provisions at the beginning of the year	**809**	**164**	**656**	**199**
Used and recognised in the cost of sales and operating costs	(226)	(18)	(105)	(32)
Accrued during the year	161	95	258	(3)
Provisions at the end of the year	**744**	**241**	**809**	**164**

*Represents current and non-current part of provision.

26 Right of use assets and lease liabilities

Movement of Company’s right of use assets during the period:

(EUR’000)	Buildings	Vehicles	Total
Balance as at 1 January 2020	0	0	0
Additions	1,055	140	1,195
Disposals	0	0	0
Depreciation	(65)	0	(65)
Balance as at 31 December 2020	990	140	1,129
31 December 2020			
Acquisition cost	1,050	140	1,195
Accrued depreciation	(65)	0	(65)
Balance as at 31 December 2020	990	140	1,129

26 Right of use assets and lease liabilities (continued)

The Company has long-term contracts with two lessors for lease of premises and vehicles.

Lease liabilities and their movement:

(EUR’000)	2020	2019
Balance at the beginning of the period	0	0
Contracts signed according to IFRS 16	1,176	0
Contracts terminated (write-off of liability and accrued interest)	0	0
Accrued interest	11	0
Lease payments (principal amount and interest)	(58)	0
Balance as at 31 December	**1,129**	**0**
Non-current lease liabilities	878	0
Current lease liabilities	251	0

Company’s payments under leases are as follows:

(EUR’000)	2020	2019
Minimum payments		
Within first year	265	0
From two to five years	911	0
More than five years	0	**0**
In total	**1,176**	**0**
Future finance costs		
Within first year	(17)	0
From two to five years	(30)	0
More than five years	0	0
In total	**(47)**	**0**
Balance value	**1,129**	**0**

27 Contract and other liabilities

(EUR’000)	2020	2019
Non-financial liabilities		
Contract liability (deferred income) under contracts in progress (Note 19)	1,731	1,850
Contract liability (payments from customers for purchase of inventories and etc.) (Note 19)	1,084	492
Payable VAT	102	0
Accrued vacation reserve	1,030	1,310
Salaries and related taxes payable	892	1,022
Provisions for onerous contracts	135	111
Other liabilities	90	121
Bonus accrual for employees	281	359
Financial liabilities:		
Liabilities related to the fine imposed by the Competition Council (Note 28)	9,808	0
Other liabilities, total	**15,153**	**5,265**

28 Contingent Liabilities

Guarantees

As at 31 December 2020, the guarantees in the amount of EUR 7,835 thousand (as at 31 December 2019: EUR 8,101 thousand) were issued by banks on behalf of the Company to third parties, related to obligations under the construction contracts of the Company. The guarantees expire in the period from 15 March 2021 to 2 March 2025. In addition, the Company has guarantees issued by insurance companies for the amount of EUR 14,064 thousand, which are also related to liabilities under the construction contracts (in 2019: EUR 14,360 thousand). The guarantees expire in the period from 1 January 2021 to 30 January 2025. No additional liabilities are recorded in respect of these guarantees in the financial statements other than estimated warranty reserve (Note 25).

Property with a carrying amount of EUR 2,483 thousand as at 31 December 2020 (EUR 2,617 thousand as at 31 December 2019) has been pledged to banks for the guarantee limit issued and guarantees issued by bank. The guarantee limit amounts to EUR 15,000 thousand, the balance withdrawn as at 31 December 2020 is EUR 7,835 thousand. The guarantee limit agreement is effective until 30 June 2021 with the possibility to issue guarantees until 30 June 2021 that would be valid for 3 years following their date of issue. Guarantees are valid for 5 years following their date of issue if the amount does not exceed EUR 1,500 thousand. As at 31 December 2019, the guarantee limit amount was EUR 15,000 thousand, the used amount was EUR 8,101 thousand.

Legal contingencies

The Company is involved in below described material legal cases:

(1) The Competition Council has made a decision as of 20 December 2017 *„Regarding Irdaiva UAB and PST AB actions in joint participation in public tenders of buildings renovation and modernization works meeting the requirements of 5th article of the Competition law of the Republic of Lithuania”*. Based on the Competition Council decision, joint activity agreement signed between the Company and UAB Irdaiva for providing joint offers in 24 public tenders organised by UAB Vilniaus Vystymo Kompanija intended to limit competition and violated the requirements of Article 5.1 of the Competition Law of Republic of Lithuania. A fine was set to the Company in total amount of EUR 8,514 thousand. The Company disputed the decision of the Competition Council regarding the fine imposed and based on the assessment of the management of all know facts and circumstances when preparing the Company’s 2019 annual financial statements, the management believed that it is more likely than not that the Company will receive a positive decision and did not account for any provision related to the decision made by the Competition Council as of 31 December 2019.

On 3 June 2020 the Supreme Administrative Court of Lithuania announced a non-appealable ruling on the dispute of the Company against the decision of the Competition Council. As a consequence, the Company has recognized in the financial statements for the year ended 31 December 2020 the fine amounting to EUR 8,514 thousand (8 Note), related interest charge amounting to EUR 1,385 thousand (11 Note) and the bailiff enforcement fee amounting to EUR 396 thousand (8 Note). The Company has recognized the full amounts of fine and interest and enforcement fees in its financial statements for the year ended 31 December 2020, however the management is still taking legal actions to reduce the interest and the enforcement fee amounts as further described below. The final outcome of the dispute over the size of interest expenses cannot be reasonably determined at this stage.

The Tax Authority informed the participants involved in the enforcement process by the letter No 21915 (individual administrative act) of 12 August 2020 on the decision to set the payment of fine and interest imposed on the Company in equal parts for a period of eight years. The Tax Authority also stated that the bailiff's enforcement fees should not be included in the payment schedule. A draft settlement agreement for implementation in the enforcement process is currently being submitted to the Tax Authority for approval. The Tax Authority informed the Company that it had applied to the European Commission for notification of state aid. Meanwhile the Company fulfils its obligations and pays the fine imposed by the Competition Council in line with the 8-year fine payment schedule, although the Tax Authority has left a right to change the

28 Contingent liabilities (continued)

schedule if changes in circumstances appear. Also the Company’s assets with a book value of EUR 3,578 thousand was arrested as a guarantee for fulfilment of the obligations.

Additionally, two civil cases are currently pending in the courts regarding interest charge and enforcement fees as described further.

In relation to the claim regarding interests in the amount of EUR 1,385 thousand, the Company believes that the amount of the calculated interest and time limits for its calculation had to be specified in the enforcement order, i.e. the decision of the Competition Council of 9 June 2020. In addition, statutory interest must be calculated in accordance with Article 39(2) of the Competition Law of Republic of Lithuania, i.e. interest must be accrued until the fine is paid to the state budget and no longer than 180 days. In this case, interest shall amount to EUR 252 thousand. The bailiff's order regarding the enforcement fees in amount of EUR 396 thousand is also disputed in the court. In the Company’s view, the enforcement fees are clearly excessive. In the disputes concerning interest and enforcement fees, the court has granted interim measures, i. e. the recovery of interest and enforcement fees has been suspended.

(2) On 24 October 2018, the 13th Court of Commercial Arbitration of the Russian Federation annulled the Kaliningrad region decision of Arbitration Court and satisfied the demand of one of the creditors of the former subsidiary OOO Baltlitstroj (the entity under bankruptcy procedure as also disclosed in Note 20) for the Company to repay back the returned loan of RUB 75 million (~ EUR 1,083 thousand) to OOO Baltlitstroj. This decision was appealed in cassation and on 15 April 2019 the Federal Arbitration court North-West district of the Russian Federation has ruled that the Company should pay back the returned loan of RUB 17,2 million (~ 248 thousand EUR) to OOO Baltlitstroj. On 28 February 2020, the bankruptcy administrator of OOO Baltlitstroj, pursuant to the Agreement between the Russian Federation and the Republic of Lithuania, sent the notice of recovery to the Court of Appeal of Lithuania. On 3 September 2020, the Court of Appeal of Lithuania issued the ruling stating that it would not satisfy the request of OOO Baltlitstroj to recognise and authorise the execution of the ruling of the Federal Arbitration Court of the North-Western Circuit of the Russian Federation of 15 April 2019 regarding recovery of RUB 17,250,375 from AB Panevėžio Statybos Trestas. No provision has been recorded for this matter in the financial statements of the Company as of 31 December 2019 and 2020.

29 Related-party transactions

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 2019–2020 with subsidiaries, the controlling company AB Panevėžio Keliai and with its subsidiaries (reported under other caption “Other related companies” below). Transactions with related parties during 2020 and 2019 were as follows:

(EUR’000)	Type of transaction	2020	2019
Sales:			
Companies under control			
UAB Šeškinės Projektai	Interest and services	4,988	14,110
UAB Vekada	Goods and services	32	23
UAB Alinita	Goods and services	85	290
UAB Metalo Meistrai	Goods and services, interest	377	153
OOO Teritorija	Interest	31	31
UAB PST Investicijos	Interest and services	38	37
UAB Skydmedis	Goods and services	44	44
UAB Ateities Projektai	Services	39	44
UAB Aliuminio Fasadai	Services	691	0
Other		17	15
Controlling company			
AB Panevėžio Keliai	Goods and services	801	101
Other related companies			
UAB Panevėžio Ryšių Statyba	Goods and services	0	39

(EUR’000)	Type of transaction	2020	2019
Purchases:			
Companies under control			
UAB Alinita	Goods and services	2,033	1 939
Kingsbud Sp.z.o.o	Goods and services	811	2 238
UAB Vekada	Goods and services	1,354	1 759
UAB Metalo Meistrai	Goods and services	0	164
PS Trests SIA	Services	153	836
UAB Aliuminio Fasadai	Goods and services	552	164
UAB Šeškinės Projektai	Goods and services	212	0
Other		1	25
Controlling company			
AB Panevėžio Keliai	Goods and services	206	355
Other related companies			
UAB Panevėžio Ryšių Statyba	Goods and services	3	9
UAB Betono Apsaugos Sistemos	Goods and services	20	106
Other	Goods and services	44	54
Other related natural persons	Services	0	29

29 Related Party Transactions (continued)

(EUR'000)	2020	2019
Accounts receivable		
Companies under control		
UAB Šeškinės Projektai	975	2,999
UAB Metalo Meistrai	276	76
UAB Aliuminio Fasadai	338	0
Other	109	175
Joint operations (PST UN Arms)	597	623
Other related companies	66	51
Payables:		
Companies under control		
UAB Vekada	448	970
Kingsbud Sp.z.o.o	35	161
PS Trests SIA	69	56
Other	90	22
Controlling company		
AB Panevėžio Keliai	74	156
Other related companies		
Other	23	22
Loans receivable incl. accrued interests from companies under control:		
UAB PST Investicijos	1,938	1,844
OOO Teritorija (gross value)	1,082	1,051
Kingsbud Sp.z.o.o	140	140
UAB Šeškinės Projektai	24,169	16,523
UAB Alinita	50	87
UAB Ateities Projektai	1,473	390

Payment terms for receivables and payables with the related parties are up to 30–90 days, except for the loans granted, which are disclosed in Note 17.

Balances at the year-end have no collaterals and all transactions are carried out in cash unless otherwise agreed. There have been no guarantees provided or received for any related party receivable or payable and no allowance has been made for the receivables from related parties by the Company except for receivables from OOO Teritorija and OOO Baltlitstroj as disclosed in Notes 17 and 20. The balances outstanding from related parties due to the Company were not overdue as at 31 December 2020 and 2019.

