

CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

This confirmation of responsible employees concerning the audited Separate Financial Statements and Consolidated Annual Report, Corporate Governance Report, Consolidated Social Responsibility and Remuneration Report of *Panevezio statybos trestas* AB for the year 2023 is presented in accordance with the Law on Securities of the Republic of Lithuania and the Rules for Preparation and Presentation of Periodic and Additional Information approved by the Resolution of the Board of the Bank of Lithuania.

Hereby we confirm that, as to our knowledge, the presented Separate Financial Statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of financial position, profit or loss and cash flows of *Panevezio statybos trestas* AB, and that the Consolidated Annual Report, Governance, Consolidated Social Responsibility and Remuneration Reports fairly state the review of business development and activities, the Company's position, and description of the main risks and uncertainties that are faced.

Panevezio statybos trestas AB
Managing Director
Tomas Stukas

Panevezio statybos trestas AB
Chief Accountant
Danguolė Sirvinskienė

9 April 2024

9 April 2024

AB „Panevėžio statybos trestas“
P. Puzino g. 1, LT-35173 Panevėžys
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Panevėžio Statybos Trestas AB

**Separate Financial Statements for the year 2023
prepared in accordance with International Finan-
cial Reporting Standards as adopted in the Euro-
pean Union, presented together with the Annual
Report**

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Information about the Company

Panevėžio Statybos Trestas AB

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

Board

Justas Jasiūnas, Chairman
Gvidas Drobužas
Kristina Mačiulienė
Lina Simaškienė

Vaidas Grincevičius (01/01/2023-29/10/2023)
Darius Vilčinskas (30/10/2023-31/12/2023)

Management

Egidijus Urbonas, Managing Director (01/01/2023-30/07/2023)
Tomas Stukas, Managing Director (31/07/2023-31/12/2023)

Auditor

Grant Thornton Baltic UAB

Banks

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

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

Statement of comprehensive income

For the year ended December 31

EUR thousand

	Note	2023	2022
Revenue from contracts with customers	5	80,751	79,222
Cost of sales	6	(76,909)	(77,066)
Gross profit		3,842	2,156
Other revenue	10	1,351	1,432
Selling expenses	7	(390)	(337)
Administrative expenses, total:	8	(7,673)	(6,797)
Impairment loss (reversal) on trade debts, contract assets and other receivables		30	100
Other administrative expenses		(7,703)	(6,897)
Other expenses	10	(759)	(620)
Operating profit (loss)		(3,629)	(4,166)
Finance income, total	11	1,293	2,188
Interest income		428	231
Reverse of interest charged by the Competition Council	11	0	1,133
Other finance income		865	824
Finance expense, total:	11	(383)	(126)
Interest expenses		(375)	(102)
Other finance expense		(8)	(24)
Profit (loss) before tax		(2,719)	(2,104)
Income tax expenses (benefit)	12	440	384
Net profit (loss)		(2,279)	(1,720)
Other comprehensive income			
Items that will never be transferred to profit/(loss)		0	1,029
Non-current asset revaluation impact		0	1,211
Deferred income tax on revaluation of non-current assets		0	(182)
Items that will be transferred to profit (loss)			-
Other comprehensive income, total		0	1029
Total comprehensive income (loss)		(2,279)	(691)
Basic earnings (loss) per share (EUR)	31	(0.14)	(0.11)

Notes disclosed in pages 9–46 are an integral part of these financial statements.

Managing director	Tomas Stukas	09/04/2024
Chief accountant	Danguolė Širvinskienė	09/04/2024

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

Statement of Financial Position

As at 31 December

EUR thousand

	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	3,966	4,051
Intangible Assets	14	150	164
Investment Property	15	3,926	3,741
Right of use assets	26	457	691
Investments in subsidiaries	16	2,850	5,977
Loans granted	17	6,378	5,954
Non-current trade receivables	4, 19	1	114
Other non-current financial assets		548	535
Deferred tax assets	12	891	451
Total non-current assets		19,167	21,678
Current assets			
Inventories	18	4,634	5,267
Trade receivables	4, 19	13,757	14,232
Contract assets	4, 19	2,531	4,104
Prepayments		1,050	706
Loans granted	17	1,427	1,358
Other current assets	20	36	404
Prepaid income tax		0	0
Cash and cash equivalents	21	5,125	5,013
Total current assets		28,560	31,084
TOTAL ASSETS		47,727	52,762

Notes disclosed in pages 9–46 are an integral part of these financial statements.

Managing Director	Tomas Stukas	09/04/2024
Chief Accountant	Danguolė Širvinskienė	09/04/2024

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

Statement of financial position (continued)

As at 31 December

EUR thousand

	Note	2023	2022
EQUITY AND LIABILITIES			
Equity			
Issued capital	22	4,742	4,742
Reserves	22	2,296	2,509
Retained earnings		12,131	14,197
Total equity		19,169	21,448
Non-current liabilities			
Debt to the Competition Council		3,017	0
Warranty provisions	25	270	471
Deferred tax liability	12	0	0
Pension fund provision	25	81	87
Non-current lease liabilities	26	225	408
Total non-current liabilities		3,593	966
Current liabilities			
Loans	23	4,120	0
Current lease liabilities	26	259	296
Trade payables	24	14,595	13,979
Contract liability	27	915	3,630
Provisions	19, 25, 27	306	208
Other liabilities	19, 27	4,770	12,235
Total current liabilities		24,965	30,348
Total liabilities		28,558	31,314
TOTAL EQUITY AND LIABILITIES			
TOTAL		47,727	52,762

Notes disclosed in pages 9–46 are an integral part of these financial statements.

Managing director	Tomas Stukas	09/04/2024
Chief accountant	Danguolė Širvinskienė	09/04/2024

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

Statement of changes in equity

EUR thousand	Note	Issued capital	Legal reserve	Revaluation reserve	Retained earnings	Total equity
Balance as at 31 December 2022		4,742	475	2,034	14,197	21,448
Net profit (loss)		-	-	-	(2,279)	(2,279)
Total comprehensive income for the year		-	-	-	(2,279)	(2,279)
Depreciation of revalued assets		-	-	(212)	213	1
Balance as at 31 December 2023		4,742	475	1,822	12,131	19,170
Balance as at 31 December 2021		4,742	475	1,137	15,785	22,139
Net profit (loss)		-	-	-	(1,720)	(1,720)
Revaluation reserve		-	-	1,029	-	1,029
Total comprehensive income for the year		-	-	1,029	(1,720)	(691)
Depreciation of revalued assets		-	-	(132)	132	-
Balance as at 31 December 2022		4,742	475	2,034	14,197	21,448

Notes disclosed in pages 9–46 are an integral part of these financial statements.

Managing director	Tomas Stukas	09/04/2024
Chief accountant	Danguolė Širvinskienė	09/04/2024

Statement of Cash Flows

For the year ended December 31

EUR thousand

	Note	2023	2022
Cash flows from operating activities			
Net profit (loss)		(2,279)	(1,720)
Adjustments to:			
Depreciation and amortisation	13, 14	670	786
Result from disposal of property, plant and equipment		(45)	(26)
Income tax expenses (benefit)	12	(440)	(384)
Financing activities	11	(1,026)	(989)
Other non-cash items		(627)	(305)
Net cash flows from operating activities before changes in working capital		(3,747)	(2,638)
Changes in working capital:			
Changes in non-current receivables		241	352
Changes in inventories	18	617	(784)
Changes in trade receivables and contract assets	19	2,232	(3,586)
Changes in prepayments		(353)	514
Changes in other assets		366	(228)
Changes in trade payables	24	616	2,167
Change in contract liabilities (prepayments received)	19	(755)	473
Changes in other liabilities		(5,974)	2,496
Income tax paid		-	-
Net cash flows from operating activities		(6,757)	(1,234)
Cash flows used in investing activities			
Acquisition of intangible assets and property, plant and equipment	13, 14	(640)	(140)
Disposal of property, plant and equipment		71	28
Recovery of Investments		3,108	0
Loans granted	28	0	(292)
Collection of loans granted		24	415
Dividends received	11	854	804
Interest received	11	1	32
Net cash flows used in investing activities		3,418	847
Cash flows from/used in financing activities			
Dividends paid*		0	(1)
Loans received (overdraft)	4, 23	26,853	12,961
Loans repaid (overdraft)	4, 23	(22,733)	(12,961)
Lease obligations	26	(323)	(306)
Interest paid	4	(345)	(88)
Net cash flows from/used in financing activities		3,452	(395)
Net increase/(decrease) in cash and cash equivalents		113	(782)
Effect of foreign exchange on cash			
Cash and cash equivalents as at January 1	21	5,013	5,795
Cash and cash equivalents as at December 31	21	5,126	5,013

* There were no dividend payments in 2023 and 2022.

Notes disclosed in pages 9–46 are an integral part of these financial statements.

Managing director	Tomas Stukas	09/04/2024
Chief accountant	Danguolė Širvinskienė	09/04/2024

Notes to the Financial Statements

1. General information

Panevėžio Statybos Trestas AB (hereinafter the “Company”) was established in 1957. The company code is 147732969, registered address is P. Puzino st. 1, LT-35173 Panevėžys, the Republic of Lithuania. As from 13 July 2006, the Company’s ordinary shares are listed on the Official trading list of the Vilnius Stock Exchange (VSE). The main activities of the Company are construction of buildings, structures, plant and communication facilities in Lithuania and abroad. As at 31 December 2023, the Company had 491 employee (as at 31 December 2022, 537 employees).

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

As at 31 December 2023 and 2022, the principal shareholders of the Company were as follows:

- Hisk AB, S. Kerbedžio st. 7, Panevėžys, company code 147710353, (49.78%) (ultimate controlling shareholder);
- Clairmont Holdings LTD, Grigori Afxentiou, 27 P.O.6021, CY (4.85%);
- The freely traded shares, owned by natural and legal persons (45.38%). No one owns more than 5%.

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

The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require a new set of financial statements to be prepared. The Company’s management authorised these financial statements on 9 April 2024.

2. Basis of Preparation

Statement of compliance

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

Basis of preparation of the financial statements

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

Functional and presentation currency

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

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

Judgements and estimates

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

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

2. Basis of preparation (continued)

- Note 12: deferred taxes recognition. Deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences could be utilised.
- Note 13: fair value of land and buildings which are measured using the revaluation model, useful lives of property, plant and equipment and intangible assets. The Company assesses the useful lives of property, plant and equipment and intangible assets at least once a year (Note 3.3). Revaluations are carried out regularly ensuring that the carrying amount of land and buildings do not significantly differ from their fair values as at reporting date. The Company's real estate appraisal was carried out when preparing these financial statements,
- Note 16: measurement of recoverable amounts of investments in subsidiaries. A key factor in estimating the recoverable amounts of the investment in subsidiaries is the recoverability of ongoing construction projects and other assets of subsidiaries. Therefore, the Company engaged external appraisers to estimate the fair values of these projects based on discounted cash flow or comparable price technique, the Company also relied on the Purchase and Sale Agreement signed with a third party after the reporting date and related information.
- Notes 19 and 27: impairment of trade receivables and estimation of revenue from contracts with customers and contract assets as well as contract liabilities based on the stage of completion of the construction contracts. The accuracy of the recognition of revenue on contracts in progress is highly dependent on the judgement exercised by management in assessing the completeness and accuracy of planned costs (budget) as it is the key assumption in the assessment of revenue, contract assets and contract liabilities based on the stage of completion of the contracts in progress. Estimating the recoverable amounts of receivables is a process, which requires significant management judgement and estimates, particularly those that are related to expected credit losses assessment based on the analysis of the historical credit losses, considerations of future factors and other subjective risk factors related to the specific debtor or debtors' group. Estimates were applied in assessing the amounts to be collected and their timing.
- Note 17: loans granted are classified as long-term or short-term. Additionally, the impairment testing requires the management to make an assessment of the significance of increase in credit risk since initial recognition, which is performed by the management considering the liquidity situation of subsidiaries taking into account their financial statements and cash flows forecasts.
- Note 25: the Company estimates warranty provision on a monthly basis having regard to monthly revenue. Warranty provision is being estimated by taking into account revenue, actual warranty expenses incurred in previous periods, its proportion against actual sales, statutory term of warranty and historical information.
- Note 28: The management judgements are to predict the outcome of litigations. Provisions are not recognised in the financial statements as based on the management judgement it is more likely than not, that the Company will win the legal disputes mentioned in the Note 28, or it is not possible to assess reliably the possible outcome of the contingency at the moment.

3. Summary of Significant Accounting Policies

During the reporting period, the Company adopted new standards and amendments to existing standards and their interpretations, which are relevant to the activities and effective for annual periods beginning on or after 1 January 2023.

(a) Standards, their amendments and interpretations effective for annual periods beginning on or after 1 January 2023.

New standards, amendments and interpretations that are not mandatory for reporting period beginning on 1 January 2023 and have not been early adopted when preparing these financial statements are presented below:

IFRS 17 and IFRS 4: Deferral of the effective date of IFRS 17 and IFRS 9 for insurers (issued on 25 June 2020 with effective date of 1 January 2023)

The amendments to IFRS 17 are effective, retrospectively, for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments aim at helping companies implement the Standard. Overall, the amendments are designed to reduce costs by simplifying some requirements in

3. Summary of Significant Accounting Policies (continued)

the standard; make it easier to explain financial performance; and ease transition by deferring the effective date of the standard to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time.

The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.

The management has assessed that these amendments will not have any impact on the Company's financial statements.

IFRS 17 Insurance Contracts (issued on 18 May 2017 with effective date of 1 January 2023).

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. In its March 2020 meeting the IASB decided to defer the effective date to 2023.

IFRS 17, Insurance Contracts, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

This Standard will not have any impact on the financial position or performance of the Company as insurance services are not provided.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments) (issued on 7 May 2021 with effective date of 1 January 2023).

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for reporting periods beginning on or after 1 January 2023.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments) (issued on 12 February 2021 with effective date of 1 January 2023).

The amendments effective for reporting periods beginning on or after 1 January 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments) (issued on 12 February 2021 with effective date of 1 January 2023).

The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The amendments became effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

(b) Standards issued but not yet effective and not early adopted and their amendments

Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (issued on 23 January 2020 with effective date of 1 January 2024).

