AB Panevėžio Statybos Trestas

Consolidated financial statements for the year 2012

Contents

Parent company details

AB Panevėžio Statybos Trestas

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

Board

Remigijus Juodviršis, Chairman
Artūras Bučas
Gvidas Drobužas
Irma Abromavičienė
Vilius Gražys

Management

Dalius Gesevičius, Managing Director

Auditor

KPMG Baltics, UAB

Banks

AB DNB Bankas
AB SEB Bankas
AS UniCredit Bank Lithuania Branch
Swedbank, AB
AB Šiaulių Bankas

KPMG Baltics, UAB
Upės St. 21
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Lithuania

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Independent Auditor's Report

To the Shareholders of AB Panevėžio Statybos Trestas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AB Panevėžio Statybos Trestas ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 5–43.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Company code: 111494971
VAT code: LT114949716

Opinion

In our opinion, the financial statements give a true and fair view of the consolidated financial position of AB Panevėžio Statybos Trestas and its subsidiaries as at 31 December 2012, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the consolidated annual report of AB Panevėžio Statybos Trestas for the year ended 31 December 2012, set out on pages 44–69 of the financial statements, and have not identified any material inconsistencies between the financial information included in the consolidated annual report and the financial statements of AB Panevėžio Statybos Trestas for the year ended 31 December 2012.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, Republic of Lithuania
4 April 2013

Confirmation of the Company's responsible employees

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

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

This confirmation of responsible employees concerning the audited consolidated financial statements and the consolidated annual report of AB Panevėžio Statybos Trestas and its subsidiaries (hereinafter "the Group") for the year 2012 is presented in accordance with the Law on Securities of the Republic of Lithuania (Official Gazette, 2077, No. 17-626; 2011, No. 145-6819) and with Regulations for Preparation and Presentation of Periodic and Additional Information approved by Resolution of the Board of the Bank of Lithuania No. 03-48 (Official Gazette, 2013, No. 25-1255).

We confirm that, as to our knowledge, the presented consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the consolidated assets, the consolidated liabilities, the consolidated financial position and the consolidated result of the Group. The consolidated annual report fairly states the review of business development and activities, the Group's position and description of the main risks and uncertainties.

AB Panevėžio Statybos Trestas
Managing Director
Dalius Gesevičius

AB Panevėžio Statybos Trestas
Finance Director
Dalė Bernotaitienė

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

Approved on
Minutes No. ___________________

Consolidated statement of financial position

as at 31 December

In Litas

	Note	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	14	21,366,152	22,833,766
Intangible assets	15	363,992	179,792
Investment property	16	16,947,042	0
Loans granted	17	0	10,000,000
Other financial assets	18	0	4,419,048
Other assets		148,777	213,248
Deferred tax asset	13	2,186,075	2,053,454
Total non-current assets		**41,012,038**	**39,699,308**
Current assets			
Inventories	19	59,167,530	50,023,833
Trade debtors	20	82,899,886	71,635,644
Prepayments		15,276,564	8,624,496
Loans granted	17	4,000,000	0
Other financial assets	18	3,677,048	2,027,787
Other assets	21	4,561,528	2,748,099
Advance income tax		1,529,463	2,089,838
Cash and cash equivalents	22	23,574,500	50,063,071
Total current assets		**194,686,519**	**187,212,768**
TOTAL ASSETS		**235,698,557**	**226,912,076**

The notes on pages 10–43 are an integral part of these consolidated financial statements.

Managing Director Dalius Gesevičius 04/04/2013 ___________

Chief Accountant Danguolė Širvinskienė 04/04/2013 ___________

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

Approved on
Minutes No. ____________

Consolidated statement of financial position (continued)

as at 31 December

In Litas

	Note	2012	2011
EQUITY AND LIABILITIES			
Equity			
Share capital	23	16,350,000	16,350,000
Reserves	23	8,159,539	9,144,926
Retained earnings		91,510,925	86,400,093
Total equity attributable to equity holders of the Company		116,020,464	111,895,019
Non-controlling interest		4,940,669	4,534,146
Total equity		**120,961,133**	**116,429,165**
Loans and borrowings	25	9,452,719	1,663,643
Provision	26	2,122,089	1,981,768
Deferred tax liabilities	13	2,018,831	1,349,995
Other liabilities		191,393	58,386
Subsidies and grants		38,250	45,900
Total non-current liabilities		**13,823,282**	**5,099,692**
Current liabilities			
Loans and borrowings	25	14,376,391	16,333,899
Trade payables		50,152,221	39,590,984
Prepayments received		10,882,524	22,486,770
Income tax payable		68,275	2,093,659
Other liabilities	27	25,434,731	24,877,907
Total current liabilities		**100,914,142**	**105,383,219**
Total liabilities		**114,737,424**	**110,482,911**
TOTAL EQUITY AND LIABILITIES		**235,698,557**	**226,912,076**

The notes on pages 10–43 are an integral part of these consolidated financial statements.

Managing Director	Dalius Gesevičius	04/04/2013
Chief Accountant	Danguolė Širvinskienė	04/04/2013

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

Approved on
Minutes No. ____________

Consolidated statement of comprehensive income

for the year ended 31 December

In Litas

	Note	2012	2011
Revenue	5,6	300,141,797	285,548,556
Cost of sales	7	(277,378,650)	(264,018,822)
Gross profit		**22,763,147**	**21,529,734**
Other income	11	6,656,295	876,939
Sales expenses	8	(1,013,686)	(756,346)
Administrative expenses	9	(20,295,898)	(14,757,684)
Other expenses	11	(1,220,699)	(1,222,503)
Result from operating activities		**6,889,159**	**5,670,140**
Finance income	12	1,204,659	973,660
Finance expenses	12	(1,475,088)	(2,344,245)
Result before income tax		**6,618,730**	**4,299,555**
Income tax expense	13	(1,567,163)	(3,405,089)
Net profit (loss)		**5,051,567**	**894,466**
Other comprehensive income			
Effect of change in currency on translation of foreign operations		(505,178)	424,429
Revaluation of property, plant and equipment		(14,421)	(3,064,499)
Effect of deferred tax		0	459,675
Total other comprehensive income		**(519,599)**	**(2,180,395)**
Total comprehensive income		**4,531,968**	**(1,285,929)**
Net profit (loss) attributable to:			
Owners of the Company		4,511,611	1,467,942
Non-controlling interest		539,956	(573,476)
		5,051,567	**894,466**
Total comprehensive income attributable to:			
Owners of the Company		4,125,445	(999,368)
Non-controlling interest		406,523	(286,561)
		4,531,968	**(1,285,929)**
Basic and diluted earnings (loss) per share	24	0.28	0.09

The notes on pages 10–43 are an integral part of these consolidated financial statements.

Managing Director	Dalius Gesevičius	04/04/2013
Chief Accountant	Danguolė Širvinskienė	04/04/2013

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

Approved on
Minutes No. ____________

Consolidated statement of changes in equity

In Litas

	Share capital	Legal reserve	Revaluation reserve	Translation reserve	Retained earnings	Parent's interest	Non-controlling interest	Total equity
Balance as at 31 December 2010	**16,350,000**	**2,020,212**	**9,784,208**	**434,660**	**85,449,807**	**114,038,887**	**4,820,707**	**118,859,594**
Total comprehensive income for the year								
Net profit (loss)					1,467,942	1,467,942	(573,476)	894,466
Total other comprehensive income			(3,242,792)	137,514	637,968	(2,467,310)	286,915	(2,180,395)
Total comprehensive income for the year			(3,242,792)	137,514	2,105,910	(999,368)	(286,561)	(1,285,929)
Reserves allocated		11,124			(11,124)			
Transactions with owners of the Company, recognized directly in equity								
Dividends					(1,144,500)	(1,144,500)		(1,144,500)
Total transactions with owners of the Company					(1,144,500)	(1,144,500)		(1,144,500)
Equity as at 31 December 2011	**16,350,000**	**2,031,336**	**6,541,416**	**572,174**	**86,400,093**	**111,895,019**	**4,534,146**	**116,429,165**
Total comprehensive income for the year								
Net profit (loss)					4,511,611	4,511,611	539,956	5,051,567
Total other comprehensive income			(632,319)	(371,745)	617,898	(386,166)	(133,433)	(519,599)
Total comprehensive income for the year			(632,319)	(371,745)	5,129,509	4,125,445	406,523	4,531,968
Reserves allocated		18,677			(18,677)			
Transactions with owners of the Company, recognized directly in equity								
Dividends								
Total transactions with owners of the Company								
Equity as at 31 December 2012	**16,350,000**	**2,050,013**	**5,909,097**	**200,429**	**91,510,925**	**116,020,464**	**4,940,669**	**120,961,133**

The notes on pages 10–43 are an integral part of these consolidated financial statements.

Managing Director	Dalius Gesevičius	04/04/2013
Chief Accountant	Danguolė Širvinskienė	04/04/2013

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

Approved on
Minutes No. ________________

Consolidated statement of cash flows

for the year ended 31 December
In Litas

	Note	2012	2011
Cash flow from operating activities			
Net profit (loss)		5,051,567	894,466
Adjustments:			
Depreciation and amortization (including impairment)		4,660,399	5,660,518
Write down to net realizable value of inventories and impairment of receivables		1,109,257	(6,651,493)
Income tax expense		1,567,163	3,405,089
Other non-cash items		(3,730,364)	(1,593,011)
		8,658,022	1,715,569
Change in inventories		(8,608,591)	(9,008,645)
Change in trade receivables		(12,907,462)	(30,231,760)
Change in prepayments		(6,652,068)	(5,099,822)
Change in other assets		1,589,956	(1,915,044)
Change in trade payables		10,561,237	17,280,820
Change in prepayments received		(11,604,246)	5,491,223
Change in provisions and other liabilities		1,317,293	7,171,475
		(17,645,859)	(14,596,184)
Income tax paid		(4,811,223)	(3,431,397)
Elimination of results from financial activities (paid interest)		927,108	831,900
Net cash flows from operating activities		**(21,529,974)**	**(17,195,681)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(16,288,018)	(2,992,152)
Transfer of property, plant and equipment		86,032	48,799
Acquisition of investments		(1,000)	0
Change in other financial assets		0	23,244,953
Loans granted		(20,000)	(2,595,061)
Loans recovered		6,012,248	2,535,963
Interest and dividends received		362,748	907,215
Net cash flows from investing activities		**(9,847,990)**	**21,149,717**
Cash flows from financing activities			
Shares issued		0	0
Dividends paid		(15,067)	(1,174,445)
Proceeds from loans and borrowings		7,608,329	1,329,113
Repayment of loans and borrowings		(0)	(0)
Payment of finance lease liabilities		(1,776,761)	(2,373,423)
Interest paid		(927,108)	(831,900)
Net cash from financing activities		**4,889,393**	**(3,050,655)**
Net change in cash and cash equivalents		**(26,488,571)**	**903,381**
Cash and cash equivalents at 1 January		50,063,071	49,159,690
Cash and cash equivalents at 31 December		**23,574,500**	**50,063,071**

The notes on pages 10–43 are an integral part of these consolidated financial statements.

Managing Director	Dalius Gesevičius	04/04/2013
Chief Accountant	Danguolė Širvinskienė	04/04/2013

Notes

1. Reporting entity

AB Panevėžio Statybos Trestas (hereinafter "the Company") was established in 1957. The entity's code is 147732969 and it is registered at P. Puzino 1, LT-35173 Panevėžys. The ordinary registered shares of the Company have been on the Official Trading List of the Vilnius Stock Exchange (VSE) since 13 July 2006. These consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (hereinafter "the Group"). The Group primarily is involved in the construction of buildings, constructions, other facilities and networks, as well as real estate development in Lithuania and abroad.

The main shareholders of the Group are:

- AB Panevėžio Keliai (49.78%);
- SWEDBANK AS (Estonia) clients (6.04%);
- Freely negotiable shares (44.18%).

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

Financial information about the subsidiaries is as follows:

(in Litas)	Nature of activities	Equity as at 31/12/2012	Net profit (loss) for the year 2012	Equity as at 31/12/2011	Net profit (loss) for the year 2011
UAB PST Investicijos (consolidated)	Development of real estate	16,651,351	2,210,392	14,890,736	(1,809,669)
UAB Vekada	Constructions: electricity	5,184,713	451,637	4,524,873	65,503
UAB Metalo Meistrai	Constructions	1,103,468	(60,281)	1,163,749	(242,989)
UAB Skydmedis	Constructions: wood houses	1,780,745	458,002	1,322,743	256,484
UAB Alinita	Constructions: conditioning	119,285	196,977	(77,693)	(155,372)
TŪB Vilniaus Papėdė	Real estate development	3,808	220	2,470	(11,255)
Kingsbud Sp. Z. o. o.	Intermediary services	42,060	(9,320)	47,488	80,145
SIA PS Trests	Constructions	(784,021)	45,091	(827,456)	(4,390)
OOO Baltlitstroj	Constructions	33,821	876,363	(307,421)	1,120,067

Change in subsidiaries:

	2012	2011
UAB PST Investicijos (consolidated)	68%	68%
UAB Vekada	96%	96%
UAB Metalo Meistrai	100%	100%
UAB Skydmedis	100%	100%
UAB Alinita	100%	100%
TŪB Vilniaus Papėdė	69%	69%
Kingsbud Sp. Z. o. o.	100%	100%
SIA PS Trests	100%	100%
OOO Baltlitstroj	100%	100%

1. Reporting entity (continued)

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

	2012	2011
UAB Ateities Projektai	100%	100%
OOO Baltevromarket	100%	100%
UAB Kauno Erdvė	100%	100%
UAB Šeškinės Projektai	100%	100%
UAB Sakališkės	100%	100%
UAB Verkių Projektas	100%	100%

2. Basis of preparation

Statement of compliance

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

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

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for land and buildings which are recognized at revalued value and investment property, which is recognized at fair value.

Functional and presentation currency

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

Use of estimates and judgments

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

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

- Note 13 – deferred taxes recognition;
- Note 14 – revalued value of land and buildings, useful lives;
- Note 19 – impairment of inventories;
- Note 20 – impairment of trade receivables;
- Note 20 – construction contract revenue;
- Note 25 – classification of leases;
- Note 26 – provision for warranty repairs.

3. Significant accounting policies

Basis of consolidation

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intra-group income and expenses, amounts receivable and payable and any unrealized results are eliminated in preparing the consolidated financial statements.

Foreign currency

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to the functional currency at exchange rates at the dates of the transactions. Effect of change in currency exchange rate is recognized directly in other comprehensive income. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to retained earnings.