Management remuneration

Wages, salaries and social insurance contributions, calculated to the Company's directors and the Board members for the year 2020, amounted to EUR 852 thousand (in 2019 – EUR 699 thousand). For Company's directors and the Board members there were no guarantees issued, any other paid or accrued amounts or assets transferred, except board remuneration paid in 2020.

30 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 principal (or the most advantageous) market irrespective of whether this price is directly observable or established using valuation techniques.

As at 31 December 2020

(EUR'000)	Carrying amount	Fair value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Trade receivables	11,510	-	-	11,510
Loans granted	27,781	-	-	27,781
Cash and cash equivalents	4,648	4,648	-	-
Financial assets, total	**43,939**	**4,648**	**-**	**39,291**
Financial liabilities				
Loans (overdraft)	(15,000)	-	-	(15,000)
Trade payables	(8,187)	-	-	(8,187)
Lease liabilities	(1,129)	-	-	(1,129)
Liabilities related to the fine imposed by the Competition Council (Note 28)	(9,808)	-	-	(9,808)
Total financial liabilities	**(34,124)**	-	-	**(34,124)**

As at 31 December 2019

(EUR'000)	Carrying amount	Fair value		
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Trade receivables	25,243	-	-	25,243
Loans granted	19,003	-	-	19,003
Cash and cash equivalents	4,890	4,890	-	-
Financial assets, total	**49,136**	**4,890**	**-**	**44,246**
Financial liabilities				
Loans (overdraft)	(11,800)			(11,800)
Trade payables	(18,523)	-	-	(18,523)
Total financial liabilities	**(30,323)**	-	-	**(30,323)**

There were no transfers between levels of the fair value hierarchy in 2020 and 2019 at the Company.

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

Cash

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

Accounts receivable

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

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

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

30 Fair value of financial instruments (continued)

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of current trade payables with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial. The fair value of borrowings (overdraft) was estimated to approximate carrying value as it is a subject to variable interest. The carrying value of lease liabilities is estimated close to the fair value as it is a subject to interest. The fair value of other current payables including fine imposed by the Competition Council is considered to approximate to their carrying value due to short contractual maturity term.

31 Earnings and dividends per share

(EUR)	2020	2019
Net result for the year	(12,418,000)	590,332,000
Dividends declared	490,000	0
Average number of shares	16,350,000	16,350,000
Basic and diluted earnings/(loss) per share	**(0.76)**	**0.04**
Dividends declared per share	**0.03**	**0.00**

32 Events after the end of the reporting period

On 5 February 2021, an agreement was signed with Russian federation enterprise for the sale of ZAO ISK Baltevromarket land plots for EUR 6,500 thousand (also see Note 16).

Other than described above in the financial statements, after the end of the financial year and up until the date these financial statements were approved, no other significant subsequent events occurred.

Managing Director	Egidijus Urbonas	02/04/2021__________
Chief Accountant	Danguolė Širvinskienė	02/04/2021__________

Company’s and Consolidated Annual Report, Governance Report, Social Responsibility Report and Remuneration Report of *Panevezio statybos trestas AB* for 2020

1. Accounting period covered by the Annual Report

This Company's and Consolidated Annual Report for the year 2020 covers the period from 1 January 2020 until 31 December 2020.

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

All financial data provided in this report have been calculated in the national Lithuanian currency – Euros.
The auditor of the company is *Ernst &Young Baltic* UAB.
In this report, *Panevezio statybos trestas* AB can also be called 'the Company', and the Company together with its subsidiary companies can be called 'the Group'.

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

Name of issuer	Public limited liability company *Panevezio statybos trestas*
Authorised capital	4,741,500 Euros
Address of registered office	P. Puzino Str. 1, LT-35173 Panevezys, Lithuania
Telephone	(+370 45) 505 503
Fax	(+370 45) 505 520
Legal-organisational form	Public limited liability company
Date and place of registration	30 October 1993, Panevezys City Board
Registration No.	AB 9376
Register code	147732969
VAT code	LT477329610
LEI code	529900O0VPCGEWIDCX35
Administrator of Legal Entity Register	State Enterprise *Centre of Registers*
E-mail	pst@pst.lt
Website	www.pst.lt

4. Nature of the main activities of the issuer

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

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

As of 31 December 2020, the Group of Panevezio statybos trestas AB included the following companies:

Subsidiary company	***Registration date, register administrator***	***Company code***	***Registered address***	***Telephone, fax, e-mail, website***	***Portion of controlled shares (per cents)***
Skydmedis UAB	17 June 1999 State Enterprise *Centre of Registers*	148284718	Pramones Str. 5, Panevezys	Tel. (+370 45) 467626 Fax (+370 45) 460259 info@skydmedis.lt www.skydmedis.lt	100
Metalo meistrai UAB	16 June 1999 State Enterprise *Centre of Registers*	148284860	Tinklu Str. 7, Panevezys	Tel. (+370 45) 461677 Fax (+370 45) 585087 info@metalomeistrai.lt www.metalomeistrai.lt	100
Vekada UAB	16 May 1994 State Enterprise *Centre of Registers*	147815824	Marijonu Str. 36, Panevezys	Tel. (+370 45) 461311 Fax (+370 45) 461311 info@vekada.lt www.vekada.lt	95.6
Alinita UAB	8 December 1997 State Enterprise *Centre of Registers*	141619046	Tinklu Str. 7, Panevezys	Tel. (+370 45) 467630 Fax (+370 45) 467630 info@alinita.lt www.alinita.lt	100
Kingsbud Sp.z o.o.	11 August 2010 District Court in Bialystok, XII Economic Department of National Court	200380717	A. Patli Str. 12, 16-400 Suwalki, Poland	Tel. (+48 875) 655 021 Fax (+48 875) 655 021 biuro@kingsbud.pl www.kingsbud.lt	100
PS Trests SIA	22 May 2000 Centre of Registers, Republic of Latvia	40003495365	Skultes Str. 28, Skulte, Marupes Parish, Riga Region, Latvia	Tel. +371 29525066	100
Teritorija OOO	3 June 2013 Kaliningrad Obl. Federal Tax Service Inspection No. 12	3528202650	Lunacharskogo Drive 43-27, Cherepovets, Bologda Obl., Russian Federation	Tel. +7 9097772202 Fax +7 9217234709 baltevromarketao@mail.ru maslena11@mail.ru	87.5
Seskines projektai UAB	9 November 2010 State Enterprise *Centre of Registers*	302561768	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 info@psti.lt gbujokas@psti.lt	100
Ateities projektai UAB	25 April 2006 State Enterprise *Centre of Registers*	300560621	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt gdieckuviene@psti.lt	100
PST investicijos UAB	23 December 1998 State Enterprise *Centre of Registers*	124665689	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 info@psti.lt gbujokas@psti.lt	68

Subsidiary company	*Registration date, register administrator*	*Company code*	*Registered address*	*Telephone, fax, e-mail, website*	*Portion of controlled shares (per cents)*
Tauro aparta-mentai UAB	23 October 2018 State Enterprise *Centre of Registers*	304937621	Ukmerges Str. 219, Vilnius	Tel.(+370 610) 09222 gbujokas@psti.lt	100
Hustal UAB	11 December 2018 State Enterprise *Centre of Registers*	304968047	Tinklu Str. 7, Panevezys	Tel.(+370 45) 461677 Fax (+370 45) 585087 andrius.maciekus@hustal.eu www.hustal.eu	100
Aliuminio fasadai UAB	2 January 2020 State Enterprise *Centre of Registers*	305412441	Pramones Str. 5, Panevezys	Tel. +370 686 32727 info@alfasadai.lt www.alfasadai.lt	100

Subsidiary companies of PST investicijos UAB:

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

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

Skydmedis UAB – production, construction and outfit of pre-fabricated timber panel houses. Panel houses are the main product of the company. Products are successfully exported to Norway, Sweden, Switzerland, Iceland and other countries.
Metalo meistrai UAB – designing and fabrication of steel structures for construction purposes. The company also supplies steel structures for other industries where steel items are required.
Vekada UAB – installation of electrical systems. Alongside with the usual electrical engineering activities, works in the low current fields are carried out: video surveillance systems, security and fire alarm systems, utility system control.
Alinita UAB – installation of heating, ventilation and air-conditioning systems in buildings, indoor water supply, waste water and fire-fighting systems designing, start-up and commissioning of indoor utility systems.
Kingsbud Sp.z o.o. – wholesale of construction materials. Kingsbud Sp.z o.o. has a branch established in Lithuania, which focuses on wholesale of stoneware and glazed tiles for indoor and outdoor application.
PS Trests SIA – construction activities. The company was established for searching of new markets and carrying out construction activities in Latvia.
Teritorija OOO – real estate development.
Seskines projektai UAB – real estate preparation and sale.
Ateities projektai UAB – real estate preparation and sale.
PST investicijos UAB – real estate preparation and sale. *PST investicijos* UAB has the subsidiary company, *Baltevromarket* ZAO ISK, established for development of real estate projects in the Kaliningrad Oblast, Russian Federation.
Tauro apartamentai UAB – development of real estate projects.
Hustal UAB – sale, erection and designing of steel structures. Activity and sale of the company are focused on the Scandinavian market.
Aliuminio fasadai UAB – production of aluminium profile systems, aluminium framed windows and doors.

7. Contracts with the intermediary of public trading in securities

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

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

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

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

Comparison of PTR1L Panevezio statybos trestas and OMX Vilnius Benchmark GI indexes in 2020

Company share price variation at Stock Exchange Market Nasdaq Vilnius for the period 2016 through 2020 (Euros)

Company share price variation at Stock Exchange Market Nasdaq Vilnius in 2020 (Euros)

Table 1. Information on the Company share price at Stock Exchange Market Nasdaq Vilnius for the period 2016 through 2020:

Indicator	*2020*	*2019*	*2018*	*2017*	*2016*
Highest price, Eur	0.85	0.878	0.99	1.34	1.08
Lowest price, Eur	0.52	0.71	0.75	0.85	0.845
Average price, Eur	0.629	0,78	0,881	1,078	0,951
Share price as of the end of reporting period, Eur	0.57	0.75	0.752	0.916	0.94
Traded volume	19,80,134	987	1,596,044	2,854,251	1,565,210
Turnover, mln. Eur	1.25	0.77	1.41	3.08	1.49
Capitalisation, mln. Eur	9.32	12.26	12.3	14.98	15.37

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

Key events of the reporting period

2 January 2020. The aluminium structure production shop at *Pastatu apdaila* Branch of *Panevezio statybos trestas* AB has been reformed to *Aliuminio fasadai* UAB. The company produces the most advanced aluminium profile systems, aluminium windows and doors, facades. There are more than 30 work places created at the company, the investments amount to 800 thousand Euros.
10 March 2020. The hearing of the appeal by *Panevezio statybos trestas* AB on the judgement of the Vilnius Regional Administrative Court dated 14 May 2018 in the administrative case No. eI-1443-1063/2018 on the decision of the Competition Council No. 2S-11(2017) started at the Supreme Administrative Court of Lithuania at Zygimantu Str. 2, 01102 Vilnius. Any information on the decisions of the Supreme Administrative Court of Lithuania will be published additionally.
29 April 2020. The General Meeting of Shareholders, which made the decision to pay dividends in the amount of 0.03 Euros per share, had been convened.
26 May 2020. The Ad Hoc Arbitration that took place in Sweden issued the award ending the more than two-year long dispute on the quality of products delivered by *Metalo meistrai* UAB to the Swedish company *Strängbetong* AB. The Stockholm Arbitration Court denied the claim advanced by *Strängbetong* AB in full and found the case unproven for the reason that the products by *Metalo meistrai* UAB had been acceptable and of good quality.