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or

3. Summary of Significant Accounting Policies (continued)

timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt

which may be settled by the company issuing own equity instruments. The management has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 1 “Non-current Liabilities with Covenants” (issued on 31 October 2022 with effective date of 1 January 2024):

Modify the requirements introduced by Classification of Liabilities as Current or Non-current on how the Company classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which the Company is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, the Company has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for reporting periods beginning on or after 1 January 2024. The amendments are applied retrospectively in accordance with IAS 8 and earlier application is permitted. The management has not yet evaluated the impact of the implementation of these amendments.

Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback” with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale (issued on 22 September 2022 with effective date of 1 January 2024).

Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback” require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments become effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application. The management has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements (issued in May 2023 with effective date of 1 January 2024, with earlier application permitted):

The amendments Supplier Finance Arrangements supplement IAS 7 Statement of Cash Flows and require an entity to disclose the terms and conditions of supplier finance arrangements. The amendments also add supplier finance arrangements as an example within the liquidity risk disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

Amendments to IAS 21: Lack of Exchangeability (issued in August 2023 with effective date of 1 January 2025, with earlier application permitted):

The amendments Lack of Exchangeability supplement IAS 21 The Effects of Changes in Foreign Exchange Rates and require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide. The amendments have not yet been endorsed by the EU. The management has not yet evaluated the impact of the implementation of these amendments.

3. Summary of Significant Accounting Policies (continued)

3.1 Foreign currency

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

3.2 Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

After initial recognition, the Company measures financial assets:

(a) At amortised cost (debt instruments).

At fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition (debt instruments). As at 31 December 2023 and 2022, the Company did not have such financial instruments.

(c) At fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments). As at 31 December 2023 and 2022, the Company did not have such financial instruments.

(d) At fair value through profit or loss. As at 31 December 2023 and 2022, the Company did not have such financial instruments.

Financial asset at amortised cost (debt instruments)

The Company measures financial assets at amortised cost, if the two conditions are met:

(i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

3. Summary of Significant Accounting Policies (continued)

- (ii) Contractual terms and conditions of financial asset allow for obtaining cash flows, on certain dates, which are solely the payments of the principal or the interest on the outstanding principal.

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

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

Impairment of financial assets

In general, IFRS 9 requires the Company to recognize expected credit losses (ECLs) for all debt instruments that are not measured at fair value through profit or loss. ECLs are based on the difference between all contractual cash flows and all the cash flows that the Company expects to receive, discounted at the approximate original effective interest rate. ECLs are recognised in two stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

(a) Assessment of impairment of trade receivables and contract assets

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

(b) Estimation of the impairment of loans granted

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

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

3. Summary of Significant Accounting Policies (continued)

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

Financial liabilities

Initial recognition and measurement:

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Loans received and other payables

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

Offsetting of financial instruments

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When a present financial liability is swapped with other liability to the same lessor, although, upon other conditions or when the present liability terms are substantially changed, this change is recognized as initial derecognition and establishment of a new liability. The difference between respective balance values is recognised in the statement of comprehensive income.

3. Summary of Significant Accounting Policies (continued)

3.3 Property, Plant and Equipment

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

Land and buildings are carried at revalued amount which is their fair value as at the revaluation date less subsequently accumulated depreciation and impairment. Revaluations are carried out regularly ensuring that the carrying amount of land and buildings do not significantly differ from their fair values as at reporting date.

The fair value of land and buildings is established by certified independent real estate appraisers. The revaluation reserve of land and buildings is reduced by an amount equal to the difference between the depreciation based on the revalued carrying amount and the depreciation based on the original cost of the land and buildings each year and is transferred directly to retained earnings or loss.

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

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

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

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

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

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

The estimated useful lives of the assets are the following:

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

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

Gains and losses on disposal are determined by comparing the proceeds from disposal with the residual value of property, plant and equipment and are recognised net within other income or expenses. When revalued assets are sold or reclassified, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3. Summary of Significant Accounting Policies (continued)

3.4 Intangible assets

Software and other intangible assets, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful life is 3 years. The Company does not have any intangible assets with infinite useful life.

3.5 Investment Property

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

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property 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 assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to qualifying assets are capitalised.

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

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

3.6 Leased Assets and Lease Liabilities

A. Company as a lessee

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

The Company (as a lessee) applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of use assets

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

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

- Cars 3 years

3. Summary of Significant Accounting Policies (continued)

3.6 Leased Assets and Lease Liabilities (continued)

- Buildings and structures 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

(B) The Company as a lessor:

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

3.7 Investments in Subsidiaries and Joint Arrangements

Investments in subsidiaries are accounted for at cost less impairment.

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

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

3.8 Inventories

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

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

3.9 Cash and Cash Equivalents

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

In the statement of cash flows, cash and cash equivalents are considered to be cash in the current bank accounts and deposits the terms of which on the day of signing the contract are no less than three months.

3.10 Impairment of Non-Financial Assets

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

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

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

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

3.11 Dividends

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

3.12 Provisions

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

3. Summary of Significant Accounting Policies (continued)

3.12 Provisions (continued)

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

3.13 Employee Benefits

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

In accordance with the requirements of the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement is entitled to a one-off payment amounting to two-month salary. Previously incurred service costs are recognised as expenses on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of changes in terms of benefits (curtailment or settlement) are recognised in the statement of comprehensive income as incurred. Current year cost of employee benefits is recognised as incurred in the statement of comprehensive income. The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognised in other comprehensive income as incurred.

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

3.14 Revenue

Revenue from contracts with customers

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

The Company has concluded that generally it is the principal in its construction services contracts even when the subcontractors are used in the implementation of the projects, because the Company:

- controls the goods and services before transferring them to the customer;
- is responsible for the overall performance of the contract with the customer and is exposed to the risk of default;
- the entity has discretion in establishing the price.

Performance obligations arising from the construction contracts with customers are fulfilled over time and respectively revenue from the construction and installation services are recognised over time if any of the following criteria are met: (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

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

3. Summary of Significant Accounting Policies (continued)

3.14 Revenue (continued)

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

Contract modification (scope or price or both) are accounted for as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised goods or services in the circumstances of the particular contract. Otherwise the contract modification is accounted as (a) termination of the existing

contract and the creation of a new contract, if the remaining goods or services are distinct from the goods or services transferred on or before the date of the contract modification, or (b) part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Company's measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification.

Provisions for loss making contracts are recognised when the Company has a present obligation (legal or constructive) to complete the construction contract for the third party for the price that is lower than the total estimated cost to perform the contract as of the date of the financial statements. The difference between the contract price and the total estimated cost of delivery under the contract is recognised in the statement of comprehensive income at the reporting date. Where the contract costs are expected to exceed contract revenue, the loss is recognised immediately in profit or loss. When performing the contracts the Company may receive short-term prepayments from its customers. Applying the practical expedient, the Company is not adjusting the price allocation by the financing component, if at the inception of the contract it is expected that the time period from the customer payment for goods/services until the delivery of these goods/services will not exceed one year.

Balances under contract

Contract assets

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

Receivables

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

Contract liability

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

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

3.15 Finance Income and Expense

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

3. Summary of Significant Accounting Policies (continued)

3.15 Income Tax (continued)

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

3.16 Income Tax

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

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

Deferred taxes are calculated using the liability method. Deferred tax is recognised, providing for temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the date of the statement of financial position.

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

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

3.17 Earnings per Share

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

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

3.18 Segment Reporting

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

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

3. Summary of Significant Accounting Policies (continued)

3.18 Determination of Fair Value (continued)

In 2023 and 2022, the Company also does not distinguish geographical segments, as the Company's income from foreign countries did not account for more than 10% of the total income and all its non-current assets are also located in Lithuania.

3.19 Determination of Fair Value

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

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

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

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

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

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

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

Fair values have been determined for measurement and/or disclosure purposes based on the methods and assumptions described in Notes 13, 15, 16 and 29. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3.20 Offsetting

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

4. Financial Risk Management

Overview

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

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

Credit risk

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

4. Financial Risk Management (continued)

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

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

4. Financial Risk Management (continued)

The maximum exposure to credit risk is set out below:

(EUR thousand)	2023	2022
Trade Receivables and Contract Assets	16,289	18,450
Loans granted	7,805	7,312
Cash and cash equivalents	5,125	5,013
Total	29,219	30,775

Trade receivables and contract assets:

(EUR thousand)	2023	2022
Municipalities and state institutions	1,268	6,266
Legal persons	15,021	12,184
Total trade receivables and contract assets	16,289	18,450

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

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

(EUR thousand)	2023	%	2022	%
Client 1	4,212	25.9	3,635	19.8
Customer No 2	3,122	19.2	2,028	11.0
Customer No 3	1,142	7.0	1,848	10.0
Customer No 4	1,116	6.8	1,685	9.1
Customer No 5	747	4.6	644	3.5
Customer No 6	718	4.4	620	3.4
Customer No 7	441	2.7	534	2.9
Other customers	4,847	29.7	7,582	41.0
Impairment	(56)	(0.3)	(126)	(0.7)
Total	16,289	100	18,450	100

Breakdown of trade receivables and contract assets by geographic regions:

(EUR thousand)	2023	2022
Local market (Lithuania)	16,276	18,294
Latvia	0	153
Other	13	3
Total	16,289	18,450

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

(EUR thousand)	2023	Impairment	2022	Impairment
Not overdue	13,627		15,931	
Overdue 0-30 days	1,117		1,142	
Overdue 30-90 days	813		1,255	
More than 90 days	788	56	248	126
Total	16,345	56	18,576	126

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

4. Financial Risk Management (continued)

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

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

Following removal of the subsidiary OOO Baltlitstroj from the register on 25 November 2022, the Company's other current assets were written off,

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

Apart from the impairment already recognised as at 31 December 2023, the management considers that there is no risk of material loss to the Company.

Liquidity risk

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

On 20 February 2023, the agreement was signed with the Tax Authority on the payment of the fine imposed in equal instalments over period of four years. The fee payable to the Competition Council is accounted for under the non-current and current liabilities.

Payment terms of financial liabilities, including calculated interest, as to the agreements, as at 31 December 2023 are presented below:

(EUR thousand)	Carrying amount	Contractual net cash flows	Up to 6 months	More than 6 months
Liabilities				
Trade payables	14,595	14,595	14,595	0
Lease liabilities	484	493	134	359
Overdraft	4,120	4,253	4,253	0
Liabilities related to the fine imposed by the Competition Council	4,409	4,671	772	3,899
Total	23,608	24,012	19,754	4,258

Payment terms of financial liabilities, including calculated interest, as to the agreements, as at 31 December 2022 are presented below:

(EUR thousand)	Carrying amount	Contractual net cash flows	Up to 6 months	More than 6 months
Liabilities				
Trade payables	13,979	13,979	13,979	0
Lease liabilities	704	704	146	558
Liabilities related to the fine imposed by the Competition Council*	5,775	5,775	5,775	0
	20,458	20,458	19,900	558

* The full amount of the fine is presented as payable within six months, as, when preparing these financial statements, the management was guided by the judgement that the Company does not yet have a court settlement signed with the Tax Authority. The Company currently pays the said fine in equal parts for a period of four years (with additional interest).

4. Financial Risk Management (continued)

On 17 June 2021, an overdraft agreement was signed with bank with the limit of EUR 5 million. The agreement was extended until 31 July 2024. As at 31 December 2023, the balance of overdraft limit utilised amounted to EUR 4,120 thousand (Note 23).

Change in Liabilities Arising from Financing Activities

(EUR thousand)	As at 31 December 2022	Accrued	Cash in- flows/outflows	Other	As at 31 December 2023
Loans received	0	0	4,120	0	4,120
Dividends payable	28	0	0	0	28
Lease liabilities	704	102	(322)	0	484
Total	732	102	3,798	0	4,632

As at 31 December 2022, overdraft limit was not used (Note 23).

Market risk

Market risk is the risk that changes in market prices, such as changes in foreign currency rates and interest rates will affect the results of the Company. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. As at 31 December 2023 and 2022, the Company did not use any derivatives.

Currency risk. The Company is exposed to the significant risk of changes in foreign currency rates, since sales and receivables, purchases, payables and borrowings are denominated in a currency other than the functional currency are not material. The majority of monetary assets and liabilities as at 31 December 2023 and 2022 were denominated in EUR.

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

The Company's financial assets and borrowings subject to variable interest rates outstanding as of 31 December 2023 were as follows:

	Contract cur- rency	2023	2022
Long-term loans granted	EUR thousand	6,378	5,954
Short-term loans granted	EUR thousand	1,427	1,358
Total		7,805	7,312

Loans received (overdraft)	EUR thousand	4,120	0
Total		4,120	0

With an increase in the interest rate by 0.5% as at 31 December 2023, the Company's net profit would increase by approximately EUR 35 thousand. With an increase in the interest rate by 0.5% as at 31 December 2022, the Company's net profit would also increase by approximately EUR 35 thousand. With an increase in the interest rate by 0.5% as at 31 December 2023, the Company's net profit would decrease by approximately EUR 21 thousand due to the loan received.

Capital management

The Company's Boards 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 Company's Board monitors the return on capital and proposes the level of dividends to ordinary shareholders based on the Company's financial results and strategic plans.

The Board also aims to keep balance between higher return, which could be available if there was higher level of borrowed "funds" and security, which is provided by higher level of equity. The Company adheres to the requirement set in the Law on Companies of the Republic of Lithuania under which the equity

4. Financial Risk Management (continued)

of the Company must not be less than ½ of the issued capital. As at 31 December 2023 and 2022, the Company was in line with this regulation. The Company's capital management policy did not change during the year.

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

5. Revenue from Contracts with Customers

Revenue is derived from construction-installation work (approx. 97% in 2023 and 99% in 2022).

(EUR thousand)	2023	2022
Lithuania	79,141	78,443
Latvia	1,610	779
Sales in total	80,751	79,222

Revenue from the largest customer of the Company in 2023 amounted to approximately EUR 17,234 thousand (2022: EUR 18,214 thousand) of the Company's total revenues.