Non-derivative financial instruments

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

Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments are recognized initially at fair value plus (except for instruments, the change of fair value of which is stated in the statement of comprehensive income) any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of the transaction. Financial assets are derecognized if the contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognized if the obligations of the Group specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments (continued)

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

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

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

Derivative financial instruments

The Group has no derivative financial instruments.

Property, plant and equipment

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

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

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

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

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

Property, plant and equipment (continued)

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

The estimated useful lives of the assets are the following:

• Buildings	8–40 years
• Plant and equipment	5–15 years
• Vehicles	5–10 years
• Fixtures and fittings	3–6 years

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

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

Investment property

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

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

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

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

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

Intangible assets

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

Intangible assets (continued)

Software and other intangible assets, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life is 3–4 years.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. All other leases are treated as operating leases and leased assets are not capitalized.

Inventories

Capitalized costs related to the real estate development are stated at cost less write down to net realisable value (NRV).

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

Construction work in progress

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

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

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognized in profit or loss.

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

Impairment of non-financial assets

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

Impairment of non-financial assets (cont'd)

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

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

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

Dividends

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

Provisions

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

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

Employee benefits

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

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

Revenue

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

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

Rental income

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

Finance income and expenses

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

Income tax

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

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

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

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

Earnings per share

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

Segments

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

Segment results that are reported to the highest managing body of the Group include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information about geographical segments is provided in the financial statements. In year 2012 the Group has three segments identified: Lithuania, Russia and Kingdom of Sweden (2011: Lithuania, Russia and United Kingdom).

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

The accounting policies applied by the Group to all financial information reported in these consolidated financial statements are consistent with the accounting policies of the previous year. New IFRS and their interpretations which became effective in 2012 are not relevant to the Group's financial statements.

Approved, but not yet effective standards and interpretations

New and revised International Financial Reporting Standards and interpretations have been issued, which will be effective for financial reporting periods starting from 1 January 2013 or later. The Group has decided not to early adopt the new standards and interpretations. Estimates of the possible effect of the new and revised standards applied for the first time, as presented by the Group's management, are stated below.

- Amendments to IFRS 7 and IAS 32 on *Offsetting Financial Assets and Financial Liabilities*

  Amendments to IFRS 7 *Disclosures* (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively) contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

  Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group does not expect the Amendments to have a significant impact on the financial statements, as it has not entered into master netting or similar arrangements.

- IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

  (1) it is exposed or has rights to variable returns from its involvements with the investee;
  (2) it has the ability to affect those returns through its power over that investee; and
  (3) there is a link between power and returns.

  The new IFRS 10 also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements.

  Under the new IFRS 11, joint arrangements are divided into two types, each having its own accounting model defined as follows:

  - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement;
  - a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

Approved, but not yet effective standards and interpretations (continued)

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. IFRS 11 eliminates the free choice of equity accounting or proportionate consolidation; the equity method must always be used in financial statements.

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The impact of the initial application of the new standards will depend on the specific facts and circumstances of the investees and joint arrangements of the Group held at the date of initial application. Therefore, it is not practicable to prepare an analysis of the impact the standards will have on the financial statements until the date of the application.

- IFRS 13 *Fair Value Measurement* (effective prospectively for annual periods beginning on or after 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. The Group does not expect IFRS 13 to have a material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13 in material terms.

- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively). The amendments:

    - require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections;

    - change the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.

The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application.

- Amendments to IAS 12: *Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively). The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. According to management, the amendments are not relevant to the Group's financial statements, since the investment property is not depreciated.

Approved, but not yet effective standards and interpretations (continued)

- IAS 19 (2011) *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply). The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on rate used to discount the defined benefit obligation. The amendments are not relevant to the Group's financial statements, since the Group does not have any defined benefit plans.

- IAS 27 (2011) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014) introduces minor clarifications. The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, *Consolidated Financial Statements.* The Group does not expect IAS 27 (2011) to have a material impact on the financial statements, since it does not result in a change in the Group's accounting policy.

- IAS 28 (2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively). There are limited amendments made to IAS 28 (2008):
    - *Associates and joint ventures held for sale.* IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
    - *Changes in interests held in associates and joint ventures.* Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Group does not expect the amendments to Standard to have material impact on the financial statements since the Group does not have any investments in associates or joint ventures that will be impacted by the amendments.

4. Financial risk management

Overview

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

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

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

(in Litas)	2012	2011
Trade receivables	82,899,886	71,635,644
Current and non-current loans granted	4,000,000	10,000,000
Current and non-current other financial assets	3,677,048	7,167,147
Cash and cash equivalents	23,574,500	50,063,071
Total	**114,151,434**	**138,865,862**

Trade receivables:

(in Litas)	2012	2011
Municipalities and state institutions	29,792,412	4,373,724
Other	53,107,474	67,261,920
Total trade receivables	**82,899,886**	**71,635,644**

Credit risk (continued)

Trade receivables according to major customers:

(in Litas)	2012	%	2011	%
Client 1	12,695,421	15.3	11,235,116	15.7
Client 2	12,145,579	14.7	11,104,430	15.5
Client 3	10,480,737	12.6	9,642,244	13.5
Client 4	8,544,418	10.3	5,100,270	7.1
Client 5	6,870,320	8.3	3,395,898	4.7
Client 6	2,863,446	3.5	3,306,219	4.6
Client 7	2,509,961	3.0	3,049,643	4.3
Other clients	42,061,794	50.7	38,429,251	53.6
Impairment	(15,271,790)	(18.4)	(13,627,427)	(19.0)
Total	**82,899,886**	**100.0**	**71,635,644**	**100.0**

Trade receivables according to geographic regions:

(in Litas)	2012	2011
Domestic market (Lithuania)	61,164,785	58,225,327
Russia	20,928,191	12,656,760
The Euro zone countries	806,910	753,557
Total	**82,899,886**	**71,635,644**

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

(in Litas)	2012	Impairment	2011	Impairment
Not overdue	53,403,826		48,052,992	
Overdue 0–30 days	9,842,262		7,698,277	
Overdue 30–90 days	516,955	1,143	6,534,317	
More than 90 days	34,408,633	15,270,647	22,977,485	13,627,427
Total	**98,171,676**	**15,271,790**	**85,263,071**	**13,627,427**

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

Issued loans are receivable from the related parties and are not overdue as at 31 December 2012.

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

Other financial assets include term deposits held in banks.

Liquidity risk

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

Payment terms of financial liabilities as at 31 December 2012, including calculated interest, as to the agreements, are presented below:

In thousand Litas	Carrying value	Contractual net cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Liabilities						
Loans and lease liabilities	23,829	25,759	13,771	2,535	3,770	5,683
Trade creditors	50,152	50,152	50,152			
Total	**73,981**	**75,911**	**63,923**	**2,535**	**3,770**	**5,683**

Payment terms of financial liabilities as at 31 December 2011, including calculated interest, as to the agreements, are presented below:

In thousand Litas	Carrying value	Contractual net cash flows	6 months or less	6–12 months	1–2 years	2–5 years
Liabilities						
Loans and lease liabilities	17,998	18,287	15,754	844	1,689	
Trade creditors	39,591	39,591	39,591			
Total	**57,589**	**57,878**	**55,345**	**844**	**1,689**	

Interest rate applied for calculation of contractual net cash flows:

	2012	2011
Loans and lease liabilities	1.24% – 2.51%	1.78% – 2.73%

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk. The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency Litas. The Group does not use any financial instruments to manage its exposure to foreign exchange risk.

Market risk (continued)

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

	31 December 2012	Average 2012	31 December 2011	Average 2011
1 EUR =	3.4528	3.4528	3.4528	3.4528
1 GBP =	4.2015	4.2565	4.1310	3.9780
1 SEK =	0.4004	0.3967	0.3860	0.3824
1 RUB =	0.0859	0.0865	0.0833	0.0845
1 USD =	2.6060	2.6867	2.6694	2.4817

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

Year 2012 (Litas)	LTL	EUR	RUB	SEK	Other currency
Trade debtors	60,964,267	264,935	21,128,668	522,782	19,234
Current and non-current loans granted	4,000,000				
Current and non-current other financial assets	3,677,048				
Cash and cash equivalents	17,287,840	1,986,356	3,476,972	584,705	238,627
Loans and borrowings	(17,401,820)	(6,427,290)			
Trade creditors	(40,306,583)	(1,024,358)	(8,495,938)	(291,795)	(33,547)
Total exposure	**28,220,752**	**(5,200,357)**	**16,109,702**	**815,692**	**224,314**

Year 2011 (Litas)	LTL	EUR	RUB	USD	Other currency
Trade debtors	54,397,646	4,577,473	12,656,760		3,765
Current and non-current loans granted	10,000,000				
Current and non-current other financial assets	7,167,147				
Other financial assets	2,027,787				
Cash and cash equivalents	31,052,794	8,379,469	10,438,029	122,578	70,201
Loans and borrowings	(15,589,272)	(2,408,270)			
Trade creditors	(35,960,732)	(9,546)	(3,554,688)		(66,018)
Total exposure	**53,095,370**	**10,539,126**	**19,540,101**	**122,578**	**7,948**

If the Russian Rouble exchange rate dropped by 0.005 points, the Group's profit would decrease by approximately 94 thousand Litas.

Interest rate risk. All the Group's loans received and granted and other borrowings are subject to variable interest rates linked to EURIBOR and VILIBOR. No financial instruments are used by the Group to manage the risk. The change of annual average interest rate by 1% would have an effect on change in interest expenses by approximately 238 thousand Litas.

Capital management

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

Operating risk management

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

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

5. Operating segments

Year 2012 (in Litas)	Construction	Real estate development	Total
Revenue	299,148,851	992,946	300,141,797
Cost of sales	(276,574,988)	(803,662)	(277,378,650)
Other income	2,387,276	4,269,019	6,656,295
Operating expenses	(14,440,760)	(3,094,352)	(17,535,112)
Other expenses	(1,091,526)	(129,173)	(1,220,699)
Impairment of assets	(440,764)	1,326,691	885,927
Amortization and depreciation	(4,552,047)	(108,352)	(4,660,399)
Operating result	**4,436,042**	**2,453,117**	**6,889,159**
Financial and investing income	366,832	837,827	1,204,659
Financial and investing expenses	(890,288)	(584,800)	(1,475,088)
Income tax income (expenses)	(953,476)	(613,687)	(1,567,163)
Net profit (loss)	**2,959,110**	**2,092,457**	**5,051,567**

5. Operating segments (continued)

Segment assets

Year 2012 (in Litas)	Construction	Real estate development	Total
Non-current assets	19,417,242	21,594,796	41,012,038
Inventories	21,198,245	37,969,285	59,167,530
Other current assets	135,127,064	391,925	135,518,989
Total segment assets	**175,742,551**	**59,956,006**	**235,698,557**
Segment liabilities			
Grants and subsidies	38,250	0	38,250
Financial liabilities	631,509	23,197,601	23,829,110
Trade accounts payable	49,966,295	185,926	50,152,221
Other payables	38,958,574	1,759,269	40,717,843
Total segment liabilities	**89,594,628**	**25,142,796**	**114,737,424**
Capital expenditure	2,429,422	0	2,429,422

Year 2011 (in Litas)	Construction	Real estate	Total
Revenue	285,311,503	237,053	285,548,556
Cost of sales	(259,765,674)	(137,436)	(259,903,110)
Other income	600,457	276,482	876,939
Operating expenses	(13,643,743)	(710,565)	(14,354,308)
Other expenses	(711,978)	(125,441)	(837,419)
Impairment			
Amortization and depreciation	(5,577,925)	(82,593)	(5,660,518)
Operating result	**6,212,640**	**(542,500)**	**5,670,140**
Financial and investing income	968,450	5,210	973,660
Financial and investing expenses	(1,226,679)	(1,117,566)	(2,344,245)
Income tax income (expenses)	(3,556,819)	151,730	(3,405,089)
Net profit (loss)	**2,397,592**	**(1,503,126)**	**894,466**

5. Operating segments (continued)

Segment assets

Year 2011 (in Litas)	Construction	Real estate	Total
Non-current assets	34,617,022	5,082,286	39,699,308
Inventories	13,970,847	36,052,986	50,023,833
Other current assets	134,158,863	3,030,072	137,188,935
Total segment assets	**182,746,732**	**44,165,344**	**226,912,076**
Segment liabilities			
Government grants	45,900	0	45,900
Financial liabilities	2,395,130	15,602,411	17,997,541
Trade accounts payable and prepayments	39,216,889	374,095	39,590,984
Other liabilities	50,437,920	2,410,566	52,848,486
Total segment liabilities	**92,095,839**	**18,387,072**	**110,482,911**
Capital expenditure	2,917,207	0	2,917,207

6. Geographical information

2012 (in Litas)	Lithuania	Russia	Kingdom of Sweden	Total
Revenue	227,861,771	68,469,420	3,810,606	300,141,797
Cost of sales	(211,313,376)	(62,222,084)	(3,843,190)	(277,378,650)
Other income	4,935,573	1,720,722	0	6,656,295
Operating expenses	(14,092,522)	(3,335,943)	(106,647)	(17,535,112)
Other expenses	(1,219,168)	(1,531)	0	(1,220,699)
Impairment of assets	885,927	0	0	885,927
Amortization and depreciation	(4,504,601)	(150,459)	(5,339)	(4,660,399)
Operating result	**2,553,604**	**4,480,125**	**(144,570)**	**6,889,159**
Financial and investing income	435,490	769,169	0	1,204,659
Financial and investing expenses	(817,460)	(626,415)	(31,213)	(1,475,088)
Income tax income (expenses)	(754,110)	(813,053)	0	(1,567,163)
Net profit (loss)	**1,417,524**	**3,809,826**	**(175,783)**	**5,051,567**

6. Geographical information (continued)

Segment assets

2012 (in Litas)	Lithuania	Russia	Kingdom of Sweden	Total
Non-current assets	39,049,774	1,962,264	0	41,012,038
Inventories	36,455,021	22,712,509	0	59,167,530
Other current assets	91,730,966	43,185,861	602,162	135,518,989
Total segment assets	**167,235,761**	**67,860,634**	**602,162**	**235,698,557**
Segment liabilities				
Financial liabilities	23,829,110	0	0	23,829,110
Trade accounts payable	41,372,797	8,490,194	289,230	50,152,221
Other payables	20,958,150	19,797,943	0	40,756,093
Total segment liabilities	**86,160,057**	**28,288,137**	**289,230**	**114,737,424**
Capital expenditure	2,429,422	0	0	2,429,422