3 June 2020. The Judicial Panel of the Supreme Administrative Court of Lithuania following the written proceedings on appeal at the court session conducted the hearing of the administrative case based on the appeals by the applicants *Panevezio statybos trestas* AB and *Active Construction Management* UAB (the former name *Irdaiva* UAB), in respect of which the bankruptcy proceedings have been initiated, on the judgement of the Vilnius Region Administrative Court dated 14 May 2018 in the administrative case based on the complaints of *Panevezio statybos trestas* AB and *Irdaiva* UAB against the respondent, the Competition Council of the Republic of Lithuania, on cancelation or amendment of the judgement (the third parties interested are *Panevezio statybos trestas* AB and *Irdaiva* UAB). Following Article 144 (1) of the Law on Administrative Proceedings of the Republic of Lithuania the Judicial Panel has rendered the judgement to deny the appeals by the applicant *Panevezio statybos trestas* AB and the applicant under bankruptcy *Active Construction Management* UAB (the former name *Irdaiva* UAB) as ungrounded, and to leave the judgement of the Vilnius Region Administrative Court dated 14 May 2018 unaffected.
19 June 2020. Dalius Gesevicius, Managing Director of *Panevezio statybos trestas* AB, leaves the company by the mutual decision. Based on the decision taken by the Board, from June 23rd the position of Managing Director will be taken over by Egidijus Urbonas who has been managing the companies of the PST Group - *Metalo meistrai* UAB and *Hustal* UAB.
16 July 2020. *Panevezio statybos trestas* AB has signed the contract for the major repairs of the office building in Mazeikiai District. The total area of the buildings to be renovated is 7300 square meters. The project completion is scheduled for summer 2021.
21 July 2020. Panevezys City Municipality and *Panevezio statybos trestas* AB have signed the Construction Contract Agreement for reconstruction of Senvage territory and its approaches. After the project implementation is completed, the public space covering the area of 9.03 ha will be arranged and adapted for community activities. The value of the construction works amounts to 5.7 mln. Euros, funding will be provided according to the Operational Program for the European Union Funds Investments for 2014-2020 *Integrated Development of Large Cities*. Project duration – 16 months from the contract effective date.
August 2020. The State Tax Inspectorate under the Ministry of Finance agreed with the request of the Company to pay the fine imposed by the resolution No. 2S-11(2017) dated 20 December 2017 by the Competition Council and the interest to be made in equal instalments over the period of eight years.
25 August 2020. *Panevezio statybos trestas* AB has signed the contract for the value of nearly 15.9 mln. Euros (VAT inclusive) with Vilnius Gediminas Technical University for Construction of Laboratory Block for Faculties of Electronics, Mechanics and Transport Engineering at Plytines Str. 25, Vilnius. Construction of the block is planned to be completed within 24 months.
2 September 2020. *Panevezio statybos trestas* AB has filed a lawsuit in the Supreme Administrative Court of Lithuania to reopen the judicial proceedings on infringement of the Law on Competition. Exercising the right provided for in the Law on Administrative Proceedings of the Republic of Lithuania, requests, on the basis of several grounds specified in the mentioned Law, the Company requests to apply an exclusive procedure for reopening proceedings in order to correct substantive errors in application of the competition law and administration of justice.
28 October 2020. The Supreme Administrative Court of Lithuania has ruled not to reopen the judicial proceedings in the case of competition infringement by *Panevezio statybos trestas* AB.
December 2020. *Panevezio statybos trestas* AB has signed the contract for reconstruction of the cultural building at Respublikos Str. 40, Panevezys. The total area of the building is 3746 square meters. The contract value exceeds 9 mln. Euros. The project will be completed in 20 months.
Panevezio statybos trestas AB (PST) has signed the contract with Vilnius Tech (Vilnius Gediminas Technical University) for construction of a new educational block in Plytines Street in Vilnius. The Faculties of Mechanics, Electronics and Transport Engineering of this University will be located in the building with an area exceeding 9 thousand square meters. The new block of Vilnius Tech should be completed in 24 months.
22 December 2020. The State Tax Inspectorate under the Ministry of Finance informed *Panevezio statybos trestas* AB that on 14 December 2020 the European Commission had registered the application by the State Tax Inspectorate to notify the planned state aid to the Company related to scheduling of the penalty imposed by the Competition Council.

In 2020, the Company has successfully completed construction of the Kaunas Combined Heat and Power Plant, business centre *U219* in Ukmerges Street in Vilnius and continues working on such projects as Reconstruction of Former Hospital Buildings in Boksto Street in Vilnius, Reconstruction of Wroblewski Library of the Lithuanian Academy of Sciences, Conversion of Klaipeda City Football School and Swimming Pool Building. In the year 2020, the Company started the new projects of Construction of Office and Apartment Building Complex at Basanaviciaus Str. 10, Vilnius, Vilnius, Construction of Laboratory Block for Faculties of Electronics, Mechanics and Transport Engineering of Vilnius Gediminas Technical University at Plytines Str. 25, Vilnius and other projects.

More than once the company has been awarded for successfully implemented projects, their complexity, high quality and organization of complicated activities. The project of the Quest House in Vilnius implemented by *Panevezio statybos trestas* AB was awarded the gold medal at *Lithuanian Product of the Year 2020*.

In 2020, 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.

Since the year 2020, the Aluminium Structure Production Workshop at *Pastatu apdaila* Branch of *Panevezio statybos trestas* AB has been reformed to *Aliuminio fasadai* UAB. The company produces the most advanced aluminium profile systems, aluminium windows and doors, facades.

In 2020, the companies of the Group successfully continued their activity both inside and outside Lithuania. *Metalo meistrai* UAB stated implementing their strategic decision of fining down the production processes. *Hustal* UAB was engaged in their main activity in 2020 – wholesale trade in steel structures. The main direction of the steel structures sales is the Scandinavian countries. *Skydmedis* UAB, which is producing pre-fabricated timber panel houses, sells nearly all of their products in the foreign market. 98 per cents of the company's revenue were received for the products sold in the Scandinavian countries. *Vekada* UAB, *Alinita* UAB, which specialize in installation of building heating, ventilation and conditioning systems, and in installation of electric systems, renewable energy and low current fields, worked on the projects in Lithuania. *PS Trests* SIA operating in Latvia is continuing the started construction and is looking for new orders. *PST investicijos* UAB, *Ateities projektai* UAB and *Seskines projektai* UAB are the real estate development companies. The key project under development of *Seskines projektai* UAB in 2020 is the business centre *U219* in Ukmerges Street, Vilnius. This project has great potential both in terms of location near the city centre and multifunctional use of the premises. *Ateities projektai* UAB develops the project of residential houses in Kunigiskes. During the reporting year the wholesale of building materials is further developed. Kingsbud Sp.z o.o, the company operating in Poland, is engaged in this. *Kingsbud*, the company of the PST Group operating in the Polish market, has been included in the list of the fastest growing small and medium-sized enterprises in Poland. The mentioned list was made by the prestigious daily *Puls Biznesu* (the Polish equivalent of *Verslo zinios*).

Key events after the reporting period (in the year 2021)

3 February 2021. *Panevezio statybos trestas* AB has signed the contract for construction of the building for the new shopping centre *Senukai* in Vilnius. The project value exceeds 7 mln. Euros (incl. VAT).

3 February 2021. The Company received a notice from the European Court of Human Rights (ECHR) through the authorised person confirming that the application by PST had been registered for preliminary proceedings.

PST exercised the right of the legal entity to turn to the European Court of Human Rights for protection of business interests in application of the Convention for the Protection of Human Rights and Fundamental Freedoms. PST went to the ECHR for possible infringement of Article 6 of the Convention and Paragraph 1 Article 1 Protocol 1 to the Convention, which had been possibly

infringed by the Lithuanian Administrative Courts in hearing the appeals by PST on vacation of the judgement No. 2S-11(2017) dated 20 December 2017 by the Competition Council.
17 February 2021. The Panevezys Regional Court made the ruling upholding the judgment by the court of first instance, which had cancelled the arrangement by the bailiff on scheduling payment of the penalty imposed by the Competition Council, in particular on the instalments for July and August 2020.
23 February 2021. *Panevezio statybos trestas* AB received the ruling by the European Court of Human Rights rejecting the application of the Company regarding violations of the Convention for the Protection of Human Rights and Fundamental Freedoms.
23 February 2021. After winning the public tender *Panevezio statybos trestas* AB was awarded and signed the contract with the Vilnius City Municipality for construction of the Lazdynai Swimming Pool. The total value of the contract reaches 21.8 mln. Euros (incl. VAT). The construction activities of the swimming pool will be resumed in the nearest future and completed by the beginning of 2022.

Risk factors related to the Company's activities:

In performance of business, both the Company and the Group face various types of risks: legal regulation, severe competition, shortage of qualified labour, variation in the value of the Russian Rouble, cyclical nature of economy, macroeconomic factors, damping. However, only a few of them may have significant impact on the performance results of the Group and the Company. The main factors that create business risk for the Company and the Group are competition in the construction market and changes in the demand for construction services. The demand for construction services also depends heavily on the volume of investments and financing received from the EU structural funds. Increase and variation of material and service prices make the process of the project budgeting and possibility to complete the already started projects based on the planned costs more difficult. This results in extra risk for performance of fixed price construction contracts and reduces profitability of projects. Furthermore, activity of the Company and the Group is influenced by the economic situation (economic cycles) in Lithuania and the countries where the Group companies operate. Although there is still some uncertainty about the trends in global economic development as well as regional and global crisis in future.
Information on the types of financial risks and risk management is provided in the Notes to the Separate Financial Statements (Note 4) and Consolidated Financial Statements (Note 4). Legal uncertainties are provided in the Notes to the Separate Financial Statements (Note 28) and Consolidated Financial Statements (Note 27).

COVID-19 impact:

Over the period of emergency and quarantine after the outbreak of COVID-19 pandemic, in response to the situation *Panevezio statybos trestas* AB and the Group of *Panevezio statybos trestas* AB has taken all mandatory and recommended precautionary measures to maximally protect the interests of the company's employees and business partners. The management responsibly monitors and evaluates the current situation (especially with regard to payments by the clients, shortage of supplies, order execution), reacts and takes appropriate decisions without delay to ensure business continuity.
Although construction activities did not stop during the quarantine period and work was carried out from the order portfolios formed in previous years, the construction sector was severely affected by the pandemic. Due to the restrictions caused by the COVID-19 virus, private and investment construction projects in the country have been suddenly suspended. The majority of real estate developers and investors have suspended or entirely cancelled planned or new projects. The situation has created imbalances and high tensions in the construction market. Most companies cut work costs in order to survive, retain employees and get new orders, although neither costs nor wages decrease. This results in incurred losses.