In 2023, the Company recognised EUR 2,531 thousand of revenue from contracts with customers that were included to the balance of contract liabilities at the beginning of the period (2022: EUR 674 thousand). Information on contracts outstanding at the end of the financial year is disclosed in Note 19.

6. Cost of sales

(EUR thousand)	2023	2022
Construction sub-contractors	38,735	41,919
Raw materials and consumables	18,644	16,136
Payroll expenses (Note 9)	10,943	9,582
Depreciation charge	240	391
Amortisation charge	2	4
Machinery expenses	1,686	2,856
Rent expenses (short term lease)	2,199	1,550
Onerous contracts	(413)	515
Other expenses	4,873	4,113
Total cost of sales	76,909	77,066

7. Selling expenses

(EUR thousand)	2023	2022
Advertising and other expenses	35	31
Payroll expenses (Note 9)	355	306
Total selling expenses	390	337

8. Administrative expenses

(EUR thousand)	2023	2022
Payroll expenses (Note 9)	4,938	4,615
Purchased services for administrative use	1,523	1,425
Rent expenses	302	305
Depreciation charge	268	226
Operating taxes other than income tax	119	121
Sponsorship	13	12
Amortisation charge	21	19
Total expenses of impairment (reversal of impairment) of trade receivables, contract assets and other receivables:	(20)	(68)
Impairment (reversal of impairment) of trade receivables (Note 19)	(28)	(13)
Decrease (increase) in other amounts receivable	8	(55)
Other expenses	509	142
Total administrative expenses	7,673	6,797

9. Payroll expenses

(EUR thousand)

	2023	2022
Wages and salaries	15,293	12,834
Social security contributions	293	244
Daily allowances and incapacity benefits	674	1,098
Change in accrued vacation reserve and bonuses	52	277
Change in pension provision (Notes 25 and 27)	(17)	67
Total salary related expenses	16,295	14,520

Recognised in:

Cost of sales	10,943	9,582
Administrative expenses	4,938	4,615
Selling expenses	355	306
Other operating expenses	59	17
Total salary related expenses	16,295	14,520

10. Other Income and Expenses

(EUR thousand)

	2023	2022
Gain from sale of property, plant and equipment	51	29
Rental income (Note 15)	466	413
Gain on revaluation of assets	140	346
Other revenue	694	644
Total other income	1,351	1,432
Depreciation of rented premises	(139)	(132)
Other expenses	(620)	(488)
Total other expenses	(759)	(620)
Total other income and expenses, net	592	812

11. Finance Income and Expense

(EUR thousand)

	2023	2022
Interest income	428	231
Interest expenses, related to fine imposed by the Competition Council (Note 28)	0	1,133
Other finance income	865	824
Total finance income	1,293	2,188
Loan interest expenses	(375)	(102)
Other expenses	(8)	(24)
Total finance expense	(383)	(126)
Total finance income and expense, net	910	2,062

12. Income tax

Income tax expenses (benefit):

(EUR thousand)

	2023	2022
Current income tax expense	0	0
Change in deferred tax	(440)	(384)
Total income tax expense	(440)	(384)

In 2023 and 2022, the Company applied a standard 15% rate in Lithuania, a 22% rate in the Kingdom of Sweden and 0% rate in Latvia. Reconciliation of effective tax rate:

12. Income Tax (continued)

(EUR thousand)	2023		2022	
Profit (loss) before tax		(2,279)		(2,104)
Income tax expense (benefit) applying the Company's tax rate in Lithuania	15.0 %	(342)	15.0 %	(316)
Non-deductible expenses		356		111
Non-taxable income		(522)		(419)
Change in deferred tax asset's realisation allowance		68		240
		(19.3)%		(18.3)%
		(440)		(384)
Deferred tax:	2023		2022	
(EUR thousand)	Temporary differences	Deferred tax	Temporary differences	Deferred tax
Impairment of trade and other receivables	122	19	184	28
Accrued bonuses	267	40	222	33
Pension provision	278	42	296	44
Vacation reserve	30	4	28	4
Warranty provision	270	40	471	71
Inventory write-off to net realisable value	91	14	75	11
Tax loss carry forward (indefinite period)	8,684	1,303	5,225	785
Onerous contracts	102	15	515	77
Total deferred tax assets		1,477		1,053
Not recognised deferred tax assets (trade receivable allowance)		(10)		(9)
Deferred tax asset recognised		1,467		1,044
Revaluation of land and buildings	(2,144)	(322)	(2,394)	(359)
Difference in investment property value	(1,694)	(254)	(1,557)	(234)
Deferred tax liability		(576)		(593)
Deferred tax, net		891		451

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

Change in deferred income tax:

(EUR thousand)	2023	2022
Net deferred tax as at 1 January	451	249
Amounts recognised in other comprehensive income	0	(182)
Recognised in profit or loss	440	384
Net deferred tax as at 31 December	891	451

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

13. Property, Plant and Equipment

(EUR thousand)	Land and buildings	Machinery and equipment	Vehicles	Fixtures and fittings	Construction-in-progress	Total
Cost (revalued carrying amount of land and buildings)						
Balance as at 1 January 2023	3,840	2,594	1,759	546	0	8,739
Additions		311	184	116	20	631
Reclassification	(45)					(45)
Asset written-off		(453)	(69)	(167)		(689)
Balance as at 31 December 2023	3,795	2,452	1,874	495	20	8,636
Balance as at 1 January 2022	2,598	2,614	1,740	603		7,555
Additions	108	37	19	81		245
Revaluation of assets	1,134					1,134
Asset written-off		(57)		(138)		(195)
Balance as at 31 December 2022	3,840	2,594	1,759	546		8,739
Depreciation and impairment						
Balance as at 1 January 2023	650	2,287	1,467	284		4,688
Depreciation for the year	224	196	114	113		647
Depreciation of asset written-off		(439)	(66)	(160)		(665)
Balance as at 31 December 2023	874	2,044	1,515	237		4,670
Balance as at 1 January 2022	500	2,048	1,279	290		4,117
Depreciation for the year	150	296	188	129		763
Depreciation of asset written-off		(57)	0	(135)		(192)
Balance as at 31 December 2022	650	2,287	1,467	284		4,688
Residual value						
As at 1 January 2023	3,190	307	292	262	0	4,051
As at 31 December 2023	2,921	408	359	258	20	3,966
As at 1 January 2022	2,098	566	461	313	0	3,438

13. Property, Plant and Equipment (continued)

(EUR thousand)	2023	2022
Depreciation recognised in:		
Cost of sales	240	391
Operating expenses	268	226
Other expenses	139	146
Total depreciation	647	763

Land and buildings are stated at revalued amount. The last external revaluation was performed as on 31 December 2022 based on the estimates on possible market prices of the Company's land and buildings provided by independent appraisers, having appropriate recognised professional qualifications and necessary experience in valuation of property at certain location and of certain category. The valuation was performed using the comparable value approach. Significant unobservable data was used in fair value measurement, i.e. price per square meter/are. The fair value would increase with an increase in price per square meter/are and decrease with a decrease in price per square meter/are.

If the buildings and land were stated at cost model, their net book value as at 31 December 2023 would be equal to EUR 1,526 thousand (as at 31 December 2022, EUR 1,638 thousand).

As at 31 December 2023, the acquisition cost of fully depreciated property, plant and equipment still in use amounted to EUR 2,927 thousand, (as at 31 December 2022, EUR 2,108 thousand).

Land and buildings with the carrying amount of EUR 6,327 thousand as at 31 December 2023 (as at 31 December 2022, EUR 3,272 thousand) has been pledged to banks, insurance company and the state authority (see Note 28).

14. Intangible assets

(EUR thousand)	Software	Other assets	Total
Cost			
Balance as at 1 January 2023	202	0	202
Additions	9		9
Asset written-off	0		0
Balance as at 31 December 2023	211	0	211
Balance as at 1 January 2022	221	0	221
Additions	3		3
Asset written-off	(22)		(22)
Balance as at 31 December 2022	202	0	202
Amortisation and impairment			
Balance as at 1 January 2023	38	0	38
Amortisation charge for the year	23		23
Amortisation of asset written-off			
Balance as at 31 December 2023	61	0	61
Balance as at 1 January 2022	38	(1)	37
Amortisation charge for the year	22	1	23
Amortisation of asset written-off	(22)		(22)
Balance as at 31 December 2022	38	0	38
Residual value			
As at 1 January 2023	164	0	164
As at 31 December 2023	150	0	150
As at 1 January 2022	183	1	184

14. Intangible Assets (continued)

(EUR thousand)	2023	2022
Amortisation recognised in:		
Cost of sales	2	4
Administrative expenses	21	19
Total amortisation	23	23

The Company did not have any intangible assets fully amortised but still in use neither as at 31 December 2023, nor as at 31 December 2022.

15. Investment Property

(EUR thousand)	2023	2022
Balance as at 1 January	3,741	3,396
Reclassification from (to) property, plant and equipment	45	130
Change in fair value	140	215
Balance as at 31 December	3,926	3,741

In 2015, the Company acquired a 14-floor hotel *Panevėžys* located in Panevėžys, 16.74% of which is rented out to third parties, and the rest of the hotel is not used. The Company has no detailed plans regarding the use of the remaining part of the building yet; however, the building is not planned to be further used in the Company's activities; therefore, the whole building is classified as an investment property.

The fair value measurement has been determined by valuation of the building carried out by the independent property appraisers Ober-Haus UAB, having appropriate professional qualification and relevant valuation experience. The discounted cash flow method was used in the valuation (discount rate – 9%, exit yield – 7%, occupation rate 80–90%; the same assumptions were used in 2023 and 2022).

The identified fair value of the above investment property of EUR 1,690 thousand (2022: EUR 1,550 thousand) was attributed to Level 3 in the fair value hierarchy.

At the end of the financial year, future minimum lease payments receivable under non-cancellable lease agreements were the following: EUR 154 thousand in less than one year, EUR 70 thousand between one and five years (as at 31 December 2022, EUR 171 thousand in less than one year, EUR 112 thousand between one and five years). Revenue from the hotel premises rent in 2023 amounted to EUR 132 thousand (2022: EUR 123 thousand) and was accounted for under other income (see Note 10).

In addition, the Company reclassified the operational buildings, storages and other premises, leased to both subsidiaries and third parties, to investment property. Calculated fair value of these buildings as at 31 December 2022 amounted to EUR 2,236 thousand, which was evaluated in accordance with the reports of independent real estate appraisers and a percentage of leased space. The assessment of assets was carried out by UAB corporation Matininkai. Assets were evaluated using comparable and income methods, with regard to the larger value. An average discount rate of 10.56% was applied to income method in accordance with weighted average cost of capital. The latter investment property was attributed to Level 3 in fair value hierarchy. The management assessed that the fair value of the investment property did not change significantly.

Expected rental receivables of this investment property under non-cancellable contracts as at 31 December 2023 amounted to: EUR 293 thousand in less than one year, EUR 629 thousand between one and five years (as at 31 December 2022: EUR 355 thousand in less than one year, EUR 469 thousand between one and five years). Revenue from lease in 2023 amounted to EUR 334 thousand (in 2022: EUR 332 thousand) and was accounted for under other income.

16. Investments in subsidiaries and joint operations

(a) Subsidiaries

(EUR thousand)

Subsidiary	2023		2022	
	Ownership interest	Cost	Ownership interest	Cost
PST Investicijos UAB, Verkių st. 25C, Vilnius	69.0 %	305*	68.3 %	3,432
Šeškinės Projektai UAB, Verkių st. 25C, Vilnius	100 %	1,600	100 %	1,600
Ateities Projektai UAB, Verkių st. 25C, Vilnius	100 %	400	100 %	400
Tauro Apartamentai UAB, Verkių st. 25C-1, Vilnius	100 %	2	100 %	2
Hustal UAB, Tinklų st. 7, Panevėžys	100 %	34	100 %	34
Vekada UAB, Marijonų st. 36, Panevėžys	95.6 %	225	95.6 %	225
Skydmedis UAB, Pramonės st. 5, Panevėžys	100 %	145	100 %	145
Alinita UAB, Tinklų st. 7, Panevėžys	100 %	70	100 %	70
SIA PS Trests, Skultes iela 28, Skulte, Marupes nov., Latvia	100 %	4	100 %	4
Kingsbud Sp.z.o.o, A. Patli st. 12, 16-400 Suwalki, Poland	100 %	1	100 %	1
Aliuminio Fasada UAB, Pramonės st. 5, Panevėžys	100 %*	250	100 %*	250
Impairment:				
PST Investicijos UAB		(112)		(112)
Alinita UAB		(70)		(70)
PS Trests SIA		(4)		(4)
Total investments		2,850		5,977

* In 2022, the General Meeting of Shareholders of PST Investicijos UAB made a decision to reduce the issued capital by the EUR 9,709 thousand loss (the Company's share is EUR 6,636 thousand). * In 2023, the General Meeting of Shareholders of PST Investicijos UAB made a decision to pay EUR 4,576 thousand in dividends to the shareholders, by reducing the issued capital of PST Investicijos UAB.

Financial information on subsidiaries can be specified as follows:

Subsidiaries of Panevėžio Statybos Trestas AB:

(EUR thousand)	Type of activity	Equity As at 31 December 2023	Net profit (loss) for 2023	Equity As at 31 December 2022	Net profit (loss) for 2022
PST Investicijos UAB (consolidated group, see below)	Real estate development	250	5,502	4,808	33
Vekada UAB	Construction: electrical installation	813	(182)	988	(63)
Skydmedis UAB	Construction: wooden houses	1,892	884	1,507	837
Alinita UAB	Construction: conditioning equipment	(251)	18	(265)	(241)
Metalo Meistrai UAB before business combination	Construction	0	0	1,485	455
Hustal UAB before business combination	Trade	0	0	376	216
Hustal UAB after business combination	Trade, construction	3,038	1,243	2,095	690
Aliuminio Fasada UAB	Production of aluminium profile systems	(198)	(8)	(191)	(120)
PS Trests SIA	Construction	(182)	11	(193)	(51)
Šeškinės Projektai UAB	Real estate development	8,280	701	7,615	1,337
Kingsbud Sp.z.o.o	Trade	581	141	441	183
Ateities Projektai UAB	Real estate development	619	216	403	204
Tauro Apartamentai UAB	Real estate development	3	0	3	0

16. Investments in subsidiaries and joint operations (continued)

Subsidiaries of PST Investicijos UAB:

(EUR thousand)	Ownership interest	Equity As at 31 December 2023	Net profit (loss) for 2023	Equity As at 31 December 2022	Net profit (loss) for 2022
ZAO ISK Baltevromarket	100 %	0	0	198	5,629

As at 31 December 2023 and 2022, based on the management's assessment, the investments in Alinita UAB and SIA Trests SIA were impaired, therefore, a 100% impairment loss was recognised. The management estimated the recoverable amount for investment into PST Investicijos UAB as at 31 December 2023 and 2022 as described below. There were no impairment indications for other investments as at 31 December 2023 and 2022.