2011 (in Litas)	Lithuania	Russia	United Kingdom	Total
Revenue	200,292,875	74,473,154	10,782,527	285,548,556
Cost of sales	(183,650,897)	(68,249,793)	(8,002,420)	(259,903,110)
Other income	876,297	642	0	876,939
Operating expenses	(13,750,680)	(2,667,916)	(145,318)	(16,563,914)
Other expenses	(795,944)	(2,638)	0	(798,582)
Impairment of assets	2,170,769	0	0	2,170,769
Amortization and depreciation	(5,530,789)	(120,157)	(9,572)	(5,660,518)
Operating result	**(388,369)**	**3,433,292**	**2,625,217**	**5,670,140**
Financial and investing income	913,149	43,853	16,658	973,660
Financial and investing expenses	(1,372,256)	(909,533)	(62,456)	(2,344,245)
Income tax income (expenses)	(312,782)	(2,317,491)	(774,816)	(3,405,089)
Net profit (loss)	**(1,160,258)**	**250,121**	**1,804,603**	**894,466**

6. Geographical information (continued)

Segment assets

2011 (in Litas)	Lithuania	Russia	United Kingdom	Total
Non-current assets	37,835,531	1,841,482	22,295	39,699,308
Inventories	39,623,009	10,397,475	3,349	50,023,833
Other current assets	109,264,354	24,854,251	3,070,330	137,188,935
Total segment assets	**186,722,894**	**37,093,208**	**3,095,974**	**226,912,076**
Segment liabilities				
Financial liabilities	17,997,542	0	0	17,997,542
Trade accounts payable	34,543,867	4,773,165	273,952	39,590,984
Other payables	33,096,286	19,714,802	83,297	52,894,385
Total segment liabilities	**85,637,695**	**24,487,967**	**357,249**	**110,482,911**
Capital expenditure	2,917,207	0	0	2,917,207

7. Cost of sales

(in Litas)	2012	2011
Construction sub-contractors	114,740,828	118,724,926
Raw materials and consumables	102,372,870	78,589,271
Personnel	37,029,066	36,760,596
Depreciation	3,206,258	4,115,712
Other	20,029,628	25,828,317
Total cost of sales	**277,378,650**	**264,018,822**

8. Sales expenses

(in Litas)	2012	2011
Advertising and similar expenses	125,364	96,918
Personnel	265,573	259,893
Other	622,749	399,535
Total sales expenses	**1,013,686**	**756,346**

9. Administrative expenses

(in Litas)	2012	2011
Personnel	10,630,671	8,483,192
Purchased services for administration purposes	4,870,345	5,329,919
Impairment of amounts receivable	1,644,363	(3,642,905)
Depreciation	1,030,973	1,080,404
Operating taxes	610,236	477,450
Write-off of amounts receivable	184,882	26,053
Amortization	47,841	30,646
Write down of inventories to net realizable value	(535,106)	(2,170,769)
Other expenses	1,811,693	5,143,694
Total administrative expenses	**20,295,898**	**14,757,684**

10. Personnel expenses

(in Litas)	2012	2011
Wages and salaries	32,439,650	28,369,711
Compulsory social security contributions	10,038,620	8,816,229
Daily and illness allowances	5,428,688	8,589,534
Change in accrued vacation reserve and bonuses	97,415	(271,793)
Total personnel expenses	**48,004,373**	**45,503,681**
Included into:		
Cost of sales	37,029,066	36,760,596
Administrative expenses	10,630,671	8,483,192
Sales expenses	265,573	259,893
Expenses from other activities	79,063	0
Total personnel expenses	**48,004,373**	**45,503,681**

11. Other income and expenses

(in Litas)	2012	2011
Change in fair value of investment property	4,028,320	0
Rent and other income	2,533,132	876,168
Gain from disposed property, plant and equipment	94,843	771
Total other income	**6,656,295**	**876,939**
Depreciation of rented premises and other expenses	(1,218,413)	(1,215,644)
Loss from disposed property, plant and equipment	(2,286)	(6,859)
Total other expenses	**(1,220,699)**	**(1,222,503)**
Total other income and expenses, net	**5,435,596**	**(345,564)**

12. Finance income and expenses

(in Litas)	2012	2011
Interest income	362,747	907,215
Foreign currency exchange gain	830,894	4,151
Other income	11,018	62,294
Total finance income	**1,204,659**	**973,660**
Interest expense	927,108	(831,900)
Foreign currency exchange loss	246,058	(1,449,844)
Other expenses	301,922	(62,501)
Total finance expenses	**(1,475,088)**	**(2,344,245)**
Total finance income and expenses, net	**(270,429)**	**(1,370,585)**

13. Income tax

Income tax expense:

(in Litas)	2012	2011
Current tax expense	1,030,948	3,438,742
Change in deferred tax	536,215	(33,653)
Total income tax expense	**1,567,163**	**3,405,089**

Reconciliation of effective tax rate:

(in Litas)	2012		2011	
Profit for the year		5,051,567		894,466
Total income tax expense		1,567,163		3,405,089
Profit excluding income tax		6,618,730		4,299,555
Income tax using the Group's domestic tax rate	15.0%	992,810	15.0%	644,933
Effect of tax rates in foreign jurisdictions	2.5%	162,906	21.0%	902,889
Non-deductible expenses	8.2%	544,169	49.3%	2,122,416
Tax exempt income	(1.4%)	(93,024)	(0.6%)	(27,231)
Utilized tax losses	(8.7%)	(575,912)	0%	0
Change in unrealized temporary differences	8.1%	536,214	(5.5)%	(237,918)
	23.7%	**1,567,163**	**79.2%**	**3,405,089**

As of 1 January 2012, the Group applied a standard rate of 15% in Lithuania, a 20% rate in Russian Federation and a rate of 26.3% in the Kingdom of Sweden (as of 1 January 2011: rate of 15% in Lithuania, a 20% rate in Russian Federation and a rate of 28% in the United Kingdom).

13. Income tax (continued)

Deferred tax:

(in Litas)	2012		2011	
	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment for amounts receivable	15,371,790	2,305,769	13,627,427	2,044,114
Write down to net realizable value of inventories	10,156,277	1,523,442	10,691,383	1,603,707
Differences of tax regimes in foreign jurisdictions	1,282,324	192,349	8,147,556	1,222,133
Vacation reserve	1,393,665	212,941	1,140,499	171,075
Accrued bonuses	463,844	69,577	1,155,754	173,363
Warranty provision	1,285,989	192,898	1,145,668	171,850
Tax loses previously not recognised	13,087,860	1,963,170	7,566,251	1,465,650
Not recognized deferred tax assets		**(4,274,071)**		**(4,798,438)**
Total deferred tax assets		**2,186,075**		**2,053,454**
Revaluation of land and buildings	6,951,879	1,042,782	7,695,783	1,154,367
Non-current assets not realized by the Group	6,506,993	976,049	1,270,507	190,576
Other		0	33,680	5,052
Total deferred tax liabilities		**2,018,831**		**1,349,995**
Total deferred tax, net		**167,244**		**703,459**

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax asset of impairment of amounts receivable, tax differences in foreign jurisdictions and tax losses has not been recognized due to uncertainty of realisation.

Change of deferred tax:

(in Litas)	2012	2011
Net deferred tax as at 1 January	703,459	210,131
Recognized in other comprehensive income	0	459,675
Recognized in profit or loss	(536,215)	33,653
Net deferred tax as at 31 December	**167,244**	**703,459**

14. Property, plant and equipment

(in Litas)	Land and buildings	Plant and equipment	Vehicles	Fixtures and fittings	Construction in progress	Total
Cost (restated value of land and buildings)						
Balance at 1 January 2011	27,937,572	19,026,707	10,311,475	11,865,426	0	69,141,180
Additions	332,425	814,184	843,385	927,213		2,917,207
Disposals		(298,815)	(97,847)	(397,625)		(794,287)
Revaluation	(3,411,293)					(3,411,293)
Reclassifications			2,337	(2,337)		0
Reclassified from inventories					2,197,240	2,197,240
Balance at 1 January 2012	24,858,704	19,542,076	11,059,350	12,392,677	2,197,240	70,050,047
Additions	385,866	892,490	559,558	591,508		2,429,422
Disposals	(52,182)	(858,474)	(152,603)	(769,294)		(1,832,553)
Construction					13,614,560	13,614,560
Reclassifications	2,893,078	227,504		(227,504)	(2,893,078)	0
Reclassified to investment property					(12,918,722)	(12,918,722)
Balance at 31 December 2012	28,085,466	19,803,596	11,466,305	11,987,387	0	71,342,754
Depreciation and impairment losses						
Balance at 1 January 2011	10,722,827	14,397,975	7,584,410	9,454,058	0	42,159,270
Depreciation for the year	1,068,520	2,185,264	1,307,143	1,060,389		5,621,316
Revaluation	40,352					40,352
Disposals		(280,382)	(51,208)	(273,067)		(604,657)
Reclassifications						0
Balance at 1 January 2012	11,831,699	16,302,857	8,840,345	10,241,380	0	47,216,281
Depreciation for the year	1,057,891	1,777,981	976,454	788,237		4,600,563
Revaluation	(28,765)					(28,765)
Disposals	(37,517)	(858,143)	(151,210)	(764,607)		(1,811,477)
Reclassifications						0
Balance at 31 December 2012	12,823,308	17,222,695	9,665,589	10,265,010	0	49,976,602
Carrying amounts						
At 1 January 2012	**13,027,005**	**3,239,219**	**2,219,005**	**2,151,297**	**2,197,240**	**22,833,766**
At 31 December 2012	**15,262,158**	**2,580,901**	**1,800,716**	**1,722,377**	**0**	**21,366,152**

14. Property, plant and equipment (continued)

Land and buildings are stated at revalued amount. The last revaluation was performed as at 31 December 2011 based on the valuation of the Group's land and buildings carried out by an external independent valuation company UAB Matininkai, having appropriate recognized professional qualifications and necessary experience in property valuation. In 2012, no significant changes occurred in the real estate market; therefore, in the opinion of management, there was no need for valuation of buildings at the end of 2012 and thus no adjustments related to revaluation were made in the financial statements for the year 2012. Decrease in revaluation in year 2012 (14,423 Litas) is related to sale of buildings, for which revaluation was booked (at the date of sales revaluation was reversed).

If the buildings were stated at cost, their carrying amount as at 31 December 2012 would be equal to 6,042 thousand Litas (31 December 2011: 5,983 thousand Litas).

(in Litas)	2012	2011
Depreciation included into:		
Cost of sales	3,206,258	4,107,874
Administrative expenses	1,030,973	1,080,404
Other expenses	383,104	385,084
Capitalized costs	(19,772)	47,954
Total depreciation	**4,600,563**	**5,621,316**

Land and buildings with a net carrying amount of 15,262,158 Litas as at 31 December 2012 are pledged to the banks. At 31 December 2012, the net carrying amount of leased non-current assets (machinery, equipment and vehicles) was 599,453 Litas (2011: 2,549,802 Litas).

15. Intangible assets

(in Litas)	Goodwill	Software	Other	Total
Cost				
Balance at 1 January 2011	1,116,482	866,580	22,211	2,005,273
Additions	0	74,945	0	74,945
Disposals	(0)		(0)	(0)
Balance at 1 January 2012	1,116,482	941,525	22,211	2,080,218
Additions		235,251	8,785	244,036
Disposals		(5,224)		(5,224)
Balance at 31 December 2012	1,116,482	1,171,552	30,996	2,319,030
Amortization/impairment losses				
Balance at 1 January 2011	1,010,811	829,463	20,950	1,861,224
Calculated during the year	0	37,995	1,207	39,202
Amortization of disposals	(0)		(0)	(0)
Balance at 1 January 2012	1,010,811	867,458	22,157	1,900,426
Calculated during the year		57,874	1,962	59,836
Amortization of disposals		(5,224)		(5,224)
Balance at 31 December 2012	1,010,811	920,108	24,119	1,955,038
Carrying amounts				
At 1 January 2012	**105,671**	**74,067**	**54**	**179,792**
At 31 December 2012	**105,671**	**251,444**	**6,877**	**363,992**

15. Intangible assets (continued)

Amortization amounting to 9,177 Litas is included under cost of sales, an amount of 47,841 Litas is included under administrative expenses, and an amount of 2,726 Litas under contracts in progress (2011: 8,556 Litas under cost of sales and an amount of 30,646 Litas under administrative expenses).

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

16. Investment property

(in Litas)	2012	2011
Balance as at 1 January 2012	0	0
Transfer from property, plant and equipment	12,918,722	0
Change in fair value	4,028,320	0
Balance as at 31 January 2012	16,947,042	0

Investment property comprises the 7 floor office centre *Ulonų Verslo Centras* (*Ulonų Business Centre*), 18% of which is own-used and the remaining part is rented out/is planned to be rented out to the third parties. Part of the office centre which is own-used is recognised under property, plant and equipment.

In 2012, the property was reclassified from property, plant and equipment (see Note 13), because in December 2012 its construction was completed and the object was delivered to the state commission. The fair value was measured based on the valuation of the building performed by an independent real estate valuer UAB Resolution Valuations, i.e. valuers with appropriate professional qualifications and the necessary experience in property valuations. The discounted cash flows method was used for valuation (the discount rate of 11% and the planned exit yield of 8.5%). Change in fair value was recorded under other income (see Note 11).

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payable as follows: 539 thousand Litas payable in less than one year, 2,155 thousand Litas between one and five years. Revenue from lease in 2012 amounted to 104 thousand Litas and was stated under revenue (in 2011, no revenue was received from lease of investment property). As at 31 December 2012, the investment property is pledged to the bank.

17. Loans granted

Non-current loan granted:

(in Litas)	Interest rate	Maturity	2012	2011
AB Panevėžio Keliai (loan)	3 months VILIBOR+1.9%	11/01/2013	0	10,000,000
Total			**0**	**10,000,000**

Current loan granted:

(in Litas)	Interest rate	Maturity	2012	2011
AB Panevėžio Keliai (loan)*	3 months VILIBOR+1.9%	11/01/2013	4,000,000	0
Total			**4,000,000**	**0**

** Until the reporting date the loan was not repaid.*

18. Other financial assets

As at 31 December 2012, the Group did not have other non-current financial assets (as at 31 December 2011 other financial assets consist of term deposit at bank in amount of 3,677,048 Litas, with maturity in May 2013 and a deposit as a guarantee in amount of 742,000 Litas with maturity in July 2013).

As at 31 December 2012, the Group had a short-term deposit in the amount of 3,677,048 Litas (maturity in May 2013) (as at 31 December 2011: cash on deposit as guarantee in amount of 2,027,787 Litas (maturity in January 2012)).