In 2020, COVID-19 had significant impact on *Panevezio statybos trestas* AB and the Group of *Panevezio statybos trestas* AB. The main affecting factors of COVID-19 are as follows:

- during pandemic, clients have suspended their work, which results in the Company losing revenue;

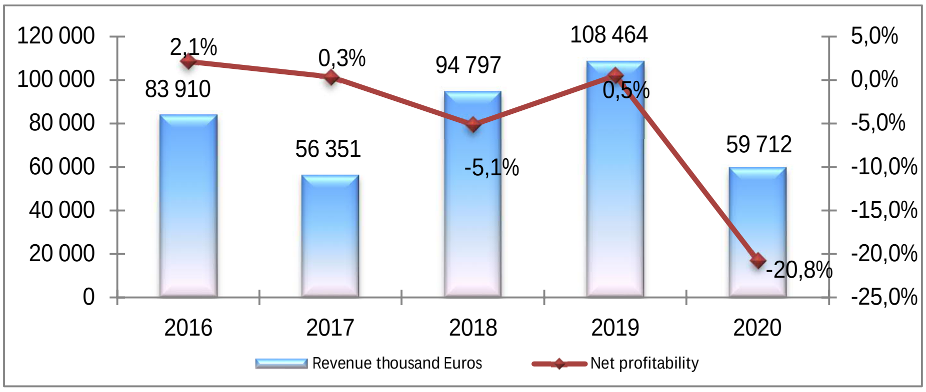
- the start dates for the work based on the new contracts have been postponed to a further period, and a larger part of their execution have been shifted to the next year;
- signing of the awarded contracts have been delayed;
- new construction and development projects have been suspended or delayed;
- faltering material supply;
- the construction market has contracted.

Information on impact of COVID-19 on the financial statements in provided in Note 2 to the Separate Financial Statements and Note 2 to the Consolidated Financial Statements.

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

The situation caused by COVID-19 had significant impact on performance results of *Panevezio statybos trestas* AB and the Group of *Panevezio statybos trestas* AB.
Over the twelve months of 2020, the turnover of *Panevezio statybos trestas* AB amounted to 59.712 mln. Euros, whereas the revenue of the Company for the twelve months of 2019 amounted to 108,464 mln. Euros. Such decrease in revenue was influenced mainly due to discontinuation of the project by a major client as a result of COVID-19, and slower progress or suspended construction activities by other minor clients. Furthermore, signing of the awarded contracts and start dates of work have been postponed to a further period resulting in revenue decrease. The significant drop in turnover, which fails to cover the constant expenses, the penalty imposed by the Competition Council in the amount of 8.5 mln. Euros and the accrued interest thereof in the amount of 1.4 mln. Euros conditioned the negative result of the Company amounting to 12.418 mln. Euros in 2020.
Over the same period, the total consolidated revenue of *Panevezio statybos trestas* AB Group was 74.912 mln. Euros. In 2019 revenue of the Group amounted to 110.466 mln. Euros. In 2020 the loss of the Group was to 10.4 mln. Euros, whereas in 2019, the net profit of the Group was 0.821 mln. Euros.

Revenue and net profitability variation for the Company:



Revenue and net profitability variation for the Group:

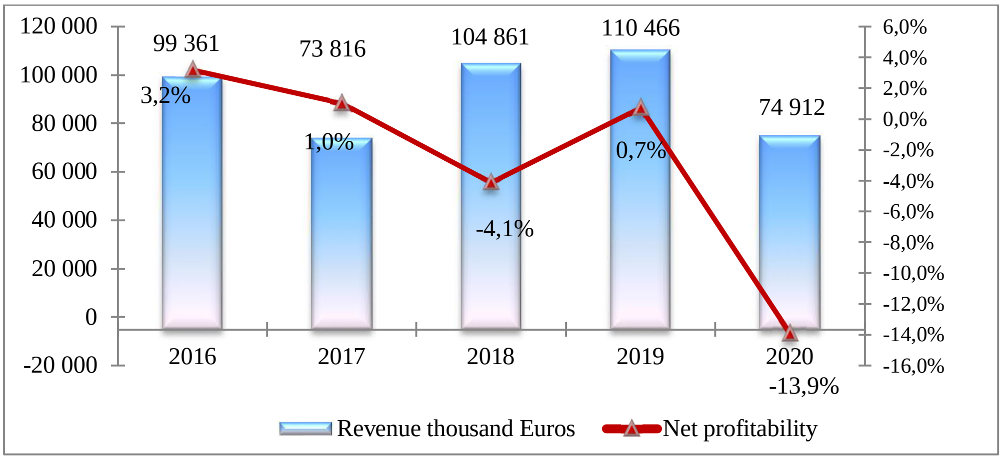


Table 2. The results (thousands Euros) of the Company and the Group of Panevezio statybos trestas AB for the period 2018 through 2020:

Group			Items	Company		
2018	2019	2020		2018	2019	2020
104,861	110,466	74,912	*Revenue*	94,797	108,464	59,712
100,017	104,586	68,167	*Cost of sales*	92,655	104,913	58,531
4,844	5,880	6,745	*Gross profit*	2,142	3,551	1,181
4.62	5.32	9.00	*Gross profit margin (per cents)*	2.26	3.27	1.98
-2,180	-681	-9,360	*Typical operating result*	-3,043	-651	-12,595
-2.08	-0.62	-12.49	*Typical operating result from turnover (per cent)*	-3.21	-0.60	-21.09
-2,634	2,553	-7,925	*EBITDA* [1]	-3,724	1,926	-11,362
-2.51	2.31	-10.58	*EBITDA margin (per cents)*	-3.93	1.78	-19.03
-4,307	821	-10,431	*Net profit*	-4,852	590	-12,418
-4.11	0.74	-13.92	*Nets profit (loss) margin (per cents)*	-5.12	0.54	-20.80
-0.263	0.05	-0.638	*Earnings per share (Euros) (EPS)* [2]	-0.297	0.036	-0.76
-12.32	2.39	-34.40	*Return on equity (per cents) (ROE)* [3]	-14.13	1.70	-43.89
-6.72	1.07	-13.99	*Return on assets or asset profitability (ROA)* [4]	-8.23	0.83	-18.59
-11.60	2.25	-35.97	*Return on investments (ROI)* [5]	-13.84	1.65	-52.81
1.91	1.63	0.75	*Current liquidity ratio* [6]	1.44	1.35	0.88
1.26	0.85	0.53	*Critical liquidity ratio* [7]	1.40	1.24	0.81
0.55	0.45	0.36	*Equity ratio* [8]	0.58	0.49	0.35
0.44	0.54	0.62	*Debt ratio* [9]	0.42	0.51	0.65
0.81	1,21	1.72	*Debt to equity ratio* [10]	0.73	1.05	1.85
2.14	2.10	1.61	*Book value per share* [11]	2.09	2.13	1.34
0.35	0.36	0.35	*Price-to-book ratio (P/B ratio)* [12]	0.36	0.35	0.43
-2.85	14.94	-0.89	*Price-to-earnings ratio (P/E)* [13]	-2.53	20.83	-0.75

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

Decription of ratios and methodology of calculation is disclosed in Company's webpage https://www.pst.lt/finansines-ataskaitos

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

	Group			Company		
	2018	2019	2020	2018	2019	2020
Construction works	97.36	104.60	70.42	94.80	108.5	59.71
Real estate	0	0	1.24	-	-	-
Products produced and other income	7.50	5.90	3.26	-	-	-

The main income of the Company by activity types is from construction and erection activities. In 2020, the income of the Group from construction and erection activities totalled 94 per cents, the income from real estate was 1.7 per cents, the income from made products and other income amounted to 4.3 per cents, whereas in 2019, the income of the Group from construction and erection activities totalled 94.7 per cents, other income amounted to 5.3 per cents.

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

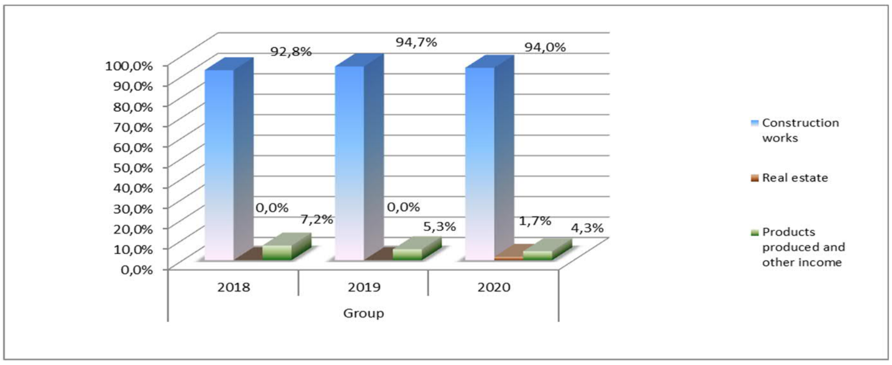
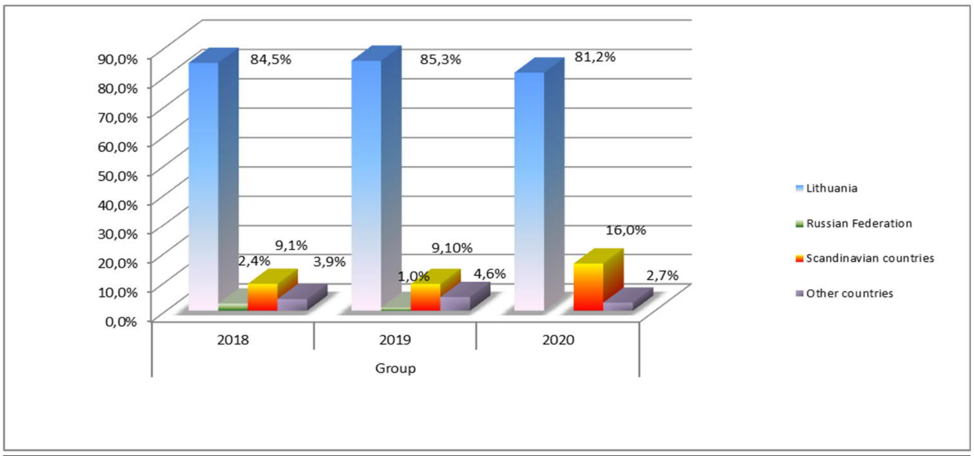


Table 4. Operating income (mln. Euros) by countries:

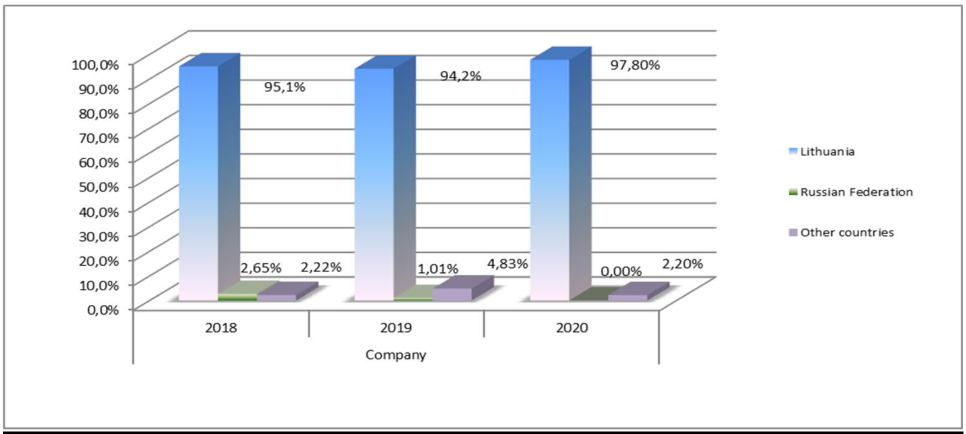
	Group			Company		
	2018	2019	2020	2018	2019	2020
Lithuania	88.65	94.21	60.86	90.18	102.13	58.40
Russian Federation	2.52	1.09	0	2.52	1.09	0
Scandinavian countries	9.36	10.05	12.02	0	0	0
Other countries	4.33	5.11	2.04	2.11	5.24	1.31

The main activities of the Company were performed in Lithuania and made 97.8 per cents of all works carried out by the Company in 2020 and 94.2 per cents in 2019. The revenue of the Group from the works performed inside the country made 81.2 per cents of the revenue, whereas in 2019 it was 85.3 per cents. In 2020 and 2018, the revenue of the Group in the Scandinavian countries was respectively 16 and 9.1 per cents of the all revenue.