As at 31 December 2023, PST Investicijos UAB recoverable amount was estimated as follows:

Carrying value of PST Investicijos UAB as at 31 December 2022 (cost less impairment recognised)	193
Other assets less liabilities at estimated fair value	250
Recoverable value of PST Investicijos UAB	250
Amount of shares controlled by Panevėžio Statybos Trestas AB	68.974 %
PST Investicijos UAB recoverable value attributed to Panevėžio Statybos Trestas AB	172
Estimated potential impairment as at 31 December 2023.	(20)

Estimated impairment until 31 December 2022 **(5,558)**

Reduction in financial assets of PST investicijos UAB by making payments to shareholders	3,127
Reduction in financial assets of PST investicijos UAB by covering losses	2,319
Total impairment for as of 31 December 2023	(112)

The subsidiary ZAO ISK Baltevromarket (Kaliningrad) of PST investicijos UAB was removed from the register on 30 May 2023. The potential impairment was not identified based.

As at 31 December 2022, PST Investicijos UAB recoverable amount was estimated as follows:

Carrying value of PST Investicijos UAB as at 31 December 2022 (cost less impairment recognised)	3,320
Other assets less liabilities at estimated fair value	4,886
Recoverable value of PST Investicijos UAB	4,886
Amount of shares controlled by Panevėžio Statybos Trestas AB	68.344 %
PST Investicijos UAB recoverable value attributed to Panevėžio Statybos Trestas AB	3340
Estimated potential impairment as at 31 December 2022.	20

Estimated impairment until 31 December 2021 **(5 558)**

Additional impairment accounted for under financial expenses in 2022	0
Total impairment for as of 31 December 2022	(5 558)

Estimation of the recoverable amount of investment made by PST Investicijos UAB was mainly based on the real estate project, which was developed by ZAO ISK Baltevromarket in Kaliningrad. In April 2021, ZAO ISK Baltevromarket in Kaliningrad sold remaining land plots for EUR 7,000, using the exchange rate between euro and ruble prevailing at the date of the transaction.

16. Investments in subsidiaries and joint operations (continued)

(b) Joint operations

In 2016, the Company concluded the agreement with limited liability company SIA ARMS GROUP, Gobu iela 1-129, Baloži, Kekavas novads, Latvia, regarding joint operations and several liability for newly established general partnership enterprise PST Un Arms. General partnership enterprise PST Un Arms is established for certain project developed in Latvia. The development of the project was finalised in 2021.

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

General information of PST Un Arms:

(EUR thousand)	2023	2022
Total assets	14	14
Total liabilities	3	3
Equity	11	11
Revenue	0	0
Net result	0	(5)

17. Long-term and short-term loans granted

(EUR thousand)	Interest rate	Maturity	2023	2022
	3-month EURIBOR+0.98 %, as from 05/11/2019 3- month EURIBOR+3.0%	As at 1 July 2026		
Šeškinės Projektai UAB			6,378	5,954
Short-term loans				
	6-month EURIBOR+3.0%	As at 31 Decem- ber 2024		
Ateities Projektai UAB			1,379	1,286
	Fixed at 1.5 %	As at 31 Decem- ber 2023		
Kingsbud Sp.z.o.o			48	72
Total			7,805	7,312

As at 31 December 2023 and 2022, the recoverability of loans was assessed under the principles disclosed in Note 3.2, and the principal assumptions that impact the assessment are the same as disclosed in Note 16.

The long term loan granted by the Company was not past due as at 31 December 2023 and 2022. Kingsbud Sp. z. o. o. repaid the loan in January 2024.

18. Inventories

(EUR thousand)	2023	2022
Raw materials and consumables	1,359	2,223
Projects under development	3,366	3,119
Write-down to net realisable value	(91)	(75)
Total inventories	4,634	5,267

In 2023 and 2022, the change in write-down of inventory to the net realizable value was accounted for in administrative expenses.

19. Trade Receivables and Contract Assets

(EUR thousand)	2023	2022
Trade receivables	12,729	14,075
Contract assets (accrued income based on the stage of completion)	2,531	4,104
Receivables from subsidiaries	1,085	397
Impairment at the beginning of the year	(126)	(130)
Write-off of doubtful trade receivables	42	(10)
Repayment of doubtful trade receivables	7	1
Additional impairment/(reversal) during the period	21	13
Impairment at the end of the year	(56)	(126)
Total trade receivables and contract assets, net	16,289	18,450

The part of trade receivables due from customers is accounted for as non-current trade receivables: EUR 1 thousand as at 31 December 2023, EUR 114 thousand as at 31 December 2022. These amounts are related with non-current retentions as indicated below.

As at 31 December 2023, trade receivables include retentions (retention – a fixed percentage of the total contract price which shall be paid by the customer when the construction is completed and the bank guarantee in the amount of the retained payment is provided or warranty document of the insurance Company is provided to the customer) of EUR 1,400 thousand (2022: EUR 3,555 thousand) relating to construction contracts in progress. For impairment of trade receivables refer to Note 4.

Information about customers' specific projects in progress as at 31 December 2023 and 2022:

(EUR thousand)	2023	2022
Sales by specific customers' projects in progress, recognised in the statement of comprehensive income during the year	47,711	65,689
Sales by specific customers' projects in progress, recognised over the contract period	69,594	101,987
Expenses incurred for completing specific customers' projects in progress, recognised in the statement comprehensive income during the year	45,757	62,233
Expenses incurred for completing specific customers' projects in progress, recognised in the statement comprehensive income over the contract period	66,993	98,550
Contract assets (Note 19)	2,531	4,104
Contract liability (deferred income) under outstanding contracts at the year-end (Note 27)	728	2,687
Contract liability (payments from customers for purchase of inventories and etc.)	187	943
Provisions for onerous contracts (Note 27)	102	515
Trade receivables (under the caption of trade receivables and receivables from related parties)	11,525	12,347

As at 31 December 2023, the total contract amount attributed to performance obligations under the construction contracts with customers that were outstanding (or partly outstanding) amounted to EUR 97,318 thousand (as at 31 December 2022, EUR 79,160 thousand). Most of these construction projects are expected to be completed and revenue recognised within one year.

20. Other current assets

(EUR thousand)	2023	2022
<i>Non-financial assets</i>		
Excess VAT	36	135
Accrued revenue from contracts	0	269
Other current assets	0	0
Non-financial assets, total	36	404
Other current assets, total	36	404

As at 31 December 2023 and 2022, the Company did not have any term deposits.

21. Cash and cash equivalents

(EUR thousand)	2023	2022
Cash at bank	5,125	5,013
Cash on hand	0	0
Cash and cash equivalents, total	5,125	5,013

As from 21 June 2022, the Company does not have any cash on hand.

22. Capital and reserves

The Company's issued capital consists of 16,350,000 ordinary shares with a nominal value of 29 euro cents each. The Company's issued capital is fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to receive dividends as declared from time to time and to capital repayment in case of decrease of the capital. There were no changes in the issued capital in 2023 and 2022. The Company did not hold its own shares as at 31 December 2023 and 2022. As at 31 December 2023 and 2022, the subsidiaries had not acquired any shares of the Company.

The reserves were as follows:

(EUR thousand)	2023	2022
Revaluation reserve	1,822	2,034
Legal reserve	475	475
Total reserves	2,297	2,509

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

Dynamics in revaluation reserve:	2023	2022
Revaluation reserve as at 1 January	2,035	1,137
Revaluation	0	1,030
Depreciation of revaluation reserve	(213)	(132)
Revaluation reserve as at 31 December	1,822	2,035

22. Capital and Reserves (continued)

Legal reserve is a compulsory reserve allocated in accordance with the legislation. An annual allocation of at least 5% of the net profit is required until the reserve is not less than 10% of the issued capital. The reserve cannot be paid out in dividends. Legal reserve at 31 December 2023 and 2022 accounted for 10% of the issued capital.

23. Loans

(EUR thousand)	Interest rate	Maturity	2023	2022
	3-month			
OP Corporate Bank plc. Lithuania (overdraft)	EURIBOR+2.54 %	As at 31 January 2024	4,120	0
Total			4,120	0

In June 2021, the Company concluded the overdraft agreement with OP Corporate Bank plc., Lithuania branch, for EUR 5,000 thousand. As at 31 December 2022, the overdraft was not used.

24. Trade payables

Payables to suppliers by geographic region:

(EUR thousand)	2023	2022
Local market (Lithuania)	14,033	13,509
Latvia	193	264
Netherlands	0	145
Ukraine	5	11
Poland	328	47
Germany	36	3
Total	14595	13,979

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

25. Provisions

Warranty provisions are related to constructions built in 2019–2023. Based on the legislation of the Republic of Lithuania, the Company has a warranty liability for construction works. The term of liability varies from 5 to 10 years after delivery of construction works, i.e. an assurance type warranty and it is not provided as the Company's separate service. Provision for warranties is based on estimates made from historical data of actually incurred costs of warranty repairs.

	Warranty	Pension*	Other	Warranty	Pension
Change in provisions:	2023	2023	2023	2022	2022
Provisions at the beginning of the year	471	295	0	702	228
Used and recognised in the cost of sales and operating costs	(421)	(56)		(430)	(33)
Accrued during the year	220	39	109	199	100
Provisions at the end of the year	270	278	109	471	295

* Represents current and non-current part of provision.

26. Right-of-Use Assets and Lease Liabilities

Dynamics of the Company's right-of-use assets during the reporting period:

(EUR thousand)	Buildings	Cars	Total
Balance as at 1 January 2023	568	123	691
Additions		91	91
Asset written-off			0
Depreciation charge	(211)	(114)	(325)
Balance as at 31 December 2023	357	100	457
As at 31 January 2022	779	198	977
Additions	0	14	14
Asset written-off	0	0	0
Depreciation charge	(211)	(89)	(300)
Residual value as at 31 December 2022	568	123	691

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

Lease liabilities and their dynamics:

(EUR thousand)	2023	2022
Residual value at the beginning of the period	704	981
Contracts signed under IFRS 16	91	14
Contracts terminated (write-off of liability and accrued interest)	0	0
Accrued interest	11	16
Lease payments (principal portion and interest)	(322)	(307)
Residual value as at 31 December	484	704
Non-current lease liabilities	225	408
Current lease liabilities	259	296

The Company's payments under leases were as follows:

(EUR thousand)	2023	2022
Minimum payments		
Within first year	283	308
From two to five years	210	420
More than five years	0	0
Total	493	728
Future finance costs		
Within first year	(7)	(16)
From two to five years	(2)	(8)
More than five years	0	0
Total	(9)	(24)
Residual value	484	704

27. Contract and Other Liabilities

(EUR thousand)

Non-financial liabilities

	2023	2022
Contract liability (deferred income) under contracts in progress (Note 19)	728	2,687
Contract liability (payments from customers for purchase of inventories and etc.) (Note 19)	187	943
Liabilities related to the fine imposed by the Competition Council (Note 28)	4,409	5,775
Payable VAT	0	0
Accrued vacation reserve	1,687	1,635
Salaries and related taxes payable	1,210	1,191
Bonus accrual for employees	267	222
Provisions for onerous contracts	102	515
Liabilities to subsidiary	0	2,734
Other liabilities	112	163
Other liabilities, total	8,702	15,865

28. Contingent Liabilities

Guarantees

As at 31 December 2023, the bank guarantees in the amount of EUR 9,098 thousand to third parties, related to obligations under the construction contracts of the Company, were issued by banks on behalf of the Company (as at 31 December 2022, EUR 10,456 thousand). The guarantees expire in the period from 7 January 2024 to 30 August 2029. In addition, the Company has guarantees issued by insurance companies for the amount of EUR 13,996 thousand, which are also related to liabilities in the construction contracts (2022: EUR 15,503). The guarantees expire between 30 January 2024 and 21 December 2026. No additional liabilities are recorded in respect of these guarantees in the financial statements other than estimated warranty reserve (Note 25).

The property with a carrying amount of EUR 6,327 thousand as at 31 December 2023 (EUR 3,272 thousand as at 31 December 2022) has been pledged to banks, insurance company and the state authority for the guarantee limit, bank guarantees issued and deferral of payables. As at 31 December 2023, the guarantee limit amounted to EUR 15,000 thousand, the balance withdrawn was EUR 9,098 thousand. The guarantee limit agreement is effective until 31 March 2024 with the possibility to issue guarantees until 31 March 2024 that would be valid for 3 years following their date of issue. Guarantees are valid for 5 years following their date of issue if the amount does not exceed EUR 1,500 thousand. As at 31 December 2022, the guarantee limit amounted to EUR 15,000 thousand, the balance withdrawn was EUR 10,456 thousand.

Legal contingencies

The Company is involved in below described material legal cases:

The Competition Council has made a decision as of 20 December 2017 “Regarding Irdaiva UAB and PST AB actions in joint participation in public tenders of buildings renovation and modernization works meeting the requirements of Article 5 of the Competition law of the Republic of Lithuania”. Based on the Competition Council decision, joint activity agreement signed between the Company and UAB Irdaiva for providing joint offers in 24 public tenders organized by UAB Vilniaus Vystymo Kompanija intended to limit competition and violated the requirements of Article 5(1) of the Competition Law of Republic of Lithuania. A fine was set to the Company in total amount of EUR 8,514 thousand. On 3 June 2020, the Supreme Administrative Court of Lithuania announced a non-appealable ruling on the dispute of the Company against the decision of the Competition Council. As a consequence, the Company recognised in the financial statements for the year ended 31 December 2020 the fine amounting to EUR 8,514 thousand and related interest charge amounting to EUR 1,385 thousand, and the bailiff enforcement fee amounting to EUR 396 thousand.