19. Inventories

(in Litas)	2012	2011
Capitalized costs related to real estate development	37,686,806	34,902,824
Other inventories	21,480,724	15,121,009
Total inventories	**59,167,530**	**50,023,833**

Capitalized costs related to real estate development are as follows:

(in Litas)	2012	2011
Cost:		
Costs of acquired land and real estate	25,565,726	24,451,366
Costs of acquired long term land rent right	11,178,503	11,178,503
Real estate development project costs	10,656,568	8,986,946
Total cost	47,400,797	44,616,815
Write down:		
Write down to net realizable value of projects in progress	(9,713,991)	(9,713,991)
Total write down	(9,713,991)	(9,713,991)
Total capitalized costs	**37,686,806**	**34,902,824**

Change in write down of capitalized costs:

	2012	2011
Write down to net realizable value of capitalized costs in the beginning of the period	**9,713,991**	**11,884,760**
Recognized under administrative expenses	0	(2,170,769)
Write down to net realizable value of capitalized costs as at the end of the period	**9,713,991**	**9,713,991**

Write down of capitalized expenses in relation with real estate development projects is measured taking into consideration the expected recoverable amounts of these investments, which are based on the assessment of market prices of real estate projects of entities performed by independent valuers. For each construction project under development a special purpose entity has been established and as at 31 December 2012 the Group has the following special purpose entities:

	Type of activities	
OOO Baltevromarket	Development of real estate projects in Kaliningrad	(i)
UAB Ateities Projektai	Development of real estate projects in Palanga	(ii)
UAB Kauno Erdvė	Development of real estate projects in Kaunas	(ii)
UAB Sakališkės	Development of real estate projects in Vilnius	(ii)
UAB Šeškinės Projektai	Development of real estate projects in Vilnius	(ii)

19. Inventories (continued)

(i) A significant portion of the recoverable amount of the investment into UAB PST Investicijos is related to the real estate project being developed by OOO Baltevromarket in Kaliningrad. OOO Baltevromarket continues successful development of real estate project: in 2012, removal of high pressure gas pipes (total length of 1,524 metres) from the built zone was started; documentation for the sale of the object is being prepared. After the end of the heating season, the gas will be connected through a new line. In 2012, negotiations with potential tenants took place and in 2013 rent agreements are planned to be concluded. To support the recoverable amount, the Group has a market price estimate prepared by an independent valuer. According to the evaluation of the real estate expert Newsec/Re&Solution, the market value of OOO Baltevromarket as at 31 December 2011 amounted to 67,370,000 EUR. In the valuation, the discounted cash flows method was used. Key inputs used by the valuer could be detailed as follows:

- discount rate – 10%;
- exit yield – 8.5%;
- shopping centre area: rent prices – from 10 to 34 EUR/sq.m., occupancy rate – from 75 to 98%;
- living area: sale price – 1,100 EUR/sq.m.;
- hotel area: number of rooms – 250, price per accommodation – from 85 to 95 EUR/night, average occupation – 70%.

In 2012, no significant changes occurred in the real estate market; therefore, in the opinion of management, there was no need for valuation of OOO Baltevromarket at the end of 2012.

(ii) Recoverable amounts of the other projects have been estimated based on the market price evaluation of the real estate valuer Ober-Haus Nekilnojamas Turtas. In the valuation, the discounted cash flow method was used. In the valuation, the discount rate of 15% and the exit yield of 20% have been used.

Other inventories can be specified as follows:

(in Litas)	2012	2011
Raw materials and consumables	20,167,561	10,937,694
Work in progress and finished goods	549,477	845,463
Goods for resale	1,205,972	4,315,244
Write down to net realizable value	(442,286)	(977,392)
Total other inventories	**21,480,724**	**15,121,009**

20. Trade receivables

(in Litas)	2012	2011
Trade receivables	96,353,862	83,788,258
Accrued receivables in accordance to the stage of completion	1,817,814	1,474,813
Impairment	(15,271,790)	(13,627,427)
Total trade receivables	**82,899,886**	**71,635,644**

20. Trade receivables (continued)

As at 31 December 2012 aggregate costs incurred under construction contracts in progress and recognized profits, net of recognized losses, amounted to 238,261,108 Litas (2011: 113,462,292 Litas). Progress billings under open construction contracts amounted to 250,082,609 Litas as at 31 December 2012 (2011: 123,586,156 Litas). Billings in excess of costs incurred and recognized profits are presented as deferred income (disclosed in Note 26) and amounted to 11,821,501 Litas as at 31 December 2012 (2011: 10,123,864 Litas).

As at 31 December 2012, trade receivables include retentions (retention – a fixed percentage of the total contact price that is paid after the object has been delivered and a bank guarantee of money suspended or warranty document of the insurance company has been presented) of 7,688,215 Litas (2011: 10,288,013 Litas) relating to construction contracts in progress.

21. Other current assets

Other assets as at 31 December 2012 include VAT overpayment in the amount of 4,006,644 Litas and other receivables of 554,884 Litas (as at 31 December 2011 other assets amount to 2,748,099 Litas).

22. Cash and cash equivalents

(in Litas)	2012	2011
Cash at bank	23,540,417	49,996,051
Cash on hand	34,083	67,020
Total cash and cash equivalents	**23,574,500**	**50,063,071**

23. Capital and reserves

The Group's share capital consists of 16,350,000 ordinary shares with a nominal value of 1 Litas each. The Group's share capital is fully paid. The holders of the ordinary shares are entitled to one vote per share in shareholder meetings of the Company and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital. There were no changes in the authorized share capital in 2012 and 2011.

Reserves are as follows:

(in Litas)	2012	2011
Revaluation reserve	5,909,097	6,541,416
Legal reserve	2,050,013	2,031,336
Effect of change in currency exchange rate	200,429	572,174
Total reserves	**8,159,539**	**9,144,926**

23. Capital and reserves (continued)

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

Movement of revaluation reserve:

	2012	2011
Revaluation reserve at 1 January	**6,541,416**	**9,784,208**
Revaluation result	0	(3,064,499)
Reversed revaluation for sold assets	(14,421)	0
Depreciation of revaluation	(731,752)	(752,822)
Deferred tax on revaluation	0	459,675
Deferred tax on depreciation of revaluation	113,854	114,854
Revaluation reserve at 31 December	**5,909,097**	**6,541,416**

Legal reserve is a compulsory reserve allocated in accordance with Lithuanian legislation. An annual allocation of at least 5% of the net profit is required until the reserve is not less than 10% of the authorized share capital. The reserve could be used to cover loses.

24. Earnings per share

(in Litas)	2012	2011
Net result for the year attributable to equity holders of the Group	4,511,611	1,467,942
Average number of shares	16,350,000	16,350,000
Basic and diluted earnings (loss) per share	**0.28**	**0.09**

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

25. Loans and borrowings

(in Litas)	2012	2011
Loans	23,197,601	15,589,272
Leasing (finance lease) liabilities	631,509	2,408,270
Total loans and borrowings	**23,829,110**	**17,997,542**
Non-current	9,452,719	1,663,643
Current	14,376,391	16,333,899
Total loans and borrowings	**23,829,110**	**17,997,542**

Loans can be specified as follows:

(in Litas)	Interest rate	Maturity	2012	2011
Bank	1 month Vilibor+0.6	06/2013	13,526,734	13,526,734
Bank	3 month Vilibor+1.6	11/2021	5,682,838	0
Bank	3 month Vilibor+1.6	12/2013	218,148	0
AB Panevėžio Keliai (loan)	1 and 6 month Vilibor+1.9	05/2015	3,769,881	2,062,538
Total loans			**23,197,601**	**15,589,272**

25. Loans and borrowings (continued)

As at 31 December 2012 the Group also had two effective credit agreements with banks with the limit of 15,000,000 Litas and maturity in 2013. The used credit limit as at 31 December 2012 was 0 Litas (as at 31 December 2011, the Group had no credit agreements with unused credit limit).

Other financial liabilities include liabilities related to non-current assets acquired under leasing terms with the balance value of 599,453 Litas as at 31 December 2012.

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

Finance lease liabilities are payable as follows:

Year 2012 (in Litas)	Minimum payments	Interest	Principal amount
Less than one year	643,096	11,587	631,509
Between one and five years	0	0	0
	643,096	**11,587**	**631,509**

Year 2011 (in Litas)	Minimum payments	Interest	Principal amount
Less than one year	1,856,105	77,935	1,778,170
Between one and five years	641,183	11,083	630,100
	2,497,288	**89,018**	**2,408,270**

26. Provisions

(in Litas)	2012	2011
Provision for warranties	1,285,989	1,145,668
Other	1,076,100	836,100
Total provisions	**2,362,089**	**1,981,768**

Change of provision for warranties is as follows:

	2012	2011
Provision for warranties at the beginning of the period	**1,145,668**	**824,634**
Accrued during 2012	883,477	1,070,186
Used during 2012	(743,156)	(749,152)
Provision for warranties at the end of the period	**1,285,989**	**1,145,668**

Warranty provisions are related to constructions built in 2008–2012. Based on the legislation of the Republic of Lithuania, the Company has a warranty liability for construction works. The term of liability from 5 to 10 years after delivery of construction works. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs.

27. Other liabilities

(in Litas)	2012	2011
Deferred income in accordance to the stage of completion	11,821,501	10,123,864
Accrued bonuses for employees	463,844	1,155,754
Accrued vacation reserve	4,395,358	4,035,153
Payable salaries and related taxes	3,308,651	3,827,085
Other liabilities	5,445,377	5,736,051
Total other liabilities	**25,434,731**	**24,877,907**

28. Contingencies

The banks issued guarantees to third parties amounting to 72,728,907 Litas in connection with obligations under the construction contracts performed by the Group. The maturity of these guarantees varies from 15 January 2013 until 15 January 2020.

Property, plant and equipment of the Group with a net carrying amount of 2,917,843 Litas as at 31 December 2012, present and future cash in bank account are pledged to bank for the credit line and guarantees issued by bank.

Property, plant and equipment, with a carrying value of 5,262,427 Litas as at 31 December 2012, and current and future funds in bank account have been pledged to bank for the overdraft and guarantee limit issued. On 18 March 2013, the Credit Agreement with the bank was terminated.

Based on the Credit Agreement, inventories with a carrying value of 5,460,223 Litas as at 31 December 2012, future inflows and cash balances have been pledged to bank.

The requirement right to the income receivable as to the subcontract, current and future funds in bank account have been pledged to bank as the guarantee limit contract.

Cash deposit in amount of 3,677,048 Litas and interest received and receivable for it have been pledged to bank for the contract performance guarantee issued to client.

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

29. Transactions with related parties

Related parties are defined as shareholders, employees, members of the Management Board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Group, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

The Group had sales and purchase transactions during 2012/2011 with the Parent Company AB Panevėžio Keliai and with subsidiaries of AB Panevėžio Keliai. Transactions with related parties during 2012 are as follows:

(in Litas)	Type of transaction	2012	2011
Sales during the year 2012:			
AB Panevėžio Keliai	Goods and services	520,252	2,614,519
UAB Panevėžys	Goods and services	727	43,750
UAB Sostinės Gatvės	Goods and services	0	3,950
Shareholders	Goods and services	6,502	49,234
Purchases during the year 2012:			
AB Panevėžio Keliai	Goods and services	3,462,255	3,898,505
UAB Aukštaitijos Traktas	Goods and services	5,128	27,431
UAB Ukmergės Keliai	Goods and services	19,847	2,816
UAB Keltecha	Goods and services	2,134,544	2,368,629
UAB Gerbera	Goods and services	265,199	379,900
UAB Panevėžys	Goods and services	858	4,218
UAB Convestus	Services	360,641	320,000
UAB Sostinės Gatvės	Goods and services	2,500	207,034

(in Litas)	2012	2011
Receivables as at 31 December 2012:		
AB Panevėžio Keliai (loan and trade receivable)	4,028,805	10,188,477
UAB Panevėžys (trade receivable)	2,243,300	2,392,300
Shareholders	0	7,481
Payables as at 31 December 2012:		
UAB Ukmergės Keliai	470	0
AB Panevėžio Keliai	32,941	1,296,766
UAB Panevėžys	0	4,218
UAB Gerbera	34,303	0
UAB Convestus	151,699	0
UAB Keltecha	102,246	256,152

Wages, salaries and social insurance contributions, payable to management including the Board for 2012, amounted to 2,890,214 Litas (3,123,729 Litas for the year 2011).

30. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is defined as the estimated amount for which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models when applicable.

30. Determination of fair values (continued)

Investment property

The fair values are based on market values, measured on the basis of the comparison prices, discounted cash flows or other methods depending on which method provides more reliable information. The market price may be established based on the property valuation reports prepared by the external valuers or on the calculations made by the Group's management.

Trade and other receivables, other financial assets

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes. Short term receivables are not discounted.

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. Short term payables are not discounted.

The fair value of the assets and liabilities reported in the consolidated statement of financial position as at 31 December 2012 does not differ significantly from their carrying amounts.

31. Subsequent events

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

Managing Director	Dalius Gesevičius	04/04/2013
Chief Accountant	Danguolė Širvinskienė	04/04/2013

PANEVĖŽIO STATYBOS TRESTAS **AB**

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2012

1. ACCOUNTING PERIOD COVERED BY THE ANNUAL REPORT

The report covers the year 2012.

2. THE ISSUER AND ITS CONTACT DETAILS

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

3. PRINCIPLE NATURE OF ACTIVITIES OF THE ISSUER

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

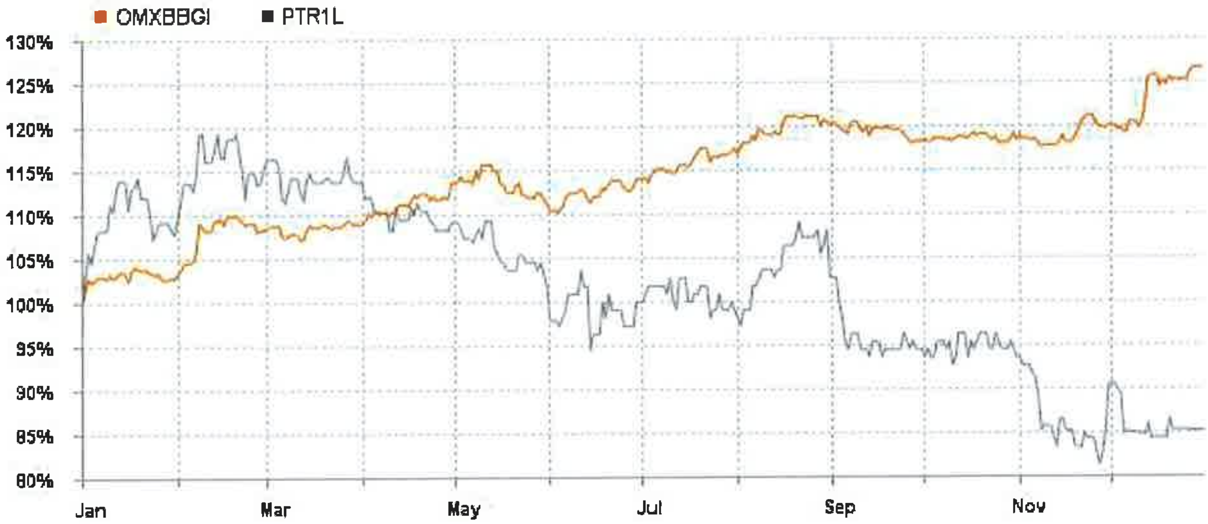
4. CONTRACTS WITH INTERMEDIARY OF PUBLIC TRADING IN SECURITIES

On 7 February 2006 the Agreement No. 5792 was signed with the Public Limited Liability Company *DNB bankas* located at Basanavičiaus Str. 26, Vilnius, which was entrusted to manage the account of securities issued by the company.