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 Management (ISO 9001), Environmental Management (ISO 14001) and Occupational Health and Safety Management (OHSAS 18001) 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 2020, the Lithuanian National Accreditation Bureau accredited the Construction Laboratory of the Company in accordance with LST EN ISO/IEC 17025:2018 for the period of 5 years, thus granting the right to perform tests of building materials.
The companies of the Group also have Quality, Environmental And Occupational Health And Safety Management Systems in accordance with the requirements of LST EN ISO 9001:2015, LST EN ISO 14001:2015 and LST ISO 45001:2018 introduced and successfully functioning.

Employees

Professional, competent and responsible employees are the biggest asset of the Company. 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 2020, the number of employees in the Group was 870, in the Company – 593. As of 31 December 2019, the number of employees in the Group was 978, in the Company – 704. Operating restrictions caused by the COVID-19 pandemic, reduced workload also had direct impact on decrease in the number of employees of the Company and the Group.

Table 5. Average number of employees in 2019 and 2020:

Average number of employees	*2019*		*2020*	
	Group	*Company*	*Group*	*Company*
Managers	24	13	25	13
Specialists	334	264	315	26
Workers	656	473	575	382
Total	***1,014***	***750***	***915***	***631***

Table 6. Education level of the Group employees as of the end of the period:

PST Group employees	*Payroll number*	*Higher university level education*	*Higher non-university education*	*Junior college education*	*Secondary education*	*Incomplete secondary education*
Managers	*25*	*22*	*1*	*2*	*0*	*0*
Specialists	*309*	*236*	*34*	*26*	*13*	*0*
Workers	*536*	*26*	*10*	*104*	*339*	*57*
Total	**870**	**284**	**45**	**132**	**352**	**57**

Employment contracts do not include any special rights and obligations of employees or some part of them.
In 2020, the Company also paid much attention to qualification improvement. Training in the Company is done in two directions using:
1. Services of training institutions (external training);
2. Services of higher education institutions (employee studies).

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

Information on key events having occurred after the end of the financial year is provided in the Notes to the Separate Financial Statements (Note 32) and Consolidated Financial Statements (Note 32), also refer to Section 13 of this Annual Report.

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

The Company aims to maintain the highest competence in the construction sector by implementing innovative processes and technologies.
For design preparation we use the up-to-date designing software. We are constantly keeping up to date with the latest applications and supplementing our software package.
The Company strives for especially smooth construction operations. We use the up-to-date software that allows us using the advantages of the Building Information Modelling (BIM). This digital model is used in the tender preparation and preparation for construction stages, delivering supplies to the site, monitoring the progress of planned and completed activities.
The Company improves the business process management, makes targeted investments in compatibility increase of available production capacities.

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

Although economic growth will be significantly slower due to COVID-19, the Company will strive to implement the operational strategy and business objectives approved by the Board – to remain competitive and maintain its leading position in the construction market. To implement the strategic objectives, *Panevezio statybos trestas* AB and the Group will look for solutions to absorb the negative impact of the virus on the Group's operations, strive to ensure that the costs of ongoing projects, investments and operating activities are optimal.

To optimize the costs, concentrate the services provided and strengthen production capacity, the Company starts making structural changes in 2021. One of such changes will be merger of two branches, *Konstrukcija* and *Betonas*, in the beginning of the year. This will reduce the administration costs for these branches and speed up decision taking processes.

In 2021, the Company and the Group will make every effort to search for new markets, increase the number of the projects in progress, implement new projects in Lithuania and abroad. The Company and the Group will continue expanding and developing real estate for a return on investment.

The companies of *Panevezio statybos trestas* AB Group keep on trying to increase their production, technical and intellectual potential. The plans cover investment in production by introducing computerized and automated processes, streamlining production and technological processes. These measures will allow to maintain and expand our positions in Lithuania and abroad, increase sales and achieve good results.

14. Authorised capital of the issuer and its structure

As of 31 December 2020, 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 fully paid. The proof of ownership is the record in the securities accounts.

The Company has not acquired any shares of the Company.

On 31 December 2020, the total number of the shareholders was 1,571.

Table 7. Distribution of shareholders by residence country and legal form:

Investors	*Number of shares, pcs.*	*Portion of authorized capital, per cents*
Foreign investors		
Legal entities	*2,989,038*	*18.3%*
Natural persons	*596,706*	*3.6%*
Local investors		
Legal entities	*8,738,832*	*53.4%*
Natural persons	*4,025,424*	*24.6%*

Table 8. 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 (%)*
Panevezio keliai AB S. Kerbedzio Str. 7, Panevezys Company code: 147710353	8,138,932	49.78	49.78
Clients of Swedbank AS Liivalaia 8, 15040 Tallinn, Estonia Company code: 10060701	1,265,171	7.74	7.74
Freely floating shares	6,945,897	42.48	42.48

None of the shareholders of the issuer has any special control rights. All shareholders have equal rights prescribed by Section 4 of the Law on Companies of the Republic of Lithuania.
The number of shares carrying votes at the General Meeting of Shareholders of *Panevezio statybos trestas* AB is 16,350,000, one ordinary registered share on the Company carries one vote at the General Meeting of Shareholders.

15. Dividends

The decision to pay dividends is taken and the amount to be paid as dividends is set by the General Meeting of Shareholders. The company pays the allocated dividends within 1 month from the date when decision on profit appropriation has been taken.
The persons who were the shareholders of the Company at the end of the tenth business day from the General Meeting of Shareholders that adopted the relevant decision are entitled to the dividends.
Dividends are taxable in accordance with the Law on Income Tax of Individuals and the Law on Corporate Income Tax of the Republic of Lithuania.

Table 9. History of dividends paid over the previous years:

	Profit of financial year allocated for dividends				
	2015	***2016***	***2017***	***2018***	***2019***
Total amount allocated for dividends, Euros	261,977	1,062,750	981,000	0	490,500
Dividends per share	0.016	0.065	0.060	0	0.030
Ratio of dividends to the Company's net profit, per cent	79.80	59.33	504.50	0	83.09
Dividend profitability (dividends per share / share price as of the end of the period), per cents	1.7	6.9	6.6	0	5.3

16. Information on significant transactions between the related parties

All transactions with related parties are provided in the Notes to the Separate Financial Statements (Note 29) and Consolidated Financial Statements (Note 28).

17. Published information

In accordance with the procedure established by the laws of the Republic of Lithuania, all material events related to operation of the Company and information on the time and place of the General Meeting of Shareholders are published on the website of the Company https://www.pst.lt/investuotojams and on the stock exchange *NASDAQ Vilnius* AB (www.nasdaqomxbaltic.com).

18. Corporate governance report

Information on compliance with the Corporate Governance Code

The information on compliance with the Corporate Governance Code is provided in Appendix 1 to the Annual Report.
Panevezio statybos trestas AB in principle complies with the recommendatory Governance Code for the companies listed at *NASDAQ OMX Vilnius*. Referring to the Articles of Association of the Company, the governance bodies of the Company include the General Meeting of Shareholders, the Board and the Managing Director. According to the Law on Companies of the Republic of Lithuania, either two (supervisory and management) or one collegial management body may be set up in the Company at the discretion of the Company. No Supervisory Board is set up in the Company. Following the Articles of Association of the Company, the Board is set up of 5 members, which are elected for the period of four years.

The members of the Board represent the shareholders and perform the supervisory and control functions. Only the Audit Committee, which is elected for the period of one year, is formed in the Company. The functions of the Nomination and Remuneration Committees are performed by the Board.

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

The Company does not prepare and make public the remuneration statement. In the opinion of the Company, such information should not be made public commercially. The Company complies with the Management remuneration policy approved by the Board. The Remuneration Policy applicable at the Company is an internal and confidential document which is not publicly available.

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

The Audit Committee of the Company gives recommendations to the Board on nomination of an auditing company/auditor. The Board selects the candidate for the auditing company/auditor and submits it to the General Meeting of Shareholders for approval. This ensures independence of the conclusions and opinion provided by the auditing company.

Information on extent of risk and risk management

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

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

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

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

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

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

Operational risk constitutes the risk of probability to incur losses due to people, systems, inadequate internal processes or their failure, effects of external events, including legal risks.

For the purposes of operational risk management, the Group implements appropriate measures to ensure functioning of the internal control system and appropriate co-operation with relevant third parties. The main elements of internal control applied in the Group are control of operations and accounting, limits of decision-making powers and their control, separation of business decision-making and control functions, etc. The aim is to minimize the risk of legal compliance and ensure that the activities carried out comply with the applicable legislation. To this end, the advice of professional lawyers and their participation are used in the processes of drafting internal instruments and contracts.

Occupational safety remains one of the top priorities of the Group. During the emergency and quarantine period, the Group complied with the provision that each worker should be provided with appropriate, safe and healthy working conditions, i.e. the worker’s workplace and environment should be safe and harmless to health, the risk of infection should minimize in the work environment and workers should be protected from COVID-19. From this perspective, a *COVID-19 Preventive Action Plan* has been prepared (and updated weekly). The mentioned plan covers the following:

Organizational measures:

- A coordination group for COVID-19 situation management has been formed;
- For the employees who have been given the opportunity to work remotely using means of telecommunication (Internet, telephone), the work has been organized remotely. In order to increase the ability of employees to work remotely, the Company has invested in the purchase of laptops.
- In respect of the employees who could not work remotely at their workplaces based on the results of the analysis, measures have been taken to reduce the risk of COVID-19 infection: partitions between workplaces are installed, organizational measures are applied in place to maintain the distance of at least 2 meters between the working employees.
- Reduced access to the office building and construction sites for third parties (by installing door locks and control posts); limited access of customers to the premises of the Company, eliminated physical communication of employees with customers.

Provision of personal protective equipment for workers:

- Employees are provided with disposable gloves; respiratory protective equipment – disposable medical (surgical) masks, face shields, goggles;
- Hand disinfection stations are installed in the office building and sites, especially at the main entrance, in places known to employees.

Hygienic maintenance and disinfection of the premises:

- Organized wet cleaning with disinfectants on the surfaces of work/changing rooms/amenity spaces/sanitary premises at least once a day.
- A special machine (hot steam generator *FAST 250 PUMP PRO PLUS*) was purchased for disinfection of office premises and amenity spaces in the sites after each identified case of COVID-19 and periodically thereafter.

Monitoring of occupational health:

- Employees have been informed that anyone with symptoms similar to COVID-19 must immediately inform their immediate supervisor and do not go to work (go home) and contact a personal health care facility or call 1808.
- Organized measurement of body temperature of employees and other persons (using contactless thermometers) at all entrances to premises and sites.