28. Contingent liabilities (continued)

The Company recognised the full amounts of fine, interest and enforcement fees in its financial statements for the year ended 31 December 2020, however the management took additional legal actions to reduce the interest and the enforcement fee amounts, as further described below.

The Tax Authority informed the participants involved in the enforcement process by the letter No 21915 (individual administrative act) of 12 August 2020 on the decision to set the payment of fines and interest imposed on the Company in equal parts for a period of eight years. The Tax Authority also stated that the bailiff's enforcement fees should not be included in the payment schedule. On 17 February 2023, the settlement agreement was signed with the Tax Authority, with the fine payable by equal instalments over four years period. On 20 July 2023, the Chamber of Panevėžys of the Panevėžys District approved the settlement agreement between the Company and the Tax Authority of 17 February 2023 regarding the collection of the fine imposed by the Competition Council in enforcement proceedings. The outstanding debt as at the date of conclusion of the settlement agreement, amounting to EUR 5,568,841.30, is divided over a period until 1 February 2027, and is paid in equal installments every month. The Group's non-current assets with the carrying amount of EUR 4,104,022 were pledged to secure payments.

The Chamber of Panevėžys of the Panevėžys District Court investigated the appeal of PANEVĖŽIO STATYBOS TREŠTAS AB in a civil case No 2YT-238-1105/2021 regarding the bailiff's orders by which the enforcement fees were calculated. By the ruling of 8 February 2022, the Court overturned the order No S-20-102-25277 of S. Ramanauskas, a bailiff, dated 7 September 2020, regarding the recovery of enforcement fees in the enforcement proceedings No 0102/20/00638. The parties to the proceedings did not appeal, and thus bailiff's enforcement fees decreased from EUR 396 thousand to EUR 45 thousand.

The Chamber of Panevėžys of the Panevėžys District Court investigated the appeal of PANEVĖŽIO STATYBOS TREŠTAS AB in a civil case No 2YT-8648-452/2020 [2YT-230-452/2021] regarding the bailiff's orders by which the interest payable and the enforcement fees were calculated under the Decision No 2S-11(2017) of 20 December 2017 of the Competition Council of the Republic of Lithuania. The Chamber of Panevėžys of the Panevėžys District Court dismissed the appeal by an order of 13 January 2021. This order was appealed by bringing a separate appeal on 20 January 2021. By order of 20 April 2021, the Panevėžys Regional Court upheld the decision of the Chamber of Panevėžys of the Panevėžys District Court unchanged. This decision was appealed in cassation. On 14 April 2022, the Supreme Court of Lithuania overturned the ruling of the Panevėžys Regional Court dated 20 April 2021 and remitted the case to the appeal court for reconsideration. On 14 June 2022, the Panevėžys Regional Court overturned the ruling of the Chamber of Panevėžys of the Panevėžys District Court dated 13 January 2021, and decided this question on the merits: upheld the appeal against the actions of bailiff Saulius Ramanauskas in enforcement proceedings No OI 02/20/00638; repealed the bailiff's order No S-20-17054 dated 11 June 2020, order No S-20-102-17225 dated 12 June 2020, order No 20-102-17214 dated 12 June 2020, order No S-20-102-17969 dated 18 June 2020 and order No S-20-102-18809 dated 30 June 2020 concerning the calculation of interest and enforcement fees (bailiff fees), and ordered the bailiff Saulius Ramanauskas to carry out a recalculation of the interest and enforcement fees specified in these orders. On this basis, the interest charged decreased from EUR 1,385 thousand to EUR 252 thousand.

There is a civil case in Vilnius District Court based on DG Paupio Verslo Namai UAB (Plaintiff) action against Panevėžio Statybos Trestas AB (civil case No e2-739-863/2024), under which the Plaintiff seeks that the Company and ERGO Insurance SE acting through ERGO Insurance SE Lithuanian branch be ordered jointly and severally to pay EUR 827,917.61; the Company be ordered to pay EUR 397,983.79; and the Company be ordered to pay 6% annual interest from the adjudged amount calculated from the day when the civil case was lodged in the court until complete execution of the judgement and the costs incurred.

The dispute arose out of the plaintiff's allegation that the Company did not properly carry out the exterior facade tile installation works of the apartment building at Aukštaičių g. 10, Vilnius, resulting in several tiles falling off external facade.

28. Contingent liabilities (continued)

By judgment delivered by the Court of First Instance on 3 April 2024, the compensation for damages was reduced to EUR 208,141. The judgment can be appealed to the Lithuanian Court of Appeal within 30 days.

The management intends to appeal the judgment and is confident that the case will be successfully resolved, therefore no provision has been made for the amount of the claim.

The property of EUR 854,736 is pledged to the insurance company to secure fulfilment of the obligations.

29. Related-Party Transactions

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

The Company had sales and purchase transactions during 2022–2023 with subsidiaries, the controlling company Hisk AB and with its subsidiaries (reported under other caption “Other related companies” below). Transactions with related parties during 2023 and 2022 were as follows:

(EUR thousand)	Type of transaction	2023	2022
Sales:			
Companies under control			
Šeškinės Projektai UAB	Interest and services	424	332
Vekada UAB	Goods and services	14	16
Alinita UAB	Goods and services	339	35
PST Investicijos UAB	Services	19	135
Skydmedis UAB	Goods and services	52	41
Ateities Projektai UAB	Services	80	48
Aliuminio Fasada UAB	Services	428	697
Hustal UAB	Services	171	210
PS Trests SIA	Services	102	33
Kingsbud Sp.z.o.o	Interest	7	2
Controlling company			
Hisk AB	Goods and services	106	185
Other related companies			
	Goods and services	0	1
<hr/>			
(EUR thousand)	Type of transaction	2023	2022
Purchases:			
Companies under control			
Alinita UAB	Goods and services	384	1,620
Kingsbud Sp.z.o.o	Goods and services	1,275	777
Vekada UAB	Goods and services	1,212	1,600
PS Trests SIA	Services	1,725	865
Aliuminio Fasada UAB	Goods and services	42	966
Šeškinės Projektai UAB	Goods and services	289	308
PST Investicijos UAB	Services	217	357
Other (1+8+16)	Services	25	8
Controlling company			
Hisk AB	Goods and services	965	593
Other related companies			
UAB Scard	Goods and services	110	120
Other	Goods and services	39	43

29. Related Party Transactions (continued)

(EUR thousand)	2023	2022
Receivables		
<i>Companies under control</i>		
Šeškinės Projektai UAB	433	458
Hustal UAB	37	68
Aluminio Fasada UAB	747	376
Other	32	70
Payables:		
<i>Companies under control</i>		
Vekada UAB	246	435
Kingsbud Sp.z.o.o	420	176
PS Trests SIA	171	222
Šeškinės Projektai UAB	432	166
Other	41	22
<i>Controlling company</i>		
Hisk AB	369	269
<i>Other related companies</i>		
Other	4	16
Loans receivable incl. accrued interests from companies under control:		
Kingsbud Sp.z.o.o	48	72
Šeškinės Projektai UAB	6,378	5,954
Ateities Projektai UAB	1,379	1,286

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

Balances at the year-end have no collaterals and all transactions are carried out in cash unless otherwise agreed. There have been no guarantees provided or received for any related party receivable or payable and no allowances have been made for the doubtful receivables from related parties by the Company. The balances outstanding with related parties of the Company were not overdue as at 31 December 2023 and 2022.

Management remuneration

Wages, salaries and social insurance contributions, calculated to the Company's directors and the Board members for the year 2023, amounted to EUR 1,068 thousand (2022: EUR 995 thousand). For the Company's management and the Board members, there were no guarantees issued, any other paid or accrued amounts or assets transferred.

30. Fair value of financial instruments

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

30. Fair value of financial instruments (continued)

As at 31 December 2023

(EUR thousand)	Carrying amount	Fair value		
	Total	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	16,289			16,289
Loans granted	7,805			7,805
Cash and cash equivalents	5,125	5,125		
Financial assets, total	29,219	5,125		24,094
Financial liabilities				
Loans (overdraft)	(4,120)	(4,120)		
Trade payables	(14,595)			(14,595)
Lease liabilities	(259)			(259)
Liabilities related to the fine imposed by the Competition Council	(4,409)			(4,409)
Total financial liabilities	(23,383)	(4,120)		(19,263)

As at 31 December 2022

(EUR thousand)	Carrying amount	Fair value			
	Total	Level 1	Level 2	Level 3	
Financial assets					
Trade receivables	18,450			18,450	
Loans granted	7,312			7,312	
Cash and cash equivalents	5,013	5,013			
Financial assets, total	30,775	5,013		25,762	
Financial liabilities					
Loans (overdraft)					
Trade payables	(13,979)			(13,979)	
Lease liabilities	(704)			(704)	
Liabilities related to the fine imposed by the Competition Council	(5,775)			(5,775)	
Total financial liabilities	(20,458)			(20,458)	

There were no transfers between levels of the fair value hierarchy in 2023 and 2022 at the Company.

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

Cash

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

Receivables

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

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

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

30. Fair value of financial instruments (continued)

Financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of current trade payables with no stated interest rate is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial. The fair value of borrowings (overdraft) was estimated to approximate carrying value as it is subject to variable interest. The carrying value of lease liabilities approximates the fair value as it is a subject to interest. The fair value of fine under the decision of the Competition Council is considered its carrying value, since it is not subject to interest.

31. Earnings and dividends per share

(EUR)	2023	2022
Net result for the year	(2,278,981)	(1,720,126)
Dividends declared	0	0
Average number of shares	16,350,000	16,350,000
Basic and diluted earnings/(loss) per share	(0.14)	(0.11)
Dividends declared per share		0

32. Events after the End of the Reporting Period

On 23 January 2024, Panevėžio Statybos Trestas AB, former managing director and insurers R&Q Syndicate Management Limited and Marco International Insurance Company Limited signed a settlement agreements, whereby amicably discontinuing all court and arbitration disputes regarding the civil liability of the former managing director of PST (regarding the fine imposed by the Competition Council of the Republic of Lithuania under the resolution No 2S-11 (2017) of 20 December 2017) and the payment of the related insurance benefit. In line with the settlement agreements, the insurers paid EUR 1,200,000 in favour of PST, and PST waived all its claims against the insurers and the former managing director.

Managing director	Tomas Stukas	09/04/2024
Chief Accountant	Danguolė Širvinskienė	09/04/2024



**Company's and Consolidated Annual Report,
Governance Report,
Consolidated Report of Social Responsibility,
and Remuneration Report
of *Panevezio statybos trestas AB*
for 2023**

I. Consolidated Annual Report

1. Accounting period covered by the Annual Report

This Company's and Consolidated Annual Report for the year 2023 covers the period from 1 January 2023 until 31 December 2023.

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

The auditor of the company is *Grant Thornton Baltic UAB*.

In this report, *Panevezio statybos trestas* AB can also be referred to as 'the Company', and the Company together with its subsidiary companies can be referred to as 'the Group'.

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

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

4. Nature of the main activities of the issuer

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

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

As of 31 December 2023, the Group of *Panevezio statybos trestas* AB included the following companies:

<i>Subsidiary company</i>	<i>Registration date, register administrator</i>	<i>Company code</i>	<i>Registered address</i>	<i>Telephone, fax, e-mail, website</i>	<i>Portion of shares held (per cents)</i>
<i>Skydmedis UAB</i>	17 June 1999 State Enterprise <i>Centre of Registers</i>	148284718	Pramones Str. 5, Panevezys	Tel. (+370 45) 467626 Fax (+370 45) 460259 info@skydmedis.lt www.skydmedis.lt	100
<i>Vekada UAB</i>	16 May 1994 State Enterprise <i>Centre of Registers</i>	147815824	Tinklu Str. 7, Panevezys	Tel. (+370 45) 461311 Fax (+370 45) 461311 info@vekada.lt www.vekada.lt	95.6
<i>Alinita UAB</i>	8 December 1997 State Enterprise <i>Centre of Registers</i>	141619046	Tinklu Str. 7, Panevezys	Tel. (+370 45) 467630 Fax (+370 45) 467630 info@alinita.lt www.alinita.lt	100
<i>Kingsbud Sp.z o.o.</i>	11 August 2010 District Court in Bi- alystok, XII Economic De- partment of Na- tional Court	200380717	A. Patli Str. 12, 16-400 Suwalki, Poland	Tel. (+48 875) 655 021 Fax (+48 875) 655 021 biuro@kingsbud.pl www.kingsbud.lt	100
<i>PS Trests SIA</i>	22 May 2000 Centre of Registers, Republic of Latvia	40003495365	Skultes Str. 28, Skulte, Marupes Parish, Riga Region, Latvia	Tel. +371 29525066	100
<i>Seskinės pro- jektai UAB</i>	9 November 2010 State Enterprise <i>Centre of Registers</i>	302561768	Ukmerges Str. 219, Vilnius	Tel. (+370 615) 54090 info@psti.lt gbujokas@psti.lt	100
<i>Ateities pro- jektai UAB</i>	25 April 2006 State Enterprise <i>Centre of Registers</i>	300560621	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 Fax (+370 5) 2102131 info@psti.lt gdieckuviene@psti.lt	100
<i>PST investici- jos UAB</i>	23 December 1998 State Enterprise <i>Centre of Registers</i>	124665689	Ukmerges Str. 219, Vilnius	Tel. (+370 5) 2102130 info@psti.lt gbujokas@psti.lt	68
<i>Tauro aparta- mentai UAB</i>	23 October 2018 State Enterprise <i>Centre of Registers</i>	304937621	Ukmerges Str. 219, Vilnius	Tel. (+370 610) 09222 gbujokas@psti.lt	100
<i>Hustal UAB</i>	16 June 1999 State Enterprise <i>Centre of Registers</i>	148284860	Tinklu Str. 7, Panevezys	Tel. (+370 45) 585087 www.hustal.eu	100
<i>Aliuminio fa- sadaı UAB</i>	2 January 2020 State Enterprise <i>Centre of Registers</i>	305412441	Pramones Str. 5, Panevezys	Tel. (+370 686) 32727 info@alfasadaı.lt www.alfasadaı.lt	100

6. Nature of operating activities of the companies included in the Group

Skydmedis UAB – production, construction and outfit of pre-fabricated timber panel houses. Panel houses are the main product of the company. Products are successfully exported to Norway, Sweden, Switzerland, Iceland and other countries.