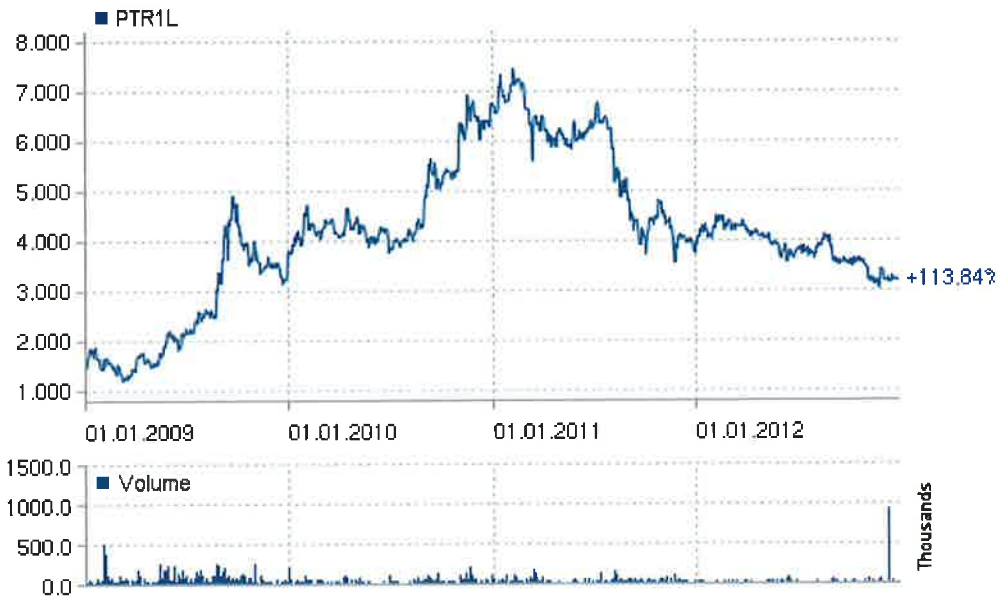
5. DATA ON TRADING IN SECURITIES OF THE ISSUER IN REGULATED MARKETS

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

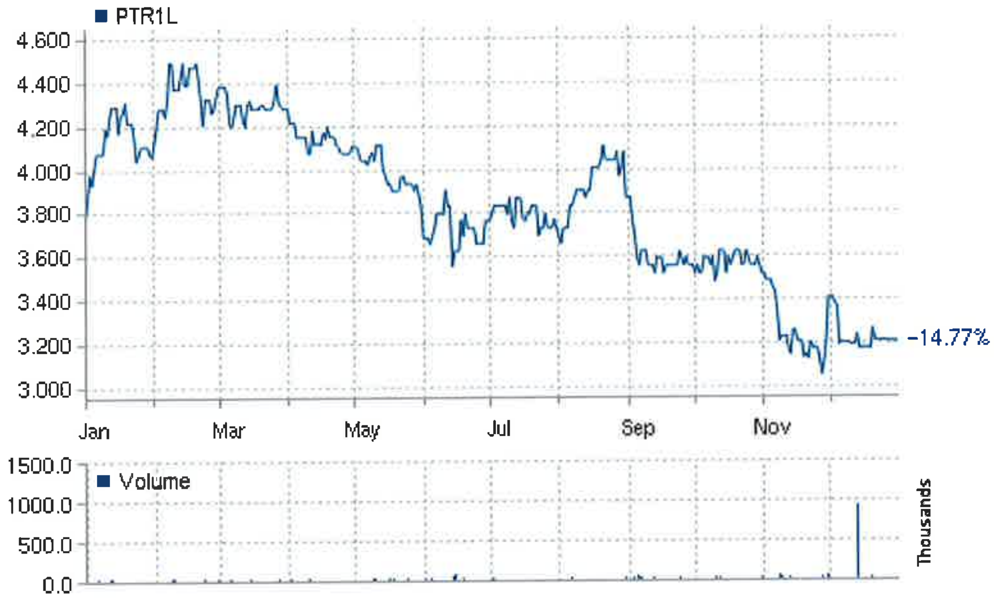
Changes in Panevėžio statybos trestas AB and OMX Baltic Benchmark GI indexes in 2012



Company share price variation at VSE for the period of 2009 through 2012 (in Litas)



Company share price variation at VSE in 2012 (in Litas)



Last price 31 Dec. 2011	*Average share price for 2012*	*Highest price for 2012*	*Lowest price for 2012*	*Last price 31 Dec. 2012*
3.764 Litas	*3.565 Litas*	*4.554 Litas*	*3.056 Litas*	*3.208 Litas*

Capitalization, million Litas				
2008	*2009*	*2010*	*2011*	*2012*
24.53	61.97	110.08	61.53	52.45

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

Panevėžio statybos trestas AB remains one of the largest companies in Lithuania.

In 2012 *Panevėžio statybos trestas* AB successfully completed fulfilment of the contract with *Fortum Klaipėda* UAB for construction of Klaipėda CHP Plant, finished construction and put into use the real estate development project *Ulonų verslo centras* (Ulonai Business Centre).

The company was awarded the gold medal "Lithuanian Product of the Year" for the completed real estate development project *Ulonų verslo centras* in 2012.

In 2012 *Panevėžio statybos trestas* AB successfully completed construction of admission – emergency department and a connecting corridor, and reconstruction of premises at the Kelmė hospital, reconstruction of the Culture Centre of Šeduva, Radviliškis District Municipality, and its surrounding area, renovation and development of the water supply and waste water infrastructure in Krekenava, Panevėžys District.

In 2012, the company successfully continued works in one of the largest and most complicated projects in Lithuania – construction of 4,500 tons per day dry clinker production line at *Akmenės cementas* AB.

In 2012 the following branches were operating under the name of the company: *Gerbusta*, focusing on construction of engineering networks and landscaping, *Pastatų apdaila*, carrying out indoor and outdoor finishing works, and Vilnius branch *Genranga,* performing general contracting activities and project management in Vilnius Region, and *Klaipstata*, performing general contracting activities and project management in Klaipėda Region.

Market members value the company as an experienced builder of large and technologically complicated objects. Such approach of customers has been achieved as a result of hard work and continuous internal improvement of the company – qualified and experienced employees work for the company, the company has a few licences and certificates attesting that management of the company is done in a qualitative manner and meets the requirements of the European standards.

The company paid great attention to the quality of works carried out, environment protection and occupational safety. The company has successfully implemented and is working in accordance with the quality management system LST EN ISO 9001:2008 and environment management system LST EN ISO 14001:2005. To ensure prevention of accidents at work, occupational safety and health violations of organizational manner in the company and reduce the number of occupational diseases the company has implemented the occupational safety and health management system meeting the requirements of the international standard BS OHSAS 18001:2007 (LST 1977:2008).

In 2008 the National Accreditation Bureau of Lithuania renewed accreditation for the Construction Laboratory of the company for 5 more years in accordance with LST EN ISO/IEC 17025:2005 thus granting the right to perform tests with construction materials.

Valuable experience in the construction of complicated objects was gained in the course of the years. The activities are widely developed in terms of both services and geography because projects are implemented not only in Lithuania. There are branches operating in Cherepovets and Kaliningrad, Russian Federation, subsidiary companies in the Russian Federation and the Republic of Poland as well as a permanent establishment in the United Kingdom of Great Britain and Northern Ireland, and a permanent establishment in the Kingdom of Sweden, which was registered in 2012.

Risk factors related to the company's activities:

- Persistent decline in construction market;
- Shortage of qualified labour;
- Stringent credit terms at the banks;
- Extremely increased and intense competition;
- Low prices of construction services;
- Damping;
- Delays in payments made by customers;
- Black economy.

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

7. INFORMATION ON SUBSIDIARIES OF THE COMPANY

As of 31 December 2012 the Company Group of *Panevėžio statybos trestas* AB included the following companies:

Subsidiaries	Type of activities	Share controlled (per cent)	Registered address
Skydmedis UAB	Production of wood constructions	100	Pramonės Str. 5, Panevėžys Tel.: +370 45 583341
Metalo meistrai UAB	Production of metal constructions	100	Tinklų Str. 7, Panevėžys Tel. +370 45 464677
Vekada UAB	Electrical installation works	96	Marijonų Str. 36, Panevėžys Tel.: +370 45 461311
Vilniaus papėdė TŪB	Construction works	69	Naugarduko Str. 100, Vilnius
Alinita UAB	Ventilation and conditioning systems in buildings	100	Tinklų Str. 7, Panevėžys Tel.+370 45 467630
KINGSBUD Sp.zo.o.	Wholesale in construction materials	100	A. Patli 16-400, Suwalki, Poland
PS TRESTS SIA	Construction	100	Vietalvas Str. 5, Riga
BALTLITSTROIJ OOO	Construction	100	Sovetskij Ave. 43, Kaliningrad Tel.: 0074012350435
PST investicijos UAB	Real estate development	68	Verkių Str. 25C, Vilnius Tel.: +370 5 2102130
<u>Subsidiaries of *PST investicijos* UAB:</u>			
Ateities projektai UAB	Real estate development and sales	100	Verkių Str. 25C, Vilnius
Šeškinės projektai UAB	Real estate development and sales	100	Verkių Str. 25C, Vilnius
Sakališkės UAB	Real estate development and sales	100	Verkių Str. 25C, Vilnius
Kauno erdvė UAB	Real estate development and sales	100	Verkių Str. 25C, Vilnius
Verkių projektas UAB	Real estate development and sales	100	Verkių Str. 25C, Vilnius
ISK Baltevromarket ZAO	Construction investment company	100	Chernyakhovsk Str. 6, Kaliningrad

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

The main activity of the company is production of timber-frame/element houses, fabrication of wood structures and joinery for construction purposes, cutting and planning of wood, wholesale and retail in building materials, production of pallets, stands and other wooden items for loading, building outfit.

In 2012 the company received income of 7,656.7 thousand Litas and generated net profit in the amount of 458 thousand Litas. The major part of income, i.e. 88.9 per cent, was received in other countries, such as Denmark, Norway, Iceland and Sweden, 11.1 per cent of income was received in Lithuania.

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

	2010	2011	2012
Income from sales, thousand Litas	4,207.6	6,783.2	7,601.7
Gross profit, thousand Litas	943.0	1,375.4	1,946.8
Net profit, thousand Litas	222.0	256.5	458.0
Gross profitability	22.4%	20.3%	25.6%
Net profitability	5.3%	3.8%	6.0%
Return on equity, % (ROE)	20.83	19.39	25.72
Current liquidity ratio	1.8	2.2	2.2
Acid test (Quick) ratio	1.4	1.5	1.6

In 2013 certification of products should be completed. This will allow securing the market in the segment of top quality timber-frame/element houses while expanding export to the Scandinavian countries, the products will be adapted to the foreign markets and meet strict quality standards. Moreover, the company will have a better opportunity to compete with the Norwegian timber house producers, be able to sell their products through real estate developers participating in projects of larger scope.

At the end of 2012 *Skydmedis* UAB had 63 employees. The share capital is divided into one thousand ordinary shares the value of one share being 500 Litas. The main shareholder is *Panevėžio statybos trestas* AB holding 100% of shares.

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

In 2012 income from sales increased by 39.5 per cent compared to 2011 and amounted to 10,907 thousand Litas, however net loss in the amount of 62 thousand Litas was incurred.

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

	2010	2011	2012
Income from sales, thousand Litas	5,876	7,819.5	10,907.4
Gross profit, thousand Litas	745	256.2	574.3
Net profit, thousand Litas	250	-243	-60
Gross profitability	12.7%	3.3%	5.3%
Net profitability	4.3%	-3.1%	-0.6%
Return on equity, % (ROE)	17.77	-20.88	-5.46
Current liquidity ratio	1.86	0.96	0.88
Acid test (Quick) ratio	0.99	0.36	0.82

At the end of 2012 the company had 59 employees.

The company has the quality management system ISO 9001:2008, environment protection management system ISO 14001:2004 introduced and got the certificates for EN 1090 – steel structure production quality control – and ISO 3834-3 – quality management system for fusion welding of metallic materials.

In 2013 the company plans to continue production of steel structures and their elements, increase turn-over and profitability, respond to market changes. The efforts will be put in search of new sales orders in and outside Lithuania.

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

***Vekada* UAB** (company code 147815824) was established on 1 January 1963 and had the name of *Elektros montavimo valdyba* (Electrical Installation Department), later on 16 May 1994 it was re-registered as *Vekada* UAB. The main activities of the company are electrical installation works on subcontracts. During the reporting year, alongside with the normal electrical work, the work areas related to low currents were under expansion: video surveillance systems, security and fire alarm systems. Electrical installation work was started in the field of renewable energy sources.

In 2012 the company received income of 10.861 million Litas and generated net profit in the amount of 451.6 thousand Litas.

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

	2010	2011	2012
Income from sales, thousand Litas	9,770.0	7,252.9	10,860.5
Gross profit, thousand Litas	1,140.0	1,187.0	1,579.0
Net profit, thousand Litas	-428.0	65.5	451.6
Gross profitability	11.7%	16.4%	14.5%
Net profitability	-4.4%	0.9%	4.2%
Return on equity, % (ROE)	-9.17	1.45	9.11
Current liquidity ratio	7.99	6.13	3.26
Acid test (Quick) ratio	7.28	5.05	3.09

At the end of 2012 the company had 73 employees.