COVID-19 outbreak has been prevented in the Group through the planned COVID-19 preventive measures and action plan.

Information on significant directly or indirectly held share portfolios

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

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

There were no such transactions concluded.

Information on shareholders with special control rights

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

Information on all existing limitations on voting rights

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

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

The Board of the Company consisting of five members is elected by the General Meeting of Shareholders for a period not longer than 4 years. At present there are five members in the Board. The procedure of electing and dismissing the members of the Board is not different from that prescribed by the Law on Companies.
The Articles of Association may be amended only by the General Meeting of Shareholders by the qualified majority of at least 2/3 of the total votes of the shareholders attending the meeting. The resolution amending the Articles of Association is adopted following the procedure set forth in the Law on Companies of the Republic of Lithuania.

Information on powers of members of the Board

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

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

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

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

Referring to the Articles of Association of *Panevezio statybos trestas* AB, the management bodies of the Company are the General Meeting of Shareholders, the Board and the Managing Director. The Supervisory Council is not formed in the Company.
The competence of the General Meeting of Shareholders is not different from that of the competence prescribed by the Law on Companies.
The Board is led by the Chairman of the Board. The Board elects the Chairman from the members of the Board.
The Board elects and dismisses the Chief Executive Officer of the Company – the Managing Director, fixes his salary, sets other terms and conditions in the employment contract with him, approves his job description, gives incentives and imposes penalties. The Managing Director shall organize the activities of the Company.

The Board:

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

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB Company code 147732969 P. Puzino Str. 1, Panevezys	Chairman/ Consultant	-	-	-
Panevezio keliai AB Company code 147710353 S. Kerbedzio Str. 7, Panevezys	Board Member/ Consultant *Main place of employment*	531,675	28.47	28.47
Lauktuves jums UAB Company code 147797155 Laisves Sq. 26, Panevezys	Board Member	10,737	48.65	48.65
Pokstas UAB Company code 168424572 Gustoniu Vlg., Panevezys District Municipality		111	50	50
Klovainiu skalda AB Company code 167901031 Klovainiu Township, Pakruojis District Municipality		470,421	8.74	8.74
Gustoniu zemes ukio technika UAB Company code 168581940 S. Kerbedzio g. 7F, Panevezys	Board Member	1,085	50.28	50.28
PST investicijos UAB Company code 124665689 Verkiu Str. 25C, Vilnius	Board Member	16,407	3.32	3.32
Convestus UAB Company code 300124684 Laisves Sq. 26, Panevezys		50,000	50	50
Kauno tiltai AB Company code 133729589 Ateities Road 46, Kaunas		492	0.31	0.31
Specializuota komplektavimo valdyba AB Company code 121420097 Savanoriu Ave.191A, Vilnius		21,490	1.07	1.07
Tertius UAB Company code 247647690 S. Kerbedzio Str. 7F, Panevezys		704,638	80	80

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

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

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB Company code 147732969 P. Puzino Str. 1, Panevezys	Board Member	-	-	-
Panevezio keliai AB Company code 147710353 S. Kerbedzio Str. 7, Panevezys	Board Member/ Technical Director *Main place of employment*	22,010	1.18	1.18

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

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

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB Company code 147732969 P. Puzino Str. 1, Panevezys	Board Member	-	-	-
Panevezio keliai AB Company code 147710353 S. Kerbedzio Str. 7, Panevezys	Chairman	2,226	0.12	0.12
Panevezio rysiu statyba UAB Company code 147688743 Paliuniskio Str.9, Panevezys	Director/ Board Member *Main place of employment*	279,507	27	27
PST investicijos UAB Company code 124665689 Verkiu Str. 25C, Vilnius	Board Member	-	-	-

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

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

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB Company code 147732969 P. Puzino Str. 1, Panevezys	Board Member	-	-	-
Akvalda UAB Company code 300568422 Vyturio g.45, Panevezys		750	50	50
Betono apsaugos sistemos UAB Company code 126148612 Papilenu Str. 1-30, Vilnius		40	40	40
Panevezio keliai AB Company code 147710353 S. Kerbedzio Str. 7, Panevezys	Consulting Expert	12,395	0.66	0.66
Formus UAB Company code 303349362 Gedimino Ave. 54A-3, Vilnius		1,322	21.96	21.96

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

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

Company	***Position***	***Number of shares***	***Capital, %***	***Votes, %***
Panevezio statybos trestas AB Company code 147732969 P. Puzino Str. 1, Panevezys	Board Member/ Commercial Director Main place of employment	-	-	-
Panevezio keliai AB Company code 147710353 S. Kerbedzio Str. 7, Panevezys	Board Member	-	-	-
KINGSBUD Sp.z o.o. Company code 200380717 A. Patli Str. 12, 16-400 Suwalki, Poland	Chairman	-	-	-
Aliuminio fasadai UAB Company code 305412441 Pramonės Str. 5, Panevezys	Chairman	-	-	-

Company	*Position*	*Number of shares*	*Capital, %*	*Votes, %*
Vekada UAB Company code 147815824 Marijonu Str. 36, Panevezys	Chairman	-	-	-
Skydmedis UAB Company code 148284718 Pramonės Str. 5, Panevezys	Board Member	-	-	-

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

Administration:

EGIDIJUS URBONAS – Head of the Company Administration, Managing Director. Holds no shares of the Company. University education (Kaunas Technology University), Construction Engineering. Master Degree in Construction Management (Vilnius Gediminas Technical University).
Clean record.

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

In 2020, no loans, guarantees, sureties were granted and no property was transferred to any Board Members or top managers of *Panevezio statybos trestas* AB.

Audit Committee

Following Article 52 of the Law on Audit of the Republic of Lithuania, the General Meeting of Shareholders of *Panevezio statybos trestas* AB elects the Audit Committee. The Audit Committee consists of three members, two of them being independent. The term of office of the Audit Committee is one year. The continuous term of office of a committee member cannot exceed 12 years.
The duties of the Audit Committee are as follows:
1) to monitor the financial reporting process;
2) to monitor effectiveness of the company's internal control, risk management and internal audit, if applicable, systems;
3) to monitor the process of the audit;
4) to monitor independence and objectivity of the auditor or audit company.

The following members were elected to the Audit Committee at the Annual General Meeting of Shareholders of *Panevezio statybos trestas* AB on 29 April 2020:
Drasutis Liatukas – an independent auditor, Head of *Finansu auditorius* UAB, auditor. Holds no shares of the Company;
Irena Kriauciuniene – an independent auditor. Holds no shares of the Company;
Egle Grabauskiene – Deputy Chief Accountant of the Company. Holds no shares of the Company.

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

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

Information on all agreements between the shareholders

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

19. Social Responsibility

We believe that corporate social responsibility is effective only when integrated into everyday work and, if managed like any other business activity, it leads to a sustainable and responsible economy.
Constant and continuous improvement of business and project management, quality, customer satisfaction, supply and subcontracting chain management, environmental and public relations at PST is not only openness to the surrounding environment, but also the goal of operating ethically, fairly and transparently in respect of the market, environmental protection, society and employees.
In their activities both, the Company and the Group, follow the highest standards of business ethics and principles of social ethics. Social responsibility is based on its values and defines the Company's approach to its activities, integration of social, environmental and transparent business principles in the internal processes of the Company and the Group as well as in relations with its clients.

Short description of activity model

Panevezio statybos trestas AB is one of the largest local construction companies, which has been operating in the construction sector for more than 60 years. The company comprised the following branches: *Gerbusta*, focusing on construction of utility networks and landscaping. *Pastatu apdaila*, carrying out indoor and outdoor finishing works, *Betonas*, *Konstrukcija*, *Stogas* where production capacities were concentrated, Vilnius branch *Genranga*, performing general contracting activities and project management in Vilnius Region, and *Klaipstata*, performing general contracting activities and project management.
The Group of *Panevezio statybos trestas* AB consists of the following companies – *Panevezio statybos trestas* AB, *Skydmedis* UAB, *Metalo meistrai* UAB, *Vekada* UAB, *Alinita* UAB, PS Trests SIA, Kingsbud Sp.z o.o, *Teritorija* OOO, *Seskines projektai* UAB, *Ateities projektai* UAB, *PST investicijos* UAB, *Tauro apartamentai* UAB and *Hustal* UAB, *Aliuminio fasadai* UAB.
For management purposes, the Group is divided into business units based on the nature of their activity and has the following accountable segments:

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

<u>*The segment of construction*</u> includes activity of *Panevezio statybos trestas* AB, *Vekada* UAB, *Alinita* UAB and PS Trests SIA. The main area of activity is construction, designing and erection of various buildings, structures, equipment and communications, construction/installation of other objects (electrical installation, building renovation, installation of plumbing, waste water systems, fire protection systems, video surveillance, security and fire alarm) in Lithuania and other countries.
<u>*The segment of steel structures*</u> includes activity of *Metalo meistrai* UAB and *Hustal* UAB. The main area of their activity is designing and fabrication of steel structures for construction. The company also delivers steel structures to other companies based on their demand.
<u>*The segment of timber panel houses*</u> includes activities of *Skydmedis* UAB. The area of activity is designing, production, construction and outfitting of prefabricated timber panel houses, production of timber structures and millwork.
<u>*The segment of concrete floor installation*</u> are carried out by *Pastatu apdaila*, the branch of *Panevezio statybos trestas* AB.
The work in <u>*of aluminium structure production*</u> (the production of aluminium profile systems, aluminium framed windows and doors) has been started by *Aliuminio fasadai* UAB since the beginning of 2020.
<u>*The segment of other activity*</u> includes *Seskines projektai* UAB, *Ateities projektai* UAB, *Tauro apartamentai* UAB, *Teritorija* OOO, *PST investicijos* UAB, which are engaged in real estate development, and Kingsbud Sp.z o.o., which is engaged in wholesale of construction materials.

Due to insignificance of volumes, the segments concrete floor installation and production of aluminium structures are not distinguished and are presented in the segment of *Other activity* in the consolidated financial statements.

Strategy, vision, mission and objectives of the Company

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

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

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

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

Principles of social responsibility:

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

Environmental Protection

Panevezio statybos trestas AB and the companies of the Group (*Skydmedis* UAB, *Metalo meistrai* UAB, *Alinita* UAB, *Vekada* UAB) have the Environmental Management System (EMS) consistent with the requirements of ISO 14001:2015/LST EN ISO 14001:2015, legal and other environmental regulations established, documented and constantly reviewed to ensure its suitability, adequacy and effectiveness.
In the process of implementation related to the established Environmental Policy, the Company seeks to preserve a healthy environment to any employee, biological and landscape diversity as well as optimal use of natural resources. The Environmental Policy is published in all branches, subsidiary companies and sites of *Panevezio statybos trestas* AB, available for public and all interested parties on the website at www.pst.lt.
When making plans of the environmental system, external and internal issues with regard to the objectives and strategic direction of the Company as well as needs and requirements of interested parties are taken into account resulting in defining risks and opportunities to make sure that the integrated management system is able to achieve the intended outcome, strengthen the desired impact, prevent or reduce undesired effects and achieve continual improvement. The Company plans actions to eliminate risks, actions to address and strengthen opportunities, how actions should be integrated and implemented in the EMS processes, assessment criteria and effectiveness of these actions. *Panevezio statybos trestas* AB has the Risk and Opportunity Register prepared.
The significant environmental aspects are determined in all branches, subsidiary companies and sites of the Company after significance of activity impact on environment is taken into account and legal requirements are identified. The environmental aspects are identified by analysing past, current and potential beneficial and adverse environmental impact of activities, services and products of the subdivisions. The review of these aspects is performed at least once per year and in case the nature of activities or any other conditions, such as a process, materials used, technologies, etc., changes, provided they condition occurrence of new environmental aspects. The site aspects are identified individually for each project.