Hustal UAB – design, fabrication and erection of steel structures. The company also supplies steel structures for other industries where steel items are required. Activity and sale of the company are focused on the Scandinavian market.

Vekada UAB – installation of electrical systems. Alongside with the usual electrical engineering activities, works in the low current fields are carried out: video surveillance systems, security and fire alarm systems, utility system control.

Alinita UAB – installation of heating, ventilation and air-conditioning systems in buildings, indoor water supply, waste water and fire-fighting systems, design, start-up and commissioning of indoor utility systems.

Kingsbud Sp. z o.o. – wholesale of construction materials. Kingsbud Sp. z o.o. has a branch established in Lithuania, which focuses on wholesale of stoneware and glazed tiles for indoor and outdoor application.

PS Trests SIA – construction activities. The company was established for searching of new markets and carrying out construction activities in Latvia.

Seskinės projektai UAB – real estate development and rent.

Ateities projektai UAB – real estate preparation and sale.

PST investicijos UAB – real estate preparation and sale.

Tauro apartamentai UAB – development of real estate projects.

Aluminio fasadai UAB – production of aluminium profile systems, aluminium framed windows and doors.

7. Contracts with the intermediary of public trading in securities

The Company has the contract for securities accounting signed with *Siauliu bankas* AB.

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

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

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

Comparison of PTRIL Panevezio statybos trestas and OMX Vilnius Benchmark GI indexes in 2023



Company share price variation at Stock Exchange Market Nasdaq Vilnius for the period 2019 through 2023 (Euros)



Company share price variation at Stock Exchange Market Nasdaq Vilnius in 2023 (Euros)



Table 1. Information on the Company share price at Stock Exchange Market Nasdaq Vilnius for the period 2019 through 2023:

Indicator	2023	2022	2021	2020	2019
Highest price, Euros	0.582	0.694	0.838	0.85	0.878
Lowest price, Euros	0.45	0.50	0.53	0.52	0.71
Average price, Euros	0.514	0.564	0.677	0.629	0.78
Share price as of the end of reporting period, Euros	0.475	0.518	0.66	0.57	0.75
Traded volume	772,677	991,215	2,935,832	1,980,134	986,685
Turnover, mln. Euros	0.40	0.56	1.99	1.25	0.77
Capitalisation, mln. Euros	7.78	8.47	10.79	9.32	12.26

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

Key events of the reporting period

The key events that occurred during 2023 and were published through the *GlobeNewswire* information system are listed below.

1 February 2023. The General Extraordinary Meeting of Shareholders was reconvened to take the resolution on approval of the agreed material conditions for the settlement agreement with the State Tax Inspectorate.

27 April 2023. The Ordinary General Meeting of Shareholders of *Panevezio statybos trestas* AB took place. The Ordinary General Meeting of Shareholders did not come to the decision to pay dividends.

27 July 2023. The Extraordinary General Meeting of *Panevezio statybos trestas* AB took place. The Extraordinary General Meeting of Shareholders selected the audit company *Grant Thornton Baltic* UAB to carry out the audit of the financial statement sets of *Panevezio statybos trestas* AB and the companies of *Panevezio statybos trestas* AB Group for the years 2023 and 2024, and approved the terms and conditions of payment for the audit services.

31 July 2023. The Board of *Panevezio statybos trestas* AB (PST) has appointed Tomas Stukas as the company's CEO. Egidijus Urbonas, who has held this position for the last three years, will remain in the Group's management team and continue his career as PST Director of Construction.

1 August 2023. By the court judgement dated 20 July 2023, the Panevezys Chamber of the Panevezys District Court approved the settlement agreement dated 17 February 2023 between the company and the State Tax Inspectorate at the Ministry of Finance of the Republic of Lithuania on recovery of the fine imposed by the Competition Council in the enforcement case.

5 October 2023. *Panevezio statybos trestas* AB (PST) has signed a civil contract with *Juodeliai* UAB for construction of the second production building and reconstruction of utility networks. This extension is planned in the subdivision of the company operating in the Marijampole Municipality. The contract value totals 13.5 mln. Euros, VAT inclusive. The total area of facilities amounts to approximately 14,700 square meters. Completion of the works is scheduled for the end of June 2024.

26 October 2023. *Panevezio statybos trestas* AB has signed a 17 mln. Euros (VAT inclusive) order with one of the largest food production companies in Lithuania, *Kauno grūdai* AB, for construction of production and industrial building at Fortu Str. 9, Alytus. The total area of the building will be 7.4 thousand square meters, completion of the works is scheduled 11 months after the date of the signed contract.

30 October 2023. The Extraordinary General Meeting of Shareholders of *Panevezio statybos trestas* AB took place. The Ordinary General Meeting of Shareholders approved the new wording of the Articles of Association of *Panevezio statybos trestas* AB. The member of the Board of *Panevezio statybos trestas* AB Vaidas Grincevicius was removed from office from 30 October 2023. Darius Vilcinskis was elected as an independent member to the Board.

6 November 2023. *Panevezio statybos trestas* AB has signed a 13 mln. Euros (VAT inclusive) order with *Sausiu logistikos parkas* UAB for construction of a storage building at Logistikos Str. 30, Sausiai Village, Lentvaris Subdistrict, Trakai District. The total area of the building will be nearly 10 thousand square meters, completion of the works is scheduled 12 months after the date of the signed contract. The services of construction management and technical supervision will be provided by *Viconus* UAB.

In 2023 the Company has successfully completed several major construction projects, such as Construction of Vilnius *Lazdynai* Swimming Pool opened to public, Construction of Laboratory and Education Blocks for Faculties of Mechanics, Electronics and Transport Engineering at VILNIUS TECH. The modernization projects of apartment buildings have been completed in Klaipeda. In 2023 the works on several wind farm projects were completed, where the *Konstrukcija* branch carried out the installation of foundations for the wind turbines. In addition to that, activities are continued in such projects as Modernisation of Oil Refining Plant of *ORLEN Lietuva* AB in Mazeikiai, Reconstruction of Panevezys City Sports Centre *Aukstaitija* – Construction of Swimming Pool, Reconstruction of Wroblewski Library of Lithuanian Academy of Sciences. Over the year 2023, the Company signed the contracts and started the projects of apartment building renovation.

More than once the Company has been awarded for successfully implemented projects, their complexity, high quality and organization of complicated activities. In December 2023, the awards of the *Lithuanian Product of the Year* were arranged by Lithuanian Confederation of Industrialists for the 27th time where *Panevezio statybos trestas* AB has been awarded the gold medal for the *Lazdynai* Swimming Pool project in the category of construction and construction material industry.

In 2023, the following branches continued their operation in the structure of the Company: *Gerbusta*, focusing on construction of utility networks and landscaping, *Pastatu apdaila*, carrying out indoor and outdoor finishing works, *Konstrukcija*, where production capacities are concentrated, this branch carries out civil and special construction works, Vilnius branch *Genranga*, performing general contracting activities and project management in the Vilnius Region, and *Klaipstata*, performing general contracting activities and project management in the Klaipeda Region.

The Company has permanent establishments in the Republic of Latvia and Kingdom of Sweden.

In 2023, the companies of the Group successfully continued their activity inside and outside Lithuania. 97 per cents of all orders of *Hustal* UAB engaged in fabrication of steel structures were directed to Scandinavian countries in 2023. *Skydmedis* UAB, which is producing pre-fabricated timber panel houses, sells nearly all of their products in the foreign market. 94 per cents of the company's revenue were for the products sold in the Scandinavian countries. *Vekada* UAB and *Alinita* UAB, which specialize in installation of indoor heating, ventilation and conditioning, water supply and waste water systems, and in installation of electric systems, renewable energy and low current fields, implemented the projects in Lithuania. The most advanced aluminium profile systems, aluminium windows and doors, façades are produced at *Aliuminio fasadai* UAB.

PST investicijos UAB, *Ateities projektai* UAB and *Seskinės projektai* UAB are the real estate development companies. *Ateities projektai* UAB develops the project of residential houses in Kunigiskes. *PS Trests* SIA operating in Latvia, in 2023 continued to carry out the construction works it had started.

In 2023, the wholesale of building materials is further developed. *Kingsbud Sp. z o.o.*, the company operating in Poland, is engaged in this.

Key events after the reporting period (in the year 2024)

23 January 2024. *Panevezio statybos trestas* AB, the former CEO of the Company, D. Gesevicius, and the insurers R&Q Syndicate Management Limited and Marco International Insurance Company Limited signed the settlement agreements, on the basis of which all legal and arbitration disputes regarding the civil liability of the former CEO of the Company, D. Gesevicius, (for the fine imposed by the decision No. 2S-11(2017) of the Competition Council dated 20 December 2017) and payment of the insurance benefit related to it will be amicably ended. Referring to the concluded settlement agreements, the insurers will pay the sum amounting to 1 200 00 Euros in favour of *Panevezio statybos trestas* AB, and *Panevezio statybos trestas* AB will waive all its claims against the insurers and the former CEO, D. Gesevicius.

Risk factors related to the Company's activities:

In their operation, both the Company and the Group face various types of risks, such as legal regulation, severe competition, shortage of qualified labour, cyclical nature of economy, consistency of orders, volatile material prices in the global market, macroeconomic factors, damping. However, only a few of them may have significant impact on the performance results of the Group and the Company. The main factors that create business risk for the Company and the Group are competition in the construction market and changes in the demand for construction services. The demand for construction services also depends heavily on the volume of investments and financing received from the EU structural funds. Increase and variation of material and service prices make the process of the project budgeting and possibility to complete the already started projects based on the planned costs more difficult. This results in extra risk for performance of fixed price construction contracts and reduces profitability of projects. Furthermore, activity of the Company and the Group is influenced by the economic situation (economic cycles), geopolitical changes in Lithuania and the countries where the Group companies operate, Russia's military invasion of Ukraine, and remaining risks related to COVID-19. Although there is still some uncertainty about the trends in global economic development as well as regional and global crisis in future.

Information on the types of financial risks and risk management is provided in the Notes to the Separate Financial Statements (Note 4) and Consolidated Financial Statements (Note 4). Legal uncertainties are provided in the Notes to the Separate Financial Statements (Note 28) and Consolidated Financial Statements (Note 27).

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

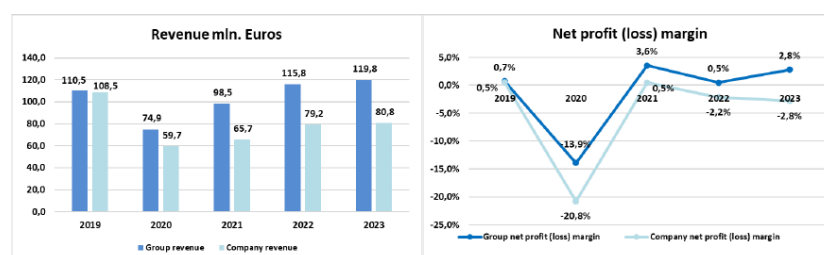
In 2023, the consolidated revenue of the Group of *Panevezio statybos trestas* AB amounted to 119.828 mln. Euros, whereas in 2022 the consolidated revenue was 115.84 mln. Euros. Over the reporting period, the net profit of the Group amounted to 3.322 mln. Euros and in 2022 the Group had the net profit in the amount of 0.525 mln. Euros.

In May 2023, *Baltevromarket* OOO (Russia, Kaliningrad), the subsidiary company of *PST investicijos* UAB was liquidated. Liquidation of this company have had a significant impact on the results of the Group. Elimination of the company resulted in additional income from financial activities for the Group amounting to 3.8 mln. Euros.

Baltevromarket OOO is the last liquidated Russian company in the balance of the Group.

Over the year of 2023, the turnover of *Panevezio statybos trestas* AB amounted to 80.751 mln. Euros, and in 2022 the turnover of *Panevezio statybos trestas* AB was 79.222 mln. Euros.

In 2023, *Panevezio statybos trestas* AB has suffered the net loss in the amount of 2.279 mln. Euros, the net loss in 2022 was 1.720 mln. Euros.



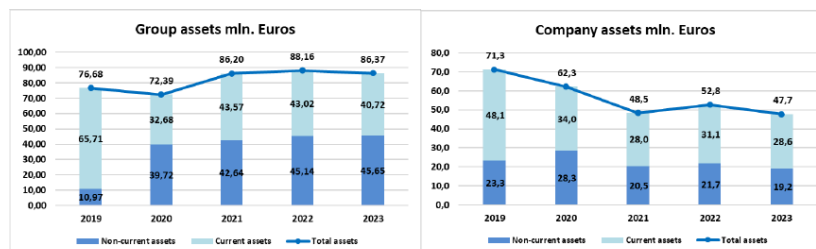


Table 2. Performance (thousands Euros) of the Company and the Group of Panevezio statybos tres-tas AB for the period 2021 through 2023:

Group			Items	Company		
2021	2022	2023		2021	2022	2023
98,451	115,840	119,828	Revenue	65,721	79,22	80,751
68,283	106,310	107,588	Cost of sales	59,888	77,066	76,909
12,168	9,530	12,240	Gross profit	5,833	2,156	3,842
12.36	8.23	10.21	Gross profit margin (per cents) (API)	8.88	2.72	4.76
2,414	-1,067	440	Typical operating result	-589	-4,978	-4,221
2.45	-0.92	0.37	Typical operating result from turnover (per cents)	-0.90	-6.28	-5.23
3,477	266	1,638	EBITDA ¹ (API)	259	-4,192	-3,551
3.53	0.23	1.37	EBITDA margin (per cents) (API)	0.39	-5.29	-4.40
3,499	525	3,322	Net profit (API)	304	-1,720	-2,279
3.55	0.45	2.77	Nets profit (loss) margin (per cents)	0.46	-2.17	-2.82
0.214	0.032	0.203	Earnings per share (Euros) (EPS) ² (API)	0.019	-0.105	-0.139
12.58	1.75	10.89	Return on equity (per cents) (ROE) ³ (API)	1.38	-7.89	-11.22
4.41	0.60	3.81	Return on assets or asset profitability (ROA) ⁴ (API)	0.55	-3.40	-4.54
6.65	0.99	6.16	Return on investments (ROI) ⁵ (API)	1.29	-7.67	-10.01
1.30	1.23	1.26	Current liquidity ratio ⁶ (API)	1.12	1.02	1.14
1.00	0.95	0.98	Critical liquidity ratio ⁷ (API)	0.94	0.85	0.96
0.34	0.35	0.35	Equity ratio ⁸ (API)	0.46	0.41	0.40
0.65	0.64	0.65	Debt ratio ⁹ (API)	0.54	0.59	0.60
1.90	1.82	1.85	Debt to equity ratio ¹⁰ (API)	1.19	1.46	1.49
1.79	1.88	1,85	Book value per share ¹¹ (API)	1.35	1.31	1.17
0.37	0.28	0.26	Price-to-book ratio (P/B ratio) ¹² (API)	0.49	0.39	0.41
3.08	16.13	2.34	Price-to-earnings ratio (P/E) ¹³ (API)	35.50	-4.92	-3.41

¹ EBITDA = profit before taxes, interest, depreciation and amortization. The essence of EBITDA indicator is to determine the most objective profit (loss) of the company, which is least dependable on circumstances (least variable).