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

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

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

	2010	2011	2012
Income from sales, thousand Litas	1,578	1,788	4,127
Gross profit, thousand Litas	174.0	188.9	694.7
Net profit, thousand Litas	-142.0	-155.4	197.0
Gross profitability	11.0%	10.6%	16.8%
Net profitability	-9.0%	-8.7%	4.8%
Current liquidity ratio	0.99	1.00	1.05
Acid test (Quick) ratio	0.93	0.90	0.88

The company has all certificates required for performance of the listed activities. In 2012 the company had 26 employees.

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

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

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

***Baltlitstroij* OOO** (company code 236006) was founded and started its activities on 20 October 2000. The main activity of the company is construction works. In 2012 the company had 54 employees.

In 2012 the company received income of 51.480 million Litas and made net profit in the amount of 0.878 thousand Litas.

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

	2010	2011	2012
Income from sales, thousand Litas	25,473	62,357	51,480
Gross profit, thousand Litas	3,632	3,236.7	1,795.8
Net profit, thousand Litas	-105	1,120.1	878.4
Gross profitability	14.3%	5.2%	3.5%
Net profitability	-0.4%	1.8%	1.7%
Current liquidity ratio	0.81	0.98	1.00
Acid test (Quick) ratio	0.77	0.97	0.49

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

***PST investicijos* UAB** (company code 124665689) was founded on 23 December 1998. The main activity of the company is preparation and sales of real estate. On 31 December 2012 the company group of *PST investicijos* UAB consisted of the parent company *PST investicijos* UAB and the following subsidiary companies: *Sakališkės* UAB, *Kauno erdvė* UAB, *Ateities projektai* UAB, *Verkių projektas* UAB, *Šeškinės projektai* UAB, *Baltevromarket* ZAO ISK.

PST investicijos UAB participates in the real estate projects either itself or through its subsidiary companies. Such performance development (by establishing a subsidiary company for an individual project) was chosen to calculate the result of each project as accurately as possible.

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

	2010	2011	2012
Income from sales, thousand Litas	1,329	237.1	1,039.0
Financial and investment activities, thousand Litas	10,035	-1,417.5	2,528.7
Net profit, thousand Litas	796.1	-1,809.7	1,642.7
Return on equity (ROE)	48.90	-16.67	14.44
Current liquidity ratio	50.72	1.75	1.88
Acid test (Quick) ratio	3.70	1.74	1.83

In 2012 the real estate development project *Ulonų verslo centras* (Ulonai Business Centre) was successfully completed and put into use.

The main shareholders of the company are *Panevėžio statybos trestas* AB (68.34%) and *Panevėžio keliai* AB (25.25%). The remaining part of shares is held by several natural persons (8.49%). As of 31 December 2012, the authorized capital of the company is 49,404,500 Litas and it is divided into 494,045 registered ordinary shares the nominal value of one share being 100 Litas.

KINGSBUD Sp.zo.o. (company code 200380717) was founded on 11 August 2010. The main activity of the company is wholesale in construction materials. The goal of the company is to carry out service of the main company and wholesale in construction materials.

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

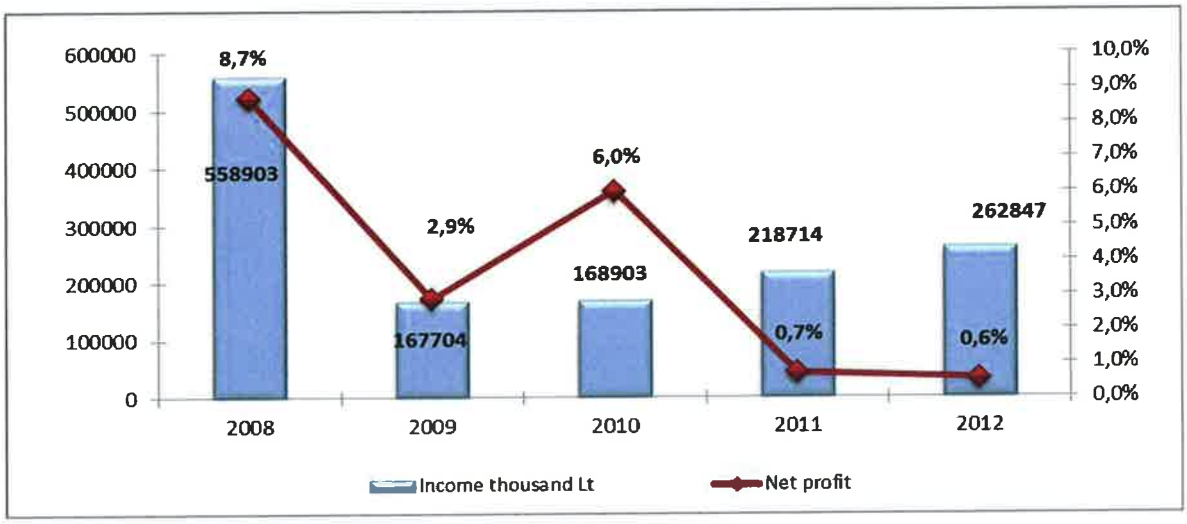
	2010	2011	2012
Income from sales, thousand Litas	61	2,377.3	2,013.6
Gross profit, thousand Litas	8.9	278.2	176.2
Net profit, thousand Litas	-34.7	80.1	-9.3
Gross profitability	14.5%	11.7%	8.8%
Net profitability	-56.7%	3.4%	-0.5%
Return on equity (ROE)	-114.46	1.69	-22.16
Current liquidity ratio	0.23	1.75	1.19
Acid test (Quick) ratio	0.23	1.75	1.15

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

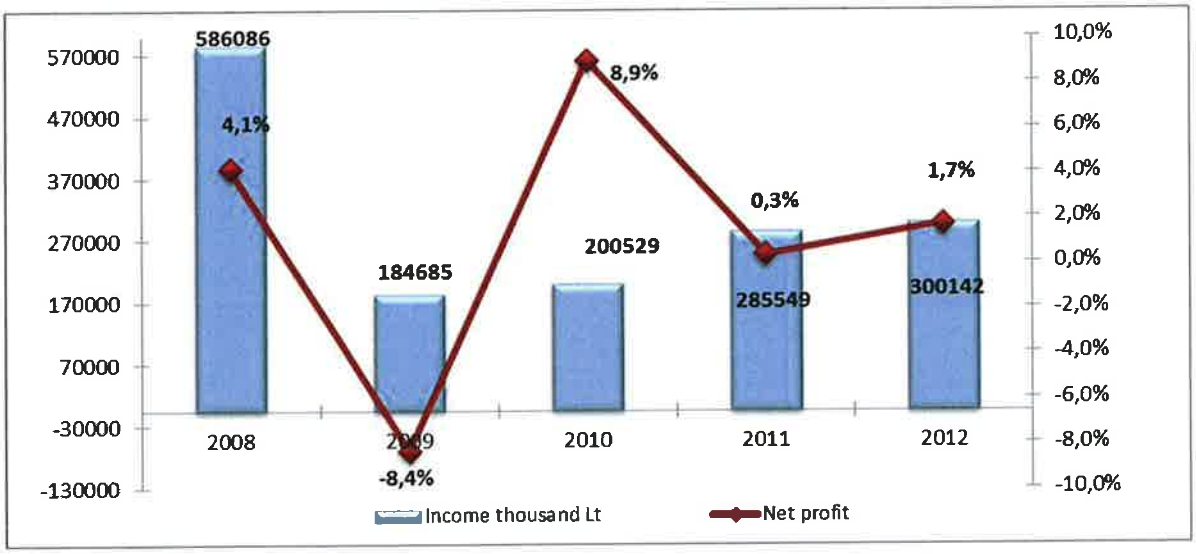
8. ANALYSIS OF FINANCIAL AND NON-FINANCIAL PERFORMANCE, INFORMATION RELATED TO ENVIRONMENT AND EMPLOYEE MATTERS

In 2012, the income of the Group was higher by 5.1 per cent compared to that of 2011 and amounted to 300.1 million Litas (285.5 million Litas in 2011). The income of the company was higher by 20.2 per cent than in 2011. In 2012 it amounted to 262.8 million Litas (218.7 million Litas in 2011). During the accounting year the PST Group generated the net profit in the amount of 5.05 million Litas, whereas in 2011 the profit of the PST Group amounted to 0.9 million Litas. In 2012 the Company generated the net profit in the amount of 1.4 million Litas, and in 2011 the net profit amounted to 1.6 million Litas.

Income and net profit variation for the Company:



Income and net profit variation for the Group:



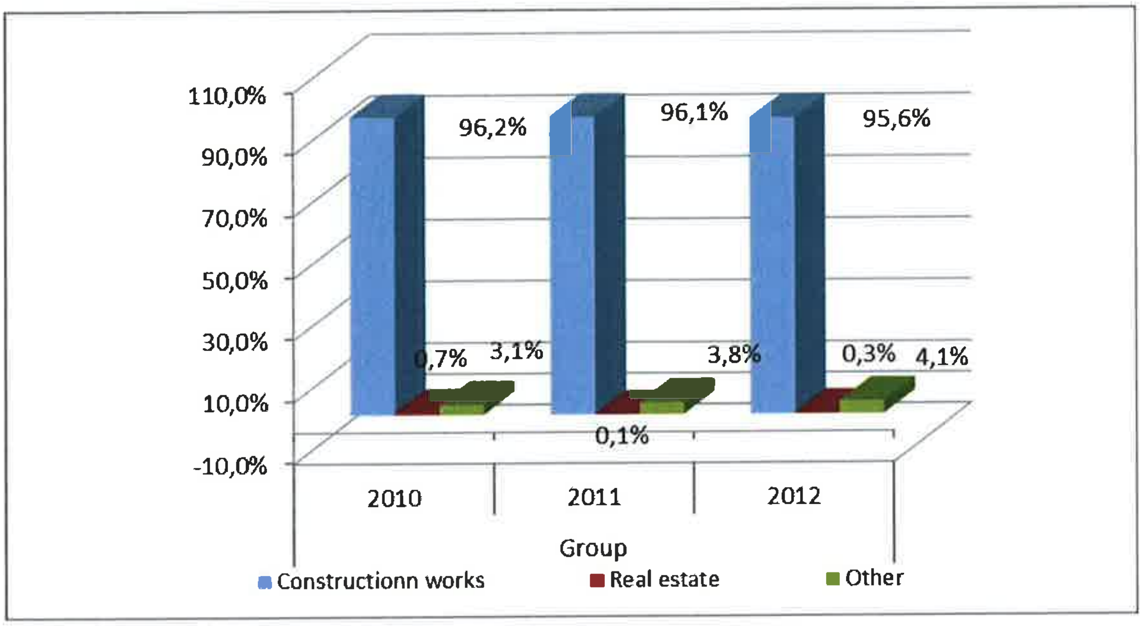
All financial data in the present annual report have been calculated following the International Financial Reporting Standards (IFRS) and expressed in the national currency of Lithuania – the Litas (LTL).

The results (in thousand Litas) of the parent company and the Company Group of *Panevėžio statybos trestas* AB for the years 2010 through 2012 are as follows:

Group			**Items**	**Company**		
2010	**2011**	**2012**		**2010**	**2011**	**2012**
200,529	285,549	300,142	*Income*	168,903	218,714	262,847
171,035	264,019	277,379	*Cost*	147,096	204,115	247,430
29,495	21,530	22,763	*Gross profit*	21,807	14,599	15,417
14.71	7.54	7.58	*Gross profit margin (per cent)*	12.91	6.67	5.87
7,684	6,016	6,889	*Operating result*	9,508	4,153	1,356
3.83	2.11	2.30	*Operating result from turnover (per cent)*	5.63	1.90	0.52
27,179	10,792	12,206	*Profit before taxes, interest, depreciation and amortization EBITDA*	17,352	9,857	6,596
13.6	3.8	4.1	*EBITDA margin (per cent)*	10.3	4.51	2.51
8.91	0.31	1.68	*Nets profit (loss) margin (per cent)*	6.01	0.73	0.55
0.94	0.09	0.31	*Profit (loss) per share (Litas)*	0.62	0.10	0.09
15.7	0.80	4.35	*Return on equity (per cent) (ROE)*	7.65	1.22	1.10
8.99	0.39	2.14	*Return on assets or asset profitability (ROA)*	5.44	0.77	0.72
12.82	0.73	3.75	*Return on investments (ROI)*	7.4	1.20	1.08
2.69	1.79	1.93	*Current liquidity ratio*	2.25	1.82	2.08
2.05	1.31	1.34	*Acid test (Quick) ratio*	2.2	1.69	1.94
0.57	0.49	0.49	*Asset to equity ratio*	0.71	0.63	0.66
6.97	6.84	7.10	*Book value of a share*	8.11	7.98	8.07
7.2	41.9	10.38	*Ratio of share price and profit (P/E)*	10.8	38.6	36.2
0.96	0.55	0.45	*Ratio of share price and book value (P/BV)*	0.83	0.47	0.40

The operating income of the company based on business segments is from building and construction activities. In 2012 the income of the Group from building and construction activities totalled 95.6%, the income from real estate amounted to 0.3%, made products and other income amounted to 4.4%. In 2011 the income of the Group from building and construction activities totalled 96.1%, the income from real estate amounted to 0.1%, other income amounted to 3.9%.