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

For control of significant aspects and mitigation of adverse effects, targets and objectives are set, environmental management programmes and environmental plans covering specific actions, measures, terms and responsibilities are prepared.

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

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

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

The implemented EMS has been certified and is supervised by the certification company *Bureau Veritas Lit* UAB.

The Company and the Group contribute to reducing the negative impact of climate change through their actions and technical solutions.

In its operation the company uses only green electricity produced from renewable energy sources. Looking responsibly at the problem of climate change, *Panevezio statybos trestas* AB is not only a consumer of electricity, but also a producer – it has installed and operates solar power plants at Puzino Str. 1, Tinklu Str. 7, Pramones Str. 5 in Panevezys. The total installed their capacity is 288 kW, and the amount of electric power generated over the year 2020 totalled 249 thousand kWh, which prevented 97.2 t of CO_2 emissions.

Modern engineering systems creating a healthy working environment are applied in the buildings under construction. Where possible, environmentally friendly building materials are used. The changed climatic conditions are taken into account in the construction process of the new buildings. As the temperature conditions change, the needs for indoor ventilation, heating and cooling also change. Therefore, new technological and architectural solutions are being implemented.

The construction sector uses very unsustainable CO_2-neutral materials: steel, cement, glass, etc., therefore solutions are being sought to make the construction process more environmentally friendly, i. e. use of organic materials. Designers apply the highest standards for designing and construction of a building, contributing to environmental sustainability and healthy work environment. In the designing process much attention is paid to ensuring indoor air quality, intelligent lighting in accordance with good international practices, sound resistance that retains external noise. For example, U219 design will apply for BREEAM New Construction certificate, which will approve the measures listed above. *Panevezio statybos trestas* AB was the first company in Lithuania to acquire a *MobyDick ConLine KIT Flex400 MC* Wheel Washing System tested on the site in Senamiestis in Vilnius. The closed-cycle wheel washing system not only reduces street pollution with dirt, prevents contaminated water from entering urban sewage networks, but also does not interfere with other road users when cleaning roads and is an alternative to sweeping brooms that cause dust and particulate matter spread in the city.

Current trends in sustainable living in the world clearly dictate changes in the construction sector, therefore sustainability and the environment protection are becoming top priorities for *Panevezio statybos trestas* AB.

Relationship with Employees

The main asset of the Company is employees, who are the most important link in achieving the objectives. Therefore, much attention is paid to motivation of employees: environment favourable for development of new ideas and their implementation is being created, continuous exchange of information is taking place. In the present-day environment, competence of employees is one of the key factors describing competitiveness of the Company. Considering this factor, the Company encourages employees in all organizational levels to learn and develop. Employees are given the opportunity to study, improve their qualifications, and participate in various seminars and trainings. Employees are motivated not only by material incentives, such as competitive wages and salaries, progressive bonus system, but also by exceptional quality of working environment. The Company and the Group provides social guarantees: the allowance is paid in the event of the death of a family member or immediate family of the employee, in case of an employee's death, a gift to an employee when a baby is born, on the employee's anniversary birthday.

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

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

Human Rights

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

The Company opposes any discrimination and forced labour. Employees of the Company have equal rights and possibilities regardless their gender, nationality, social or family status, membership in public or political organisations or personal qualities. In 2020, there were no violations of human rights or relevant claims recorded.

Social Initiatives

Panevezio statybos trestas AB keeps on implementing its objective to be a reliable and socially responsible company. In its activity, the Company follows the principles of sustainable business development, which also include social responsibility. PST invests in various indirect activities, supports different social, sports, cultural and health promotion projects.

After the government announced about prevention of the coronavirus (COVID-19) in the country, *Panevezio statybos trestas* AB being a socially responsible company reacted quickly and provided support to the Republican Hospital in Panevezys in installation of a modern disinfection chamber. Furthermore, the Company rendered support to Panevezys St. Joseph Elderly Care Home in acquisition of expensive drugs for treatment of the home residents sick with COVID-19.

The Company continues to join, where possible, the initiatives of a similar nature.

Fight against Corruption and Bribery

The Company and its subsidiaries do not tolerate corruption or its manifestations of any nature and pursue open competition, ethical business conditions and proper ensuring of transparency and publicity in their activities. The Company does not tolerate fraud, extortion, unofficial accounting, unofficial and inadequately executed transactions, accounting for fictitious expenses, use of forged documents and other forms of corruption. Provisions of corruption intolerance apply to all employees of the Company, members of the management and supervisory bodies, any third parties acting on behalf of the Company.
The risk is mitigated by existing integrated internal controls for identifying potential risk factors for corruption. The company constantly monitors its activities and improves its activities.
Panevezio statybos trestas AB refrains from any form of influence on politicians and does not fund election campaigns of political parties, their representatives or their candidates.
The Company always co-operates with the institutions and is ready to provide all the necessary information.
The Company ensures that its procurement is carried out in compliance with the principles of equality, non-discrimination, transparency, mutual recognition, proportionality and requirements of confidentiality as well as impartiality at the same time using the Company's funds in a rational manner. Suppliers are selected on the basis of the most economically advantageous proposal or the lowest price under equal and non-discriminatory conditions.
In performing selection of subcontractors, the Company carries out assessment of subcontractors' qualification. Compliance with environmental, occupational health and safety requirements as well as honesty are the fundamental requirements for subcontractors.

20. Remuneration report

Remuneration of Board Members

As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Board performing the supervision function, and one-person management body, the Managing Director, are set up at the Company.
Following the Law on Companies and Articles of Association of the parent Company, the Board Members are appointed for the four-year term of office.
The members of the Board are paid remuneration (bonuses) for their activity in the Board by the decision of the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania. The members of the Board do not get any other remuneration for their activities and participation in the meetings.

Remuneration Paid to Board Members

The table below provides the information about payments made to the Board Members for the period 2018 through 2020. The amounts are before taxes and presented in Euros.

Table 10. Information on remuneration of supervisory body members of the issuer in 2018 through 2020:

Full name	***Position***	***Bonuses allocated in 2020 (Euros)***	***Bonuses allocated in 2019 (Euros)***	***Bonuses allocated in 2018 (Euros)***
Remigijus Juodvirsis	Chairman	26,365	-	8,390
Audrius Butkunas	Board Member	17,149	-	-
Audrius Balcetis	Board Member	29,505	-	7, 625
Vilius Grazys	Board Member	17,326	-	7,625
Justas Jasiunas	Board Member	27,720	-	-
Total		***118,065***		***23,640***

The Company is not aware that the Board Members of the Board have received any remuneration from other companies of *Panevezio statybos trestas* AB Group.
After the term of office for the Board expires, the Board Members are not entitled to any severance pays.

Remuneration of Company's Employees

The purpose of the remuneration policy is to increase the operation efficiency at the Company and promote achievement of strategic objectives. The objective of the Company goal is to maximize the efficiency of the reward programs in order to attract and motivate highly skilled employees who are necessary for success in business.
Over the year 2020, the salary fund attributed to the Company's employees amounted to 12.404 mln. Euros compared to 14.180 mln. Euros in 2019.
To attract high-level professionals to management positions, we aim to keep the remuneration close to the market median of the country in which any company of the Group operates.
In general, the remuneration structure at the Company consists of two parts: Fixed Remuneration Component (FRC) and Variable Remuneration Component (VRC). The FRC range limits are set taking into account the remuneration trends in the market, research data and comparative market, i.e. the market of the companies operating in Lithuania. The VRC is a tool for getting the Top and Middle Management Staff directly interested in seeking for high performance of the Company, an instrument to for creating policy and culture of the Company, clearly and accurately indicating what achievements and contributions are valued/rewarded. The Variable Remuneration Component to the Top and Middle Management Staff is paid once a year at the end of the financial year and is linked to performance of the employee, team and/or company.
The Company does not provide for the possibility to restore variable remuneration.
The average monthly salary of employees (FRC and VRC) for the period 2016 through 2020 is provided in the tables below.

Table 11. Average monthly salary for employees of the Group, Euros (before taxes)

Position category	***2020***	***2019***	***2018***	***2017***	***2016***
	Average salary	***Average salary *****	***Average salary***	***Average salary***	***Average salary***
Managing Director before 23 June 2021	9423	7752	6696	8145	8072
Managing Director after 23 June 2021	7626				
Top Management Staff	5323	4524	3887	4568	4516
Middle Management Staff	3478	3216	2630	3030	2393
Specialists	1806	1753	1244	1244	1198
Workers	1319	1322	980	917	891
Total	***1583***	***1569***	***1170***	***1109***	***1058***

*** Salary adjustment due to changes in taxation in effect since beginning of 2019.*

Table 12. Average monthly salary for employees of the Group, Euros (before taxes)

Position category	***2020***	***2019***	***2018***	***2017***	***2016***
	Average salary	***Average salary *****	***Average salary***	***Average salary***	***Average salary***
Top Management Staff	3957	4083	3040	3193	2836
Specialists	1871	1752	1343	1261	1186
Workers	1363	1322	956	914	927
Total	***1622***	***1569***	***1148***	***1097***	***1063***

*** Salary adjustment due to changes in taxation in effect since beginning of 2019.*

Remuneration Structure for Managing Director and Top Management Staff

The Fixed Remuneration Component is determined considering the impact on general operation of the Company, management scope, decision making, complexity of activities, knowledge and experience. Remuneration determined in the Employment Contract, taking into account the level of position and competence of the employee (conformity with the requirements for the position). The Fixed Remuneration Component is paid on a monthly basis. The Fixed Remuneration Component of the Top and Middle Management Staff is reviewed minimum every 12 months. The new size of the FRC is determined/revised based on performance assessment of the Top and Middle Management Staff. The PAD of the Top and Middle Management Staff may be changed by the decision of the Board.
The Variable Remuneration Component is designed to promote achievement of the annual objectives. The size of the VRC amounts to a fixed percentage of the annual result, which is determined and approved by the Board. The Chief Executive Officer and directors of the Company are assigned the percentage of the profit accepted for calculating motivation. For the Directors of the branches the percentage is determined from the profit accepted for calculating motivation for the branch managed by him.

Annual Changes in Remuneration

Changes in performance of the Company and average salary of the employees of the Company who are not members of the management and supervisory bodies during the last five years.

Table 13. Company performance and average monthly gloss salary for the period 2016 through 2020

Company performance	2020	2019 **	2018	2017	2016
Net profit (loss) (thousands Euros)	-12,418	590	-4,852	194	1,791
Profit (loss) per share (Euros)	-0.76	0.036	-0.297	0.012	0.11
Assets (thousands Euros)	62,290	71,337	58,986	55,925	53,641
Average monthly salary	*1,583*	*1,569*	*1,170*	*1,109*	*1,058*

*** Salary adjustment due to changes in taxation in effect since beginning of 2019.*

Long-Term Motivation by Shares

The Company applies neither schemes under which the members of management bodies, managers and employees receive remuneration in shares, share options or other rights to share acquisition, nor supplementary pension or early retirement schemes.