² Earnings per share (Euros) = net profit (loss) / number of issued shares.

³ Return on equity (per cents) (ROE) = net profit / equity capital (a portion equity capital belonging to the shareholders).

⁴ Return on assets (ROA) or asset profitability = net profit / assets.

⁵ Return on investments (ROI) = net profit / (assets-current debt).

⁷Critical liquidity ratio = (current assets – inventories) / current liabilities.

⁸Equity ratio = equity capital / assets.

⁹Debt ratio = liabilities / assets.

¹⁰Debt to equity ratio = liabilities / equity.

¹¹Book value per share = equity capital / number of shares.

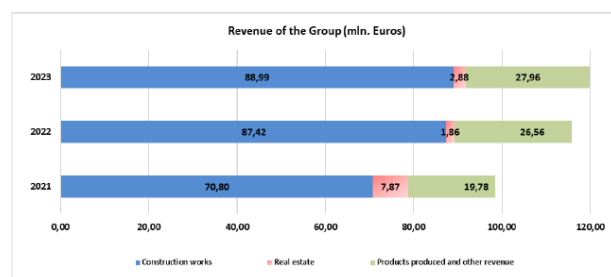
¹²Price-to-book ratio (P/B ratio) = share price as of the end of reporting period / share book value.

¹³Price-to-earnings ratio (P/E) = share price as of the end of reporting period / net profit allocated for one share.

Panevezio statybos trestas AB uses Alternative Performance Indicators to better disclose the financial performance of the Group and the Company. The description of these indicators and methodology for their calculation are available on the Company's website <https://www.pst.lt/en/finansines-ataskaitos>

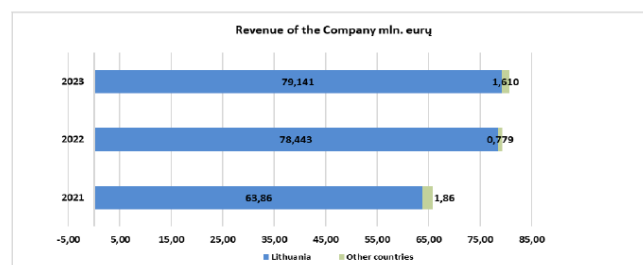
The main revenue of the Company by activity types is from construction and erection activities. In 2023, the revenue of the Group from construction and erection activities totalled 74.3 per cents, the revenue from real estate development and rent was 2.4 per cents, the revenue from finished products and other revenue amounted to 23.3 per cents, whereas in 2022, the revenue of the Group from construction and erection activities totalled 75.5 per cents, the revenue from real estate development and rent was 1.6 per cents, the revenue from finished products and other revenue amounted to 22.9 per cents.

Revenue distribution by activity types for the Group:

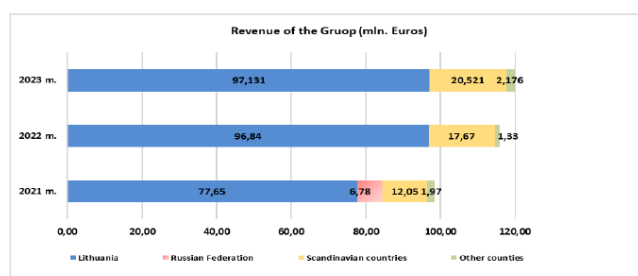


The main activities of the Company were performed in Lithuania and made 98.01 per cents of all works carried out by the Company in 2023 compared to 99.02 per cents in 2022. The revenue of the Group from the works performed inside the country made 81.1 per cents of the revenue, whereas in 2022 it was 83.6 per cents. In 2023 and 2022, the revenue of the Group in the Scandinavian countries was respectively 17.1 and 15.25 per cents of total revenue.

Operating revenue distribution by countries for the Company:



Operating revenue distribution by countries for the Group:



Environment protection

Work quality, sustainability, environment protection, occupational health and safety play a very important role in activities of *Panevezio statybos trestas* AB. Quality Management (ISO 9001), Environmental Management (ISO 14001) and Occupational Health and Safety Management (OHSAS 18001) Systems introduced and available at the Company allow taking proper care of these significant factors. Assessment of occupational risk is carried out, analyses are performed and measures for risk reduction or elimination are taken on each site. For the purposes of environment and resource protection and sustainability, ensuring pollution prevention, in the beginning of each project the environmental plan including specific measures for control of significant aspects of environment protection and activities performed is prepared.

The companies of the Group also have Quality, Environmental and Occupational Health and Safety Management Systems in accordance with the requirements of LST EN ISO 9001:2015, LST EN ISO 14001:2015 and LST ISO 45001:2018 introduced and successfully functioning.

In 2023, the Lithuanian National Accreditation Bureau accredited the Construction Laboratory of the Company according to LST EN ISO/IEC 17025:20185 thus granting it the right to perform tests of building materials for the period of 5 years.

Employees

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

As of 31 December 2023, the number of employees in the Group was 762, in the Company – 491. As of 31 December 2022, the number of employees in the Group was 805, in the Company – 536.

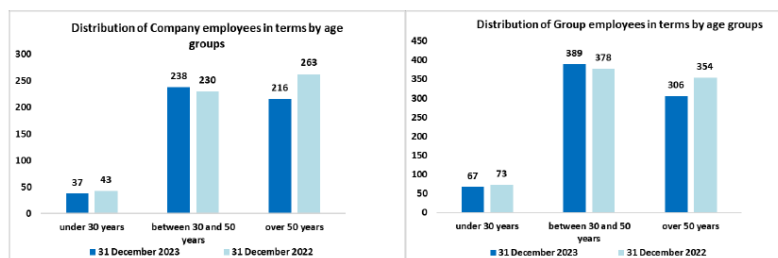


Table 3. Average number of employees in 2022 and 2023:

Average number of employees	2022		2023	
	Group	Company	Group	Company
Managers	22	11	22	11
Specialists	304	224	309	229
Workers	486	310	519	336
Total	813	544	850	576

Table 4. Education level of the Group employees as of the end of the period:

PST Group employees	Payroll number	Higher university level education	Higher non-university education	Junior college education	Secondary education	Incomplete secondary education
Managers	22	21	0	1	0	0
Specialists	288	214	37	22	15	0
Workers	452	19	8	64	324	37
Total	762	254	45	87	339	37

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

In 2023, the Company also paid much attention to qualification improvement, safety (zero fatalities), welfare, diversity, equality and involvement of employees. Training in the Company is done in two directions using:

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

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

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

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

The Company and companies of the Group continually pay much attention to increase of operational management efficiency, improvement of construction work quality and introduction of modern technologies. We are looking for the ways to make activities more efficient, apply innovative and resource-saving process management methods, improve working conditions of employees, improve quality of services.

Realizing that construction activities leave a fairly significant footprint for nature and people, we make emphasis on the sustainability issue in our operation. We strive to analyse the impact of our operation on the environment and implement the solutions to consistently reduce the emissions of CO₂, negative influence on the health of our employees, surrounding communities and nature.

By optimizing production processes, we aim to reduce the amount of energy used in our activities. We invest in more effective work equipment, technologies allowing to generate and use green energy.

To maintain the highest competence in the construction sector, the Company in cooperation with our partners strives for a wider application of the digital model (BIM) principles in development project management.

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

In 2023, the Lithuanian construction market was significantly influenced by the overall macroeconomic situation of the country and the whole Europe. Economic activity was reduced throughout the EU, and many countries, including Lithuania, were in fixed recession. The change in real GDP in Lithuania was negative by about -0.2%. This had a direct impact on the slowdown of investments, including in the real estate sector. *Panevezio statybos trestas* AB always diversifies projects in progress according to different sectors, i.e. implements construction projects in the residential, industrial, logistics, green energy, and public sectors. This guarantees a stable portfolio of the Company. Despite the difficult geopolitical situation, in 2024 economic forecasts show a positive trend, growth of about 1.5% of GDP in Lithuania is expected. The existing portfolio of signed contracts-construction projects allows *Panevezio statybos trestas* AB to forecast growth. The companies of *Panevezio statybos trestas* AB forecast maintaining stable activity volumes.

In 2024, the Company and the Group will continue to investing in making processes more efficient through digitization, implement innovations, and sustainably develop activities taking into account the benefits for clients, employees, business partners and shareholders.

14. Authorised capital of the issuer and its structure

As of 31 December 2023, the authorised capital of the Company amounted to 4,741,500 Euros divided into 16,350,000 ordinary registered shares (ORS), the nominal value of each share being 0.29 Euros. All shares are fully paid. The proof of ownership is the record in the securities accounts. The Company has not acquired any shares of the Company.

On 31 December 2023, the total number of the shareholders was 1,759.

Table 5. Distribution of shareholders by residence country and legal form:

<i>Investors</i>	<i>Number of shares, pcs.</i>	<i>Portion of authorized capital, per cents</i>
Foreign investors		
<i>Legal entities</i>	1,351,015	8.3%
<i>Natural persons</i>	1,401,132	8.6%
Local investors		
<i>Legal entities</i>	9,850,635	60.2%
<i>Natural persons</i>	3,747,218	22.9%

Table 6. Shareholders holding or controlling more than 5 per cents of the authorised capital of the Company:

<i>Full name of a shareholder (company name, type, headquarter address, company code)</i>	<i>Number of ordinary registered shares held by a shareholder under ownership right (pcs.)</i>	<i>Portion of the authorized capital held (%)</i>	<i>Portion of votes granted by the shares held under ownership right (%)</i>
<i>HISK AB</i> S. Kerbedzio Str. 7, Panevezys Company code: 147710353	8,138,932	49.78	49.78
Freely floating shares (shareholders holding or controlling less than 5 percents of authorized capital)	8,211,068	50.22	50.22

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

The number of shares carrying votes at the General Meeting of Shareholders of *Panevezio statybos trestas* AB is 16,350,000, one ordinary registered share of the Company carries one vote at the General Meeting of Shareholders.

15. Dividends

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

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

Dividends are taxable in accordance with the Law on Income Tax of Individuals and the Law on Corporate Income Tax of the Republic of Lithuania.

The Ordinary General Meeting of Shareholders of *Panevezio statybos trestas* AB that took place on 27 April 2023 did not come to the decision to pay dividends.

16. Information on significant transactions between the related parties

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

17. Published information

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

Governance Report

Information on compliance with the Corporate Governance Code

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

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

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

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

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

Information on extent of risk and risk management

Risk management is a part of strategic management and integral to the day-to-day operations of the Group. In managing risks, the main objective of the Group is to identify higher and significant risks and manage them in the optimal way. The following financial risks are faced within the Group: credit, liquidity, market, business and operational.

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

Based on the credit risk policy established by the Group, standard payments and terms are only offered after credit standing of each new client has been assessed. The potential credit risk for the clients of the Group and the Company is managed through continuous monitoring of outstanding balances. The aim to ensure that the services are provided to reliable clients and do not exceed the permissible credit risk limit is continuously maintained. The clients failing to meet the established limit may only make purchases with the Group after paying prepayments.

The Group manages the liquidity risk to ensure, as far as possible, sufficient liquidity, which allows fulfilling its obligations under both normal and complex conditions without incurring unacceptable losses and without facing the risk to lose reputation of the Group. The Company and the Group strives to maintain sufficient amount of cash and cash equivalents or secure of appropriate credit instruments so as to fulfil their obligations.

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

The *business risk* is related to the Group's entry into new markets, segments, management of available inventories and investments, and execution of construction contracts. One of the peculiarities related to construction activities is that the fulfilment of concluded construction contracts is a long-term process, which makes the sector inert to changes in the economic environment. For this reason, both positive and negative changes reach the economic environment in the construction sector with considerable delay. In order to manage business risk, the Company and the Group seek to diversify their sources of revenue. To this end, orders are being sought and contracts are being concluded in both private and public sectors, and markets are being searched not only in Lithuania but in other countries as well. The companies of the Group operate in different sectors, such as construction, real estate development, production and engineering network installation. The construction sector is not limited to the construction of single-purpose buildings. The Company implements construction projects for industrial, engineering, environmental and residential buildings. Before starting new projects, the Company and the companies of the Group make a thorough analysis of the project specifics and only after are confident that the environment is sufficiently stable and a competent team is collected, final decisions are made.

The accounts of the Company are kept and financial statements are prepared in accordance with International Financial Reporting Standards adopted for application in the EU. The annual financial statements are audited by the independent auditors selected by the General Meeting of Shareholders. This procedure ensures relevance and transparency of the data provided in the financial statements. The *operational risk* constitutes the risk of probability to incur losses due to people, systems, inadequate internal processes or their failure, effects of external events, including legal risks. For the purposes of operational risk management, the Group implements appropriate measures to ensure functioning of the internal control system and appropriate co-operation with relevant third parties. The main elements of internal control applied in the Group are control of operations and accounting, limits of decision-making powers and their control, separation of business decision-making and control functions, etc. The aim is to minimize the risk of legal compliance and ensure that the activities carried out comply with the applicable legislation. To this end, the advice of professional lawyers and their participation are used in the processes of drafting internal instruments and contracts.