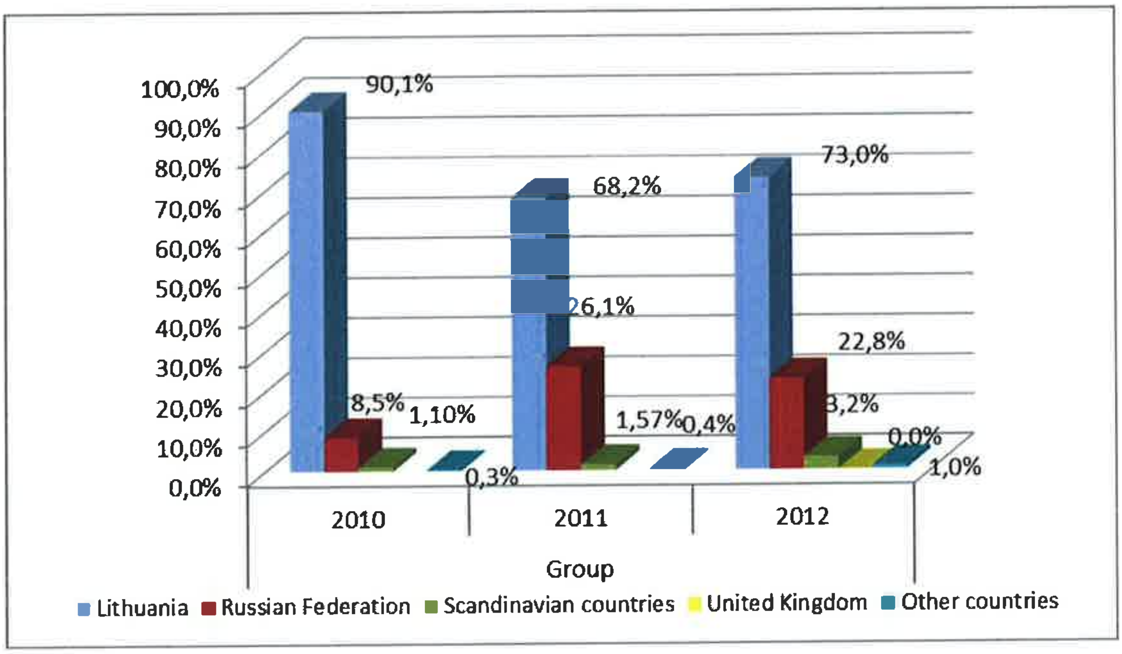
million Litas	Group			Company		
	2010	2011	2012	2010	2011	2012
Construction works	192.90	274.45	286.89	168.90	218.71	262.85
Real estate	1.33	0.24	0.99			
Made products	3.41	6.37	6.79			
Other	2.90	4.50	5.47			

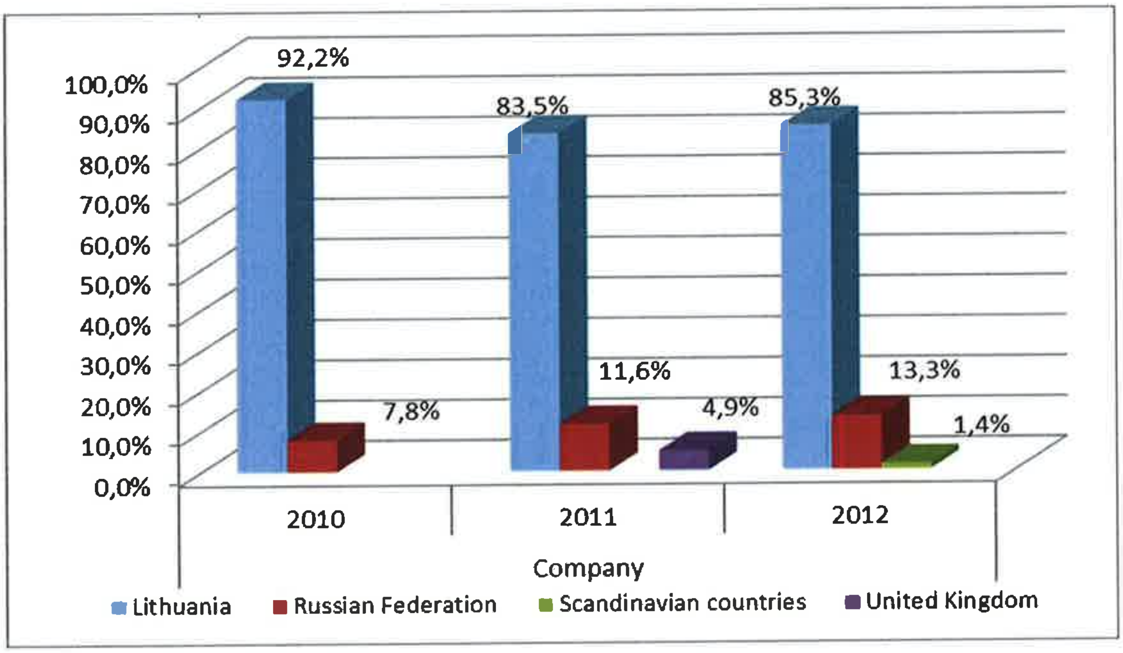


Income from main activity (million Litas) by geographical segments:

million Litas	Group			Company		
	2010	2011	2012	2010	2011	2012
Lithuania	180.60	194.24	219.19	155.65	182.57	224.10
Russian Federation	17.11	74.47	68.43	13.26	25.36	35.01
Scandinavian countries	2.21	4.46	9.60			3.73
United Kingdom		10.78			10.78	
Other countries	0.61	1.04	2.92			

In 2012 the main activity of the company was performed in Lithuania and comprised 85.3% of all works carried out by the company (83.5% in 2011). The income of the Group from the works performed inside the country made 73% of the income whereas in 2011 it was 68.2%.





9. IMPORTANT EVENTS AFTER THE END OF THE PRECEDING FINANCIAL YEAR

There were no important events since the end of the preceding year.

10. PERFORMANCE PLANS AND FORECASTS OF THE COMPANY

The coming year is still likely not to be easy both for the company and for the whole construction sector. Construction costs increase due to increase in prices of building materials and pay for qualified employees. Furthermore, as emigration level remains high, shortage of qualified labour force is still an issue. In addition to that, the number of construction companies started increasing again, thus making competition in the construction sector stronger.

Next year efforts will be put to maintain stability by continuing the started activities, looking for possibilities to implement new projects with the clear target to remain the largest construction company in Lithuania. We will seek to increase the shareholders' value.

11. AUTHORISED CAPITAL OF THE ISSUER AND ITS STRUCTURE

As of 31 December 2012 the authorised capital of the company amounted to 16,350,000 Litas, divided into 16,350,000 ordinary registered shares (ORS) the nominal value of each share being 1.00 Litas. All shares are non-certificated and fully paid. The proof of ownership is the record in the securities accounts.

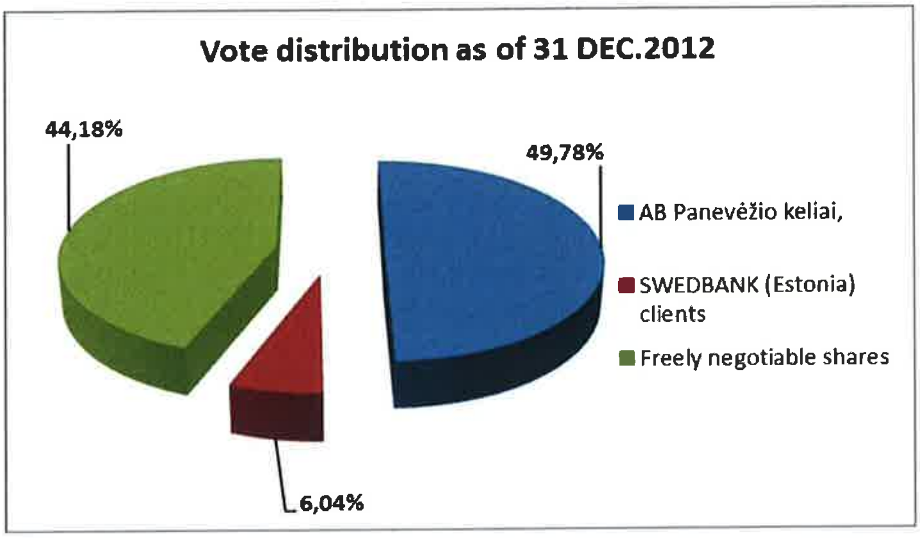
The composition of the issuer's authorised capital is as follows:

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

12. INFORMATION ON THE SHAREHOLDERS OF THE ISSUER

As of 31 December 2012, the number of shareholders holding or controlling more than 5 per cent of the authorised capital of the company was 2,270:

Name, surname of a shareholder (company name, type, headquarter address, company code)	Number of ordinary registered shares held by a shareholder under ownership right (pcs.)	Share of the authorized capital held (%)	Portion of votes granted by the shares held under ownership right (%)	Portion of votes owned by the shareholder along with acting persons (%)
Panevėžio keliai AB S. Kerbedžio Str. 7, Panevėžys, Company code: 147710353	8,138,932	49.78	49.78	---
SWEDBANK AS (Estonia) CLIENTS Liivalaia 8, Tallinn Estonia Company code 10060701	987,598	6.04	6.04	---
Freely negotiable shares	7,223,470	44.18	44.18	---



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

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

13. DIVIDENDS

The decision to pay dividends is taken and the amount to be paid as a dividend is set by the General Meeting of the Shareholders. The company pays the allocated dividends within 1 month from the date when decision on profit appropriation has been taken.

The persons who were the shareholders of the company at the end of the tenth business day from the General Meeting of the Shareholders that had adopted the relevant decision are entitled to the dividends.

Following the Law on Income Tax of Individuals of the Republic of Lithuania and Law on Profit Tax of the Republic of Lithuania, any dividends are subject to income tax in the rate of 20 per cent. Such tax is calculated, deducted and paid to the budget by the company.

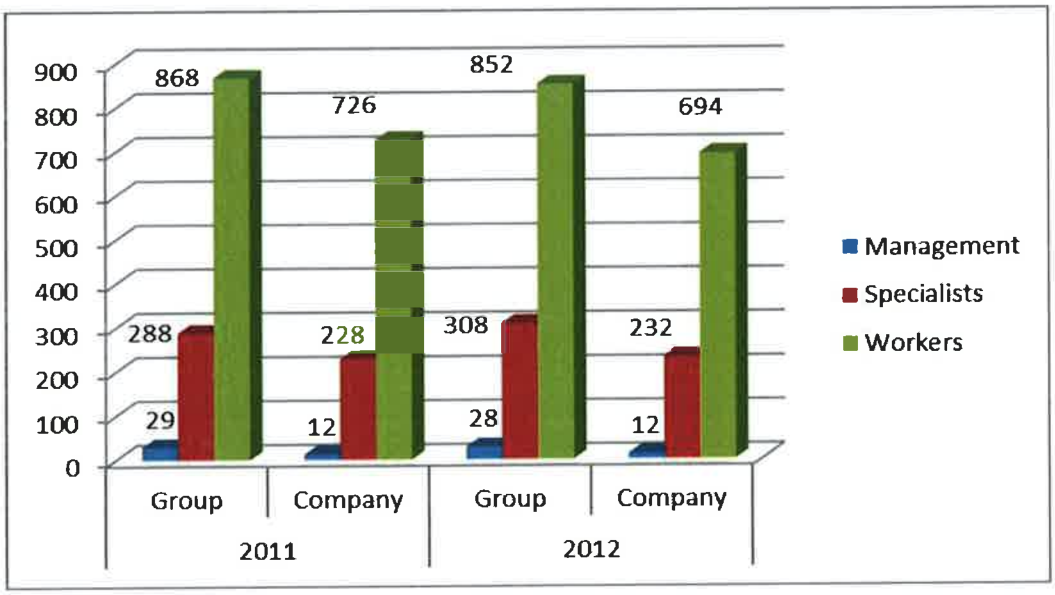
The General Meeting of Shareholders of *Panevėžio statybos trestas* AB that took place on 26 April 2012 made the decision to pay no dividends for the year 2011.

	Profit of financial year allocated for dividends			
	2007	**2008**	**2009**	**2010**
Total amount allocated for dividends, Litas	3,760,500	1,144,500	1,144,500	1,144,500
Dividends per share	0.23	0.07	0.07	0.07
Ratio of dividends to net profit, %	15.1%	2.4%	23.8%	11.3%
Dividend profitability (dividends per share / share price as of the end of the period), %	1.5%	4.7%	1.8%	1.0%

14. EMPLOYEES

As of 31 December 2012, the number of employees in the Group was 1,134, in the company – 885.

Number of employees on payroll	2011		2012	
	Group	Company	Group	Company
Management	29	12	28	12
Specialists	288	228	308	232
Workers	868	726	852	694

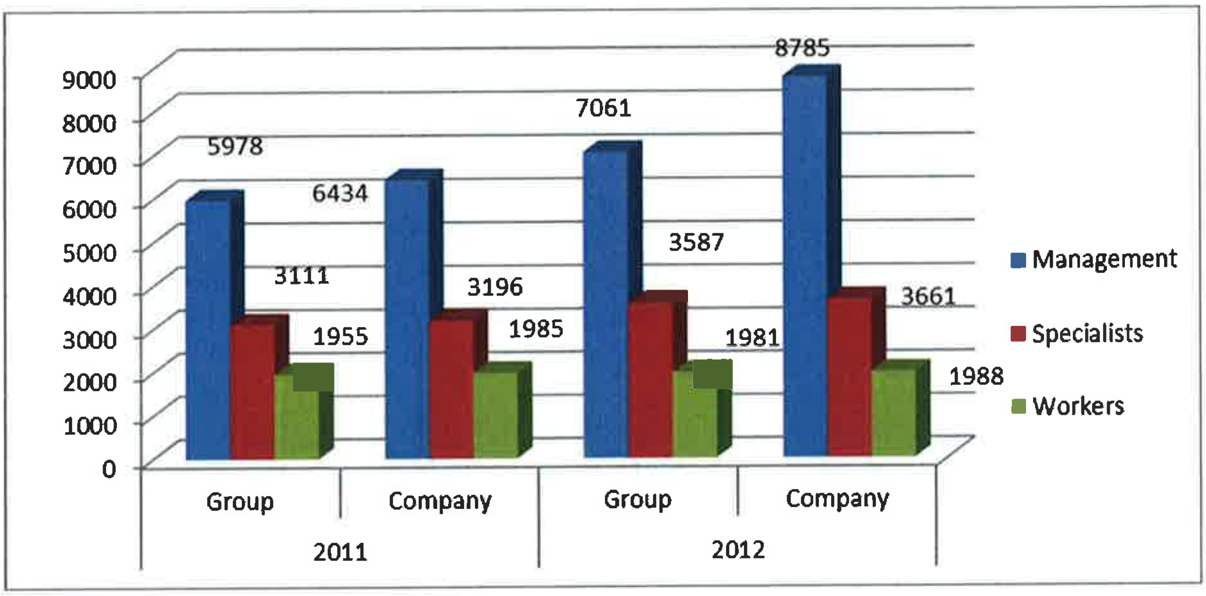


Education level of the Group's employees for the end of the period:

Groups of employees	Payroll number	University education	Higher non-university education	Community college education	Secondary education	Incomplete secondary education
Management	29	25	1	2	1	0
Specialists	305	229	11	51	13	1
Workers	800	24	20	149	502	105

Average gross wages:

Average salary/wage	2011		2012	
	Group	Company	Group	Company
Management	5,978	6,434	7,061	8,785
Specialists	3,111	3,196	3,587	3,661
Workers	1,955	1,985	1,981	1,988



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

In 2012 the company paid much attention to qualification improvement. Training in the company is organized in three directions using:

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

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

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

16. MANAGEMENT BODIES OF THE ISSUER

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

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

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

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

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

The Board:

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL, %	VOTES, %
TERTIUS UAB		704,638	80	80
PANEVĖŽIO KELIAI AB	Member of the Board	531,675	28.47	28.47
LAUKTUVĖS JUMS UAB	Member of the Board	11,069	50.15	50.15
POKŠTAS UAB		111	50	50
KLOVAINIŲ SKALDA AB		203,526	3.78	3.78
GELBERA UAB	Member of the Board	34	34	34
KELTECHA UAB	Member of the Board			
EMULTEKA UAB		14	14.0	14.0
GUSTONIŲ ŽŪT UAB	Member of the Board	1,057	48.98	48.98
SPECIALIZUOTA KOMPLEKTAVIMO VALDYBA AB		21,490	9.29	9.29
NAUJASIS UŽUPIS UAB	Chairman of the Board			
PANEVĖŽYS UAB	Member of the Board	157,191	49.98	49.98
PST INVESTICIJOS UAB	Member of the Board	16,407	4.4	4.4
KIRTIMŲ AUTOTRANSPORTAS AB	Member of the Board			
CONVESTUS UAB	Vice-President, Chairman of the Board	50,000	50	50
ALPROKA UAB	Chairman of the Board			
KAUNO TILTAI AB		492	0.31	0.31

Term of office: November 2010 through November 2014

No previous convictions.