Annex 1

Corporate Governance Reporting Form

Panevezio statybos trestas AB (hereinafter referred to as the "**Company**"), acting in compliance with Article 22 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of *Nasdaq Vilnius* AB, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

1. Summary of the Corporate Governance Report:

Panevezio statybos trestas AB in principle complies with the recommendatory Governance Code for the companies listed at *NASDAQ Vilnius*. Referring to the Articles of Association of the Company, the governance bodies of the Company include the General Shareholders' Meeting, the Management 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 Management Board is set up of 5 members, which are elected for the period of for years. The members of the Management 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 Management 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.

In its Annual Report, in accordance with the requirements of the legal acts, the Company provides information on the total amounts of money calculated during the reporting period to the members of the Management Board of the Company, the Chief Executive Officer.

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 Management Board and elected by the Meeting of Shareholders, thus ensuring independence of the conclusions and opinion provided by the audit company

2. Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/ NO/ NOT APPLICABLE	COMMENTARY

Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that shall be made public in accordance with legal acts is published in Lithuanian and English via informational system of stock-exchange *Nasdaq Vilnius* and on the website of the Company. The venue, date and time of the Meeting of Shareholders convened by the Company are chosen in such a way as to ensure participation of all shareholders in the decision-making process of the Company.
1.2. 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 of their holders.	Yes	The Company's authorized share capital consists of EUR 0.29 nominal value ordinary shares, which provide their holders equal voting, property, dividend and other rights.
1.3. 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	The rights attached to the shares are indicated in the Articles of Association of the Company, which are published on the website of the Company.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	The Articles of Association of the Company do not provide that the mentioned transactions are subject to approval of the General Meeting of Shareholders. The shareholders of the Company approve the transactions for approval of which they have the right prescribed by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The Company convenes a General Meeting of Shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania.

1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All information for investors, notices on convocation of General Meetings of Shareholders, drafts of resolutions and documents proposed for the Meeting of shareholders by the Management Board and adopted resolutions and approved documents are made public in Lithuanian and English languages through the information system of NASDAQ OMX Vilnius Stock Exchange and published on the website of the Company.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both 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 at the meeting in person or delegate the participation to some other person. The Company allows the shareholders voting by filling the general voting ballot in as prescribed by the law.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	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 opinion of the Company, so far there was no need for any modern technologies at the General Meeting of Shareholders for the purposes of participation and voting via electronic means of communication.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information on the candidates to the members of the Management Board of the Company is provided to the shareholders at the General Meeting of Shareholders with the item related to the election of the members of the Management Board on the agenda in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. Information on the audit company to be elected is made public together with the notice on the draft resolutions of the General Meeting of Shareholders to be convened in accordance with the procedure prescribed by the legal acts.

1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The Managing Director, Chief Accountant, Chairman and other competent persons who can provide information on the agenda of the General Meeting of Shareholders always participate at the General Meeting of Shareholders. The proposed candidates to the members of the Management Board, however not all, participated at the General Meeting of Shareholders.
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	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 Management Board performing the supervision function, and one-person management body, the Managing Director, are set up in the Company. The collegial supervising – the Supervisory Board is not formed.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	See item 2.1.1.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	See item 2.1.1.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	See item 2.1.1.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	See item 2.1.1.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	See item 2.1.1.
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	See item 2.1.1.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	See item 2.1.1.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applic able	See item 2.1.1.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applic able	See item 2.1.1.
2.2.5. When t is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applic able	See item 2.1.1.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applic able	See item 2.1.1.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applic able	See item 2.1.1.
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		

3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	As there is no Supervisory Board formed at the Company, the Management Board performs supervisory functions, discusses and approves the strategy of the Company, analyses and evaluates information on implementation of the strategy of the Company.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Company follows the strategic plan of the Company based on which the mission of the management bodies of the Company is to create and maintain a strong, competitive, financially capable and technically advanced Company that creates and maximizes the value for the shareholders.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board ensures compliance with the laws and internal policy of the Company applicable to the Company or the Group.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Management Board complies with this recommendation.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the Chief Executive Officer, the Board takes into account the candidate's qualifications, experience and competence.
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Management Board of the Company are elected by the General Meeting of Shareholders. The members of the Management Board of the Company are qualified and competent to perform their functions, have a long experience in management. At present the Management Board fails to maintain gender equality. All members of the Management Board are male.

3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information on the positions taken by the members of the Management Board or their participation in operation of other companies is continuously collected and compiled, and at the end of every year it is revised and presented in the reports prepared by the Company.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	The new members of the Management Board have been familiarised with their duties, the structure, operations and strategy of the Company.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The Management Board of the Company is elected by the General Meeting of Shareholders for the maximal four-year term in office prescribed by the Law on Companies of the Republic of Lithuania. Individual members of the Management Board or the entire Management Board may be recalled by the General Meeting of Shareholders before the end of their term of office.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The Chairman of the Management Board represents the main shareholder and has never been the Chief Executive Officer of the Company.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the Management Board. Should a member of the Management Board attend less than a half of the meetings of the Management Board throughout the financial year of the company, the Supervisory Board of the company or, if the Supervisory Board is not formed at the company, the General Meeting of Shareholders should be notified thereof.	Yes	The members of the Management Board fulfil their functions properly: actively participate at the meetings of collegial body and devote sufficient time to perform their duties as a member of the collegial body. There were 14 (fourteen) meetings of the Management Board held in 2020. All members of the Management Board participated in all meetings.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent4, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	No	At present there are no independent members in the Management Board. Historically the Company exhibits the situation that the sufficiency of the independent members has not been considered. All members of the Management Board are related to the main shareholder of the Company.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	The members of the Management Board are paid remuneration (bonuses) for their activity in the Board by the decision of the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania. The members of the Management Board are not remunerated for their activities and participation in the meetings.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	Based on the data available to the Company, all members of the Management Board act in good will for the interests of the Company and its shareholders, they are guided by the interests of the Company and not those of their own or any third parties, seek to maintain their independence in decision-making.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes /No	The internal documents of the Company do not directly provide for an activity assessment of the collegial bodies exercising individual supervisory functions. However, the collegial body ensures that its members are competent and have a variety of knowledge, opinions and experience to perform their tasks properly.

Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Not applicable	There is no Supervisory Board formed at the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	The meetings of the Management Board of the Company are held once a quarter in accordance with the regulations of the Management Board. If required, the meetings of the Management Board are held at shorter intervals.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials 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 present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	The members of the Management Board are notified of the meeting being convened and its agenda in advance. All members of the Management Board get all materials relevant to the issues on the agenda in advance and have an opportunity to get familiarised with them and ask questions before and during the meeting, have the right to request to supplement or clarify the materials relevant to the issue to be discussed.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	The Company does not have a Supervisory Board.
Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	No	The collegial body of the Company's management is the Management Board performing the functions of Nomination Committee and the Remuneration Committees. The Management Board selects and approves the candidacy of the Chief Executive Officer of the Company – Managing Director and agrees with the candidacies of Directors of the Company proposed by the Managing Director. The Management Board 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 auditor and provides proposals to the General Meeting of Shareholders for approval. On 29 April 2019, the Audit Committee was elected at the Annual General Meeting of Shareholders.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	No	See the commentary on the recommendation provided in item 5.1.1. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes/No	See the commentary on the recommendation provided in 5.1.1. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company. The Audit Committee is composed of three members. Two members conform to the requirements for independence. The Audit Committee is elected for the period of one year.

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes/No	See the commentary on the recommendation provided in item 5.1.1. The Audit Committee follows the Rules of the Audit Committee prepared by the committee and approved by the General Meeting of Shareholders. These rules define the regulations specifying the rights and duties of the Audit Committee, size of the Audit Committee, term of office in the Audit Committee, requirements for education, professional experience and principles iof independence. The approved Rules of the Audit Committee are published on the website of the Company. In 2020, there were 3 meetings of the Audit Committee held where all members of the Audit Committee were present.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes/No	See the commentary on the recommendation provided in item 5.1.1. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Not applicable	There is no Nomination Committee formed at the Company. The functions of the collegial body – the Management Bord performs the functions of the Nomination Committee. (See the commentary on the recommendation provided in item 5.1.1.).

5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Not applicable	
5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Not applicable	There is no Remuneration Committee formed at the Company. (See the commentary on the recommendation provided in 5.1.1).
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	The Company implements this recommendation. On 29 April 2020, the Audit Committee was elected at the Annual General Meeting of Shareholders. The Audit Committee is composed of three members, two of which conform to the requirements for independence. The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders. All members of the Committee are provided with detailed information on specific issues of the accounting system, finances and operations of the Company.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders. The Audit Committee is provided with the information mentioned listed herein from independent audit firm. No internal audit function exists at the Company/Group.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee makes analysis of ang gives evaluation to the financial statements of the Company, gives recommendations on their approval to the Management Board together with the reports on their activity over the period.

Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.** **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. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	Members of the management bodies of the Company behave in such a way that there is no conflict of interest with the Company. During the reporting period, there have been no known conflict of interest between the Company and the member of its management body.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Company has prepared the draft of revised Remuneration Policy, which is subject to the approval at the coming General Meeting of Shareholders.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Remuneration Policy of the Company defines the renumeration components and established the principles of its award and payment.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	Remuneration policy is intended to establish only the principles of remuneration of top and middle management staff. See item 3.2.8.

7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company complies with this recommendation in accordance with the provisions of the Labour Code of the Republic of Lithuania within the limits established therein.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applic able	There is no scheme anticipating remuneration of the directors in shares, share options or any other right to purchase shares.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company publishes information about the implementation of the remuneration policy in the Annual Report.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	No	The Company does not apply any schemes under which members and employees of a collegial body receive remuneration in shares or share options.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company protects all rights of the stakeholders, allows the stakeholders to participate in corporate governance in the manner prescribed by law.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company complies with this recommendation. For example, the Company has a Co-operation Agreement signed with the Works Council. According to the signed agreement, the Company informs the representatives of the Council about the financial position of the Company, employer's status, expected changes, etc.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	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.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The stakeholders may submit anonymous reports to the collegial body.
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	The operating and financial results of the Company are made public in the Intermediate Semi-annual and Annual Reports of the Company on the website of the Company and on the website of stock-exchange *Nasdaq Vilnius.*
9.1.2. objectives and non-financial information of the company;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.

9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	All information available to the Company is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	Information on composition, number of meeting and attendance of members of the existing committees is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.7. the company's transactions with related parties;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	No	The Company does not apply any schemes under which employees receive remuneration in shares, share options or other rights to share acquisition.
9.1.9. structure and strategy of corporate governance;	Yes/ No	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.

9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The Company complies with the recommendation and discloses information about the results of the Company and the Group of its subsidiaries. The information is published in the Intermediate Semi-annual and Annual Reports of the Company.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The information specified in the recommendation in provided in the Annual and Semi-annual Reports of the Company.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The Company discloses the information via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian and English languages simultaneously. The Company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced via the information system of the Stock Exchange.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The independent audit company performs auditing of the individual and consolidated (the Group) annual financial statements of the Company and its subsidiaries in accordance with the International Accounting Standards applicable in the European Union. The independent audit company evaluates conformity of the Annual Report to the audited Financial Statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Management Board proposes an audit firm to the General Meeting of Shareholders.

10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	In 2020, the firm of auditors provided no services other than auditing.