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL, %	VOTES, %
PANEVĖŽIO KELIAI AB	Chairman of the Board	529,861	28.33	28.33
LAUKTUVĖS JUMS UAB	Member of the Board	11,001	49.85	49.85
POKŠTAS UAB	Director	111	50.0	50.0
KLOVAINIŲ SKALDA AB	Member of the Board	203,129	3.77	3.77
GELBERA UAB	Member of the Board	34	34	34
EMULTEKA UAB		12	12.0	12.0
GUSTONIŲ ŽŪT UAB	Member of the Board	1,057	48.98	48.98
PANEVĖŽYS UAB	Member of the Board	157,225	49.98	49.98
SPECIALIZUOTA KOMPLEKTAVIMO VALDYBA AB		21,470	9.28	9.28
PST INVESTICIJOS UAB	Chairman of the Board, Director	12,644	2.9	2.9
NAUJASIS UŽUPIS UAB	Member of the Board			
CONVESTUS UAB	President, Member of the Board	50,000	50	50
ALPROKA UAB	Member of the Board			
KAUNO TILTAI UAB		492	0.31	0.31
MEINORA UAB	Director	100	100	100
SERANA UAB	Director	950	95	95
TERTIUS UAB		176,159	20	20
PANODEN UAB	Member of the Board			

Term of office: November 2010 through November 2014

No previous convictions.

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL,%	VOTES, %
CONVESTUS UAB	Internal auditor	-	-	-
PANEVĖŽIO KELIAI AB	Member of the Board	-	-	-

Terms of office: November 2010 through November 2014

No previous convictions.

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL, %	VOTES, %
AKVALDA UAB		500	33.33	33.33
EMULTEKA UAB		11	11	11
BASS UAB		40	40	40
PANEVĖŽIO STATYBOS TRESTAS AB	Member of the Board			
PANEVĖŽIO KELIAI AB	Member of the Board	101,735	5.45	5.45

Terms of office: November 2010 through November 2014

No previous convictions.

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

COMPANY NAME	CAPACITY	NUMBER OF SHARES	CAPITAL,%	VOTES, %
DVARČIONIŲ KERAMIKA AB	Shareholder	356		
PANEVĖŽIO KELIAI AB	Member of the Board			

Terms of office: November 2010 through November 2014

No previous convictions.

Administration:

DALIUS GESEVIČIUS – Head of the Company Administration, Managing Director. Holds 15 shares of the company. University education (VISI, 1984, construction engineering).

No previous convictions.

DANGUOLĖ ŠIRVINSKIENĖ – Chief Accountant of the company. Holds no shares of the company. University Education (LŽUA, 1983, accounting - economics).

No previous conviction.

Information on amounts of money during the accounting period (Litas):

In 2012 there were no special benefits to the members of the Board.

	Manager of the Company	Chief Accountant
Calculated amount of money	184,468	60,599

Audit committee

Following Article 52 of the Law on Audit of the Republic of Lithuania, the General Meeting of Shareholders of *Panevėžio statybos trestas* AB elects the audit committee. The audit committee consists of three members one of them being independent. The term of office of the audit committee is one year. The continuous term of office of a committee member cannot exceed 12 years.

The following members make the audit committee at *Panevėžio statybos trestas* AB – Roma Morozovienė (*Panevėžio statybos trestas* AB), Regina Sukarevičienė (*Panevėžio statybos trestas* AB) and Irena Kriaučiūnienė – an independent auditor.

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

None

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

None

19. INFORMATION ON SIGNIFICANT TRANSACTIONS BETWEEN THE RELATED PARTIES

All transactions between the related parties are provided in the Annual Financial Statements.

20. INFORMATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

21. PUBLICLY DISCLOSED INFORMATION

Title of announcement	Category of announcement	Language	Date
PST won the tender for reconstruction of the Palace of the Grand Dukes, Part B, announced by the Vilnius Castles Directorate	Notification on material event	Lt, En	8 March 2013
Unaudited Performance Results of *Panevėžio statybos trestas* AB and the Company Group for 2012	Notification on material event	Lt, En	27 Feb. 2013
Panevėžio statybos trestas AB information	Notification on material event	Lt, En	13 Feb. 2013
Temporary Measures of Protection Reversed	Notification on material event	Lt, En	2 Jan. 2013
Notification on Acquisition of a Block of Shares	Notification on material event	Lt, En	19 Dec. 2012
Regarding Protracted Settlement	Notification on material event	Lt, En	12 Dec. 2012
Unaudited Performance Results of *Panevėžio statybos trestas* AB and the Company Group for Nine Months of 2012	Notification on material event	Lt, En	30 Nov. 2012
Resolutions Adopted by Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	07 Nov. 2012
Draft Resolutions of Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	17 Oct. 2012
Convening of the Extraordinary General Meeting of Shareholders	Notification on material event	Lt, En	8 Oct. 2012
Unaudited Performance Results of *Panevėžio statybos trestas* AB and the Company Group for First Half of 2012	Interim information	Lt, En	31 Aug. 2012
Unaudited Performance Results of *Panevėžio statybos trestas* AB and the Company Group for First Quarter of 2012	Interim information	Lt, En	31 May 2012
Panevėžio statybos trestas AB has signed the contract with *Baltic Fish Export* UAB	Notification on material event	Lt, En	9 May 2012
Resolutions of Annual General Meeting of Shareholders	Notification on material event	Lt, En	26 April 2012
Change in Announced Preliminary Consolidated Result	Notification on material event	Lt, En	5 April 2012
Draft Resolutions of Annual General Meeting of Shareholders	Notification on material event	Lt, En	5 April 2012
Convening of Annual General Meeting of Shareholders	Notification on material event	Lt, En	26 March 2012
Revised Interim Financial Statements for 2011	Interim information	Lt, En	1 March 2012
Unaudited Performance Results of *Panevėžio statybos trestas* AB and the Company Group for 2011	Interim information	Lt, En	29 Feb. 2012

All notices of *Panevėžio statybos trestas* AB to be made public in accordance with the legal requirements are announced following the timelines prescribed by the laws and legal acts of the Republic of Lithuania. Notices of material events of the company are presented to the Securities Commission of the Republic of Lithuania, Vilnius Stock Exchange, information disclosure and disseminations system *OMX Company News Service* and published on the website of the company.

Managing Director D. Gesevičius Dalius Gesevičius

Appendix to the Consolidated annual report

Disclosure form concerning the compliance with the Governance Code for the companies listed on the regulated market

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

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

2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The collegial management body – the board and one-person management body – managing director are set up in the company. The collegial supervisory body – supervisory board is not formed.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	No	The supervision of the company's activities and the responsibility and control of the chief executive officer are ensured by the board analyzing and evaluating the material on all items of the company activities presented by the chief executive officer.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	One collegial management body is formed – the board that effectively supervises the functions performed by the company's chief executive officer.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.[1]	Yes	
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.[2]	Yes	The company board is made of 5 members and this number is considered to be sufficient.

[1] Provisions of Principles III and IV are more applicable to those instances when the general shareholders' meeting elects the supervisory board, i.e. a body that is essentially formed to ensure oversight of the company's board and the chief executive officer and to represent the company's shareholders. However, in case the company does not form the supervisory board but rather the board, most of the recommendations set out in Principles III and IV become important and applicable to the board as well. Furthermore, it should be noted that certain recommendations, which are in their essence and nature applicable exclusively to the supervisory board (e.g. formation of the committees), should not be applied to the board, as the competence and functions of these bodies according to the Law on Companies of the Republic of Lithuania (*Official Gazette*, 2003, No 123-5574) are different. For instance, item 3.1 of the Code concerning oversight of the management bodies applies to the extent it concerns the oversight of the chief executive officer of the company, but not of the board itself; item 4.1 of the Code concerning recommendations to the management bodies applies to the extent it relates to the provision of recommendations to the company's chief executive officer; item 4.4 of the Code concerning independence of the collegial body elected by the general meeting from the company's management bodies is applied to the extent it concerns independence from the chief executive officer.

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

2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	No	The supervisory board is not formed.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the board is not and has never been the chief executive officer of the company.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.[3]**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the board formation ensures that the minority shareholders were properly represented in the board.

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

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The company collects and discloses all information about the members of the collegial body, their professional background, qualification, conflicts of interests in the periodic reports of the company that are published.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes	The board is formed considering the company's structure and activities, the experience of its members, diversity of knowledge related to the company activities allow doing the work properly.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	The new members are introduced with the company and the regulations of the company board. The members of the board constantly participate at various refresher courses and seminars where they collect information about the essential changes in the legal acts regulating the company's activities.

3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient[4] number of independent[5] members.	No	Historically the company exhibits the situation that the sufficiency of the independent members has not been considered. As the trading of the company shares takes place actively and the minority shareholders take an active part in the management of the company, the company will seek implementation of this principle.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependant are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);	No	Four members of the Board are the members of the Board of the largest shareholder – the related company. One member of the Board works for the company that has important business relations – provided internal audit and consultancy services.

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

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

4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds.[6]. The general shareholders' meeting should approve the amount of such remuneration.	Yes	The company has remunerated the members of the board for their work for the year 2012 from the company's funds and plans to do this in future. The general meeting of the shareholders approves the following amount for remuneration.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring[7] of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.[8]	Yes	Once a quarter the board hear out the report of the chief executive officer and the finance director of the company, analyzes their activity and evaluates its effectiveness and provides recommendations, if required. The board analyzes, evaluates the draft of annual financial accountability of the company and draft profit (loss) allocation, and presents them to the general meeting of the shareholders.

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

[7] See Footnote 3.

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

4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half[9] of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	The members of the company board participated at the meetings of the board and each member gave enough time to perform the duties of a board member.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	

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

4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies[10]. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	

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

4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees[11]. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	The collegial body of the company's management is a board performing the functions of the nomination, remuneration committees. The Board of the company chooses and approves the candidacy of the manager of the company – Managing Director, and agrees with the candidacies of directors of the company offered by the Managing Director.. It constantly evaluates their experience, professional capabilities and implementation of the company's strategic goals, hears out the reports. The board of the company selects the candidate for the external audit and provides proposals to the general shareholders' meeting for approval. On 26 April 2012 the audit committee was elected during the Annual General Meeting of the Shareholders.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Yes	

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

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes	The audit committee consists of three members. One member conforms to the requirements for independence. The audit committee is elected for the period of one year.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	Yes	The rules of the audit committee were approved and published on the website of the company
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes	Applicable to the audit committee

4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	Not applicable	The committee is not formed.
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;	Not applicable	The committee is not formed.

• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		

4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: • Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); • At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; • Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; • Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; • Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; • Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when).	Yes	On 26 April 2012 the audit committee was elected during the Annual General Meeting of the Shareholders. The audit committee consists of three members. The audit committee organizes its work following the rules of the audit committee approved during the meeting of the shareholders.

The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	

Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month[12].	Yes	The meeting of the company's collegial body – the board takes place based on the periodicity approved in advance and in accordance with the planned agenda.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	Each member of the board can introduce himself/herself to the documents of the meeting, reports, and draft decisions three days prior to the meeting day.

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

5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Not applicable	The supervisory board is not formed.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The company's capital is comprised from ordinary registered shares granting equal personal and non-property rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.[13] All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The Articles of Association do not assign the decision making to the general shareholders' meeting if they are related to the long-term assets the balance sheet value of which is higher than 1/20 of the company's authorized capital, investment transfer, rent, mortgage, purchase, etc.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	The place, date and time of the general shareholders' meeting are chosen in a manner ensuring the possibilities to all shareholders to attend the shareholders' meeting actively. The shareholders are informed about the convening of the general shareholders' meeting in public and no later than 21 days prior to the meeting the shareholders are allowed to familiarize themselves to the draft resolutions.

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

6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder can participate in the meeting in person or delegating the participation to some other person.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	

7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The company observes the motivation system of the directors approved by the Board.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	Recommendations provided in item 8.1 are not followed.

8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	No	Recommendations provided in item 8.1 are not followed.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	No	Recommendations provided in item 8.1 are not followed.

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.	No	Recommendations provided in item 8.1 are not followed.

8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Yes	The motivation system of the directors defining evaluation criteria of performance results has been approved in the company since 9 March 2007.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Yes	The motivation system of the directors defining evaluation criteria of performance results has been approved in the company since 9 March 2007.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Yes	The motivation system of the directors defining evaluation criteria of performance results has been approved in the company since 9 March 2007.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	No	
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	No	Redundancy pay are allowed following the law of the Republic of Lithuania
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	No	Redundancy pay are allowed following the law of the Republic of Lithuania
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	No	Recommendations provided in item 8.1 are not followed
8.13. Shares should not vest for at least three years after their award.	Not applicable	
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	

8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	

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

Principle IX: The role of stakeholders in corporate governance

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

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	

9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	No	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	No	
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: • The financial and operating results of the company; • Company objectives; • Persons holding by the right of ownership or in control of a block of shares in the company; • Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; • Material foreseeable risk factors; • Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; • Material issues regarding employees and other stakeholders; • Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes	

10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.	Yes	
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company presents the information through the information disclosure system used by NASDAQ OMX „Globenewswire" in the Lithuanian and English languages at the same time. The company does not disclose any information that might have effect on the price of its securities in the comments, interviews or any other ways before such information is announced through the information system of the exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient or in cases provided by the legal acts free of charge access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The company plans to sign a contract with *Vilniaus vertybinių popierių birža*, AB (Vilnius Stock Exchange) regarding the creation of the column for the link with the investors in the website of the company where all information published by the information disclosure and distribution system NASDAQ OMX „Globenewswire" was also published in the website of the company.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	

Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The audit of annual financial statement and annual report is conducted by the independent audit company.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	In 2012 the audit company rendered tax consultancy services.