Information on significant directly or indirectly held share portfolios

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

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

There were no such transactions concluded.

Information on shareholders with special control rights

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

Information on all existing limitations on voting rights

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

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

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

The Articles of Association may be amended only by the General Meeting of Shareholders by the qualified majority of at least 2/3 of the total votes of the shareholders attending the meeting. The

resolution amending the Articles of Association is adopted following the procedure set forth in the Law on Companies of the Republic of Lithuania.

Information on powers of members of the Board

The powers of the members of the Board are set forth in the Law on Companies of the Republic of Lithuania and the Articles of Association. The Articles of Association of *Panevezio statybos trestas* AB are published on the website at <https://www.pst.lt/en/pst-istatai-ir-audito-nuostatai>.

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

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

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

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

The General Meeting of Shareholders is the highest governing body of the Company, resolving the issues assigned to its competence by the Law on Companies and the Articles of Association of the Company. The competence of the General Meeting of Shareholders does not differ from that of the competence prescribed by the Law on Companies.

According to the Law on Companies of the Republic of Lithuania, one collegial management body may be formed in the Company. The Board consists of 5 (five) members, who are elected by the General Meeting of Shareholders for the period of 4 (four) years. They represent the shareholders and perform supervisory and control functions. The activities of the Board are managed by the Chairman. The Board elects the Chairman from the members of the Board.

The Chief Executive officer of the Company is the Managing Director. The Managing Director is the sole governing body of the Company. The Managing Director is the main person managing and representing the Company. The Board elects and dismisses the Chief Executive Officer of the Company – the Managing Director, fixes his salary, sets other terms and conditions in the employment contract with him, approves his job description, gives incentives and imposes penalties. The Managing Director shall organize the activities of the Company.

The Board:

The Board members of *Panevezio statybos trestas* AB were elected for a new 4 (four) year term at the General Meeting of Shareholders on 9 April 2021, 2 (two) members of the Board are independent. The term of office of all members of the Board will end on 9 April 2025.

On 30 October 2023 at the Extraordinary General Meeting of Shareholders the independent member of the Board Vaidas Grincevicius was removed from office and Darius Vilcinskas was elected as an independent member to the Board.

JUSTAS JASIUNAS, Chairman

Educational background: Mykolas Romeris University, Master in Law.

Place and position of employment: Consultant at *Panevezio statybos trestas* AB (company code 147732969, P. Puzino Str. 1, Panevezys).

Participation in activities of other companies:

Board Member at *HISK* AB (company code 147710353, S. Kerbedzio Str. 7, Panevezys);

Chairman at *Aliuminio fasadai* UAB (company code 305412441, Pramones Str. 7, Panevezys);

Chairman at *Vekada* UAB (company code 147815824, Marijonu Str. 36, Panevezys);

Board Member at *Skydmedis* UAB (company code 148284718, Pramones Str. 5, Panevezys);

Board Member at *PST investicijos* UAB (company code 124665689, Ukmerges Str. 219, Vilnius);

Board Member at *Lauktuves Jums* UAB (company code 147797155, Laisves Sq. 26, Panevezys).

Board Member at *Gustonių žemės ūkio technika* UAB (company code 168581940, S. Kerbedžio Str. 7F, Panevezys)

As of 31 December 2023, held no shares of the Company.

GVIDAS DROBUŽAS, Board Member

Educational background: Panevezys Polytechnic School, higher non-university.

Place and position of employment: General Director, Board Member at *IOCO Packaging* UAB (company code 110564826, Pusaloto Str. 212, Panevezys).

Participation in activities of other companies:

Chairman at *HISK* AB (company code 147710353, S. Kerbedžio Str. 7, Panevezys);

Consultant at *Panevezio statybos trestas* AB (company code 147732969, P. Puzino Str. 1, Panevezys);

Board Member at *PST investicijos* UAB (company code 124665689, Ukmergės Str. 219, Vilnius);

Director at *Pokštas* UAB (company code 168424572, Gustonys Vlg., Naujamiestis Eldership, Panevezys District Municipality);

Director at *IOCO* UAB (company code 302547850, Verkių Str. 25C-1, Vilnius);

Director at *Stenrosus* UAB (company code 300007108, B. Sruogos Str. 6-14, Vilnius).

As of 31 December 2023, held 5 (five) shares of the Company, a shareholder of *HISK* AB.

KRISTINA MACIULIENE, Board Member

Educational background: Kaunas University of Technology, Bachelor in Business Administration, Lithuanian University of Law, Master in Law.

Place and position of employment: Expert-Consultant at *HISK* AB (company code 147710353, S. Kerbedžio Str. 7, Panevezys).

Participation in activities of other companies:

Board Member at *HISK* AB (company code 147710353, S. Kerbedžio Str. 7, Panevezys); Chairman at *Skydmedis* UAB (company code 148284718, Pramones Str. 5, Panevezys);

Chairman at *Hustal* UAB (company code 148284860, Tinklų Str. 7, Panevezys);

Board Member at *Vekada* UAB (company code 147815824, Marijonų Str. 36, Panevezys);

Board Member at *Aliuminio fasadai* UAB (company code 305412441 Pramones Str. 5, Panevezys);

Chairman at *Lauktuvės Jums* UAB (company code 147797155, Laisvės Sq. 26, Panevezys);

Chairman at *Gustonių žemės ūkio technika* UAB (company code 168581940, S. Kerbedžio Str. 7F, Panevezys).

As of 31 December 2023, held 10 (ten) shares of the Company.

LINA SIMASKIENE, independent Board Member

Educational background: Kaunas University of Technology, Engineer-Economist.

Place and position of employment: Chief Financial Officer at *IOCO Packaging* UAB (company code 110564826, Pusaloto Str. 212, Panevezys), Board Member.

Participation in activities of other companies:

Chief Accountant at *IOCO* UAB (company code 302547850, Verkių Str. 25C-1, Vilnius);

Chief Accountant at *Pokštas* UAB (company code 168424572, Gustonys Vlg., Naujamiestis Eldership, Panevezys District Municipality);

Chief Accountant at *Stenrosus* UAB (company code 300007108, B. Sruogos Str. 6-14, Vilnius);

As of 31 December 2023, held no shares of the Company.

DARIJUS VILCINSKAS, independent Board Member

Educational background: Vilnius Gediminas Technical University (VILNIUS TECH), Master Degree.

Place and position of employment: Director at *VIP Centras* UAB, Director at *VK Invest* UAB; Director at *Restoda* UAB.

Participation in activities of other companies:

Board Member at Hunting Club *Truskava*.

As of 31 December 2023, held no shares of the Company.

Administration:

TOMAS STUKAS – Head of Administration, Managing Director of the Company. Education – Vilnius Gediminas Technical University, Bachelor in Industrial Engineering, Vilnius Gediminas Technical University, Master in Industrial Engineering.
As of 31 December 2023, held no shares of the Company

DANGUOLE SIRVINSKIENE – Chief Accountant of the Company. Holds no shares of the Company. University education (LZUA), Accounting - Economics.
As of 31 December 2023, held no shares of the Company.

In 2023, no loans, guarantees, sureties were granted and no property was transferred to any Board Members or top managers of *Panevezio statybos trestas* AB.

Audit Committee

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

The functions of the Audit Committee are as follows:

- 1) to monitor the financial reporting process;
- 2) to monitor effectiveness of the company's internal control, risk management and internal audit, if applicable, systems;
- 3) to monitor the process of the audit;
- 4) to monitor independence and objectivity of the auditor or audit company.

The following members were elected to the Audit Committee at the Annual General Meeting of Shareholders of *Panevezio statybos trestas* AB on 27 April 2023:

Drasutis Liatukas – an independent auditor, CEO of *Finansu auditorius* UAB, auditor. Holds no shares of the Company;

Irena Kriauciuniene – an independent auditor. Holds no shares of the Company;

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

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

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

Information on all agreements between the shareholders

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

Consolidated Report of Social Responsibility

The Consolidated Report of Social Responsibility for the Group has been prepared in accordance with the standards of the Global Reporting Initiative and is provided in the Appendix of the Annual Report *Social Responsibility and Sustainability Report for 2023*.

Consolidated Remuneration Report

The Remuneration Report of *Panevezio statybos trestas* AB has been prepared for the reporting financial period of the year 2023. The report has been prepared in accordance with the Law on Financial Reporting of Enterprises of the Republic of Lithuania, the Ordinary General Meeting of Shareholders held on 29 April 2020 approved the Remuneration Policy for Top and Middle Management Staff of *Panevezio statybos trestas* AB and the Extraordinary General Meeting of Shareholders held on 9 April 2021 approved the Procedure for Awarding and Paying Remuneration of Independent Board Members of *Panevezio statybos trestas* AB. The Consolidated Remuneration Report for 2022 was approved at the General Meeting of Shareholders on 27 April 2022 together with the Set of Financial Statements for 2022.

Remuneration of Board Members

As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Board performing the supervision function, and one-person management body, the Managing Director, are set up at the Company.

Following the Law on Companies and Articles of Association of the parent Company, the Board Members are appointed for the four-year term of office.

On 9 April 2021 the Extraordinary General Meeting of Shareholders approved the procedure for awarding and paying remuneration of the independent members of the Board for their activities in the Board. Remuneration (bonuses) is paid to the members of the Board, except for the independent members of the Board, for their work by the decision of the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania.

Remuneration Paid to Board Members

On 9 April 2021 the Extraordinary General Meeting of Shareholders elected the new Board of *Panevezio statybos trestas* AB. The information on payments made to the members of the newly elected Board over the year 2023 is provided below. The Extraordinary General Meeting of Shareholders held on 27 April 2023 did not come to the decision to pay bonuses to the members of the Board.

The amounts in the table are in Euros, before taxes.

Table 7. Information on remuneration of supervisory body members of the issuer in 2023:

<i>Full name</i>	<i>Position</i>	<i>Remuneration of independent member of the Board, total for 2023 (Euros)</i>	<i>Total income from the company for 2023 (Euros)</i>
Justas Jasiunas	Chairman	-	75,600
Gvidas Drobuzas	Board Member	-	148,645
Kristina Maciulienė	Board Member	-	-
Vaidas Grincevicius* (Jan. through Oct.)	Board Member	32,850	-
Lina Simaskienė*	Board Member	39,600	-
Darijus Vilėinskas* (Oct. through Dec.)	Board Member	6,750	-
Total		79,200	224,245

** an independent member of the Board*

The Company is not aware that the Board Members of the Board have received any remuneration from other companies of *Panevezio statybos trestas* AB Group.

After the term of office for the Board expires, the Board Members are not entitled to any severance pays.

Remuneration of Company's Employees

The purpose of the remuneration policy is to increase the operation efficiency at the Company and promote achievement of strategic objectives. The objective of the Company goal is to maximize the efficiency of the reward programs in order to attract and motivate highly skilled employees who are necessary for success in business.

Over the year 2023 the salary fund attributed to the Company's employees amounted to 16.324 mln. Euros compared to 14.520 mln. Euros in 2022.

To attract high-level professionals to management positions, we aim to keep the remuneration close to the market median of the country in which any company of the Group operates.

In general, the remuneration structure at the Company consists of two parts: Fixed Remuneration Component (FRC) and Variable Remuneration Component (VRC). The FRC range limits are set taking into account the remuneration trends in the market, research data and comparative market, i.e. the market of the companies operating in Lithuania. The VRC is a tool for getting the Top and Middle Management Staff directly interested in seeking for high performance of the Company, an instrument to for creating policy and culture of the Company, clearly and accurately indicating what achievements and contributions are valued/rewarded. The Variable Remuneration Component to the Top and Middle Management Staff is paid once a year at the end of the financial year and is linked to performance of the employee, team and/or company. The full text of Remuneration Policy is provided at <https://www.pst.lt/en/pst-istatai-ir-audito-nuostatai>.

The Company does not provide for the possibility to restore variable remuneration.

The average monthly salary of employees (FRC and VRC) for the period 2019 through 2023 is provided in the tables below.

Table 8. Average monthly salary for employees of the Group, Euros (before taxes)

Position category	2023	2022	2021	2020	2019
	Average salary	Average salary	Average salary	Average salary	Average salary
Managing Director	9993	9281	8863	7626	
Top Management Staff	6049	5528	5107	5323	4524
Middle Management Staff	4713	4428	4297	3478	3216
Specialists	2754	2380	2192	1806	1753
Workers	2097	1646	1380	1319	1322
Total	2458	2020	1800	1583	1569

Table 9. Average monthly salary for employees of the Group, Euros (before taxes)

Position category	2023	2022	2021	2020	2019
	Average salary	Average salary	Average salary	Average salary	Average salary
Top Management Staff	5569	5019	4482	3957	4083
Specialists	2788	2436	2167	1871	1752
Workers	2122	1649	1407	1363	1322
Total	2471	2048	1787	1622	1569

Remuneration Structure for Managing Director and Top Management Staff

The Fixed Remuneration Component is determined considering the impact on general operation of the Company, management scope, decision making, complexity of activities, knowledge and experience. Remuneration determined in the Employment Contract, taking into account the level of position and competence of the employee (conformity with the requirements for the position). The Fixed Remuneration Component is paid on a monthly basis. The Fixed Remuneration Component of the Top and Middle Management Staff is reviewed minimum every 12 months.

The new size of the FRC is determined/revised based on performance assessment of the Top and Middle Management Staff. The PAD of the Top and Middle Management Staff may be changed by the decision of the Board.

The Variable Remuneration Component is designed to promote achievement of the annual objectives. The size of the VRC amounts to a fixed percentage of the annual result, which is determined and approved by the Board. The Chief Executive Officer and directors of the Company are assigned the percentage of the profit accepted for calculating motivation. For the Directors of the branches the percentage is determined from the profit accepted for calculating motivation for the branch managed by him.

Annual Changes in Remuneration

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

Table 10. Company performance and average monthly gross salary for the period 2019 through 2023

Company performance	2023	2022	2021	2020	2019
Net profit (loss) (thousands Euros)	-2,279	-1,720	304	-12,418	590
Profit (loss) per share (Euros)	-0.139	-0.105	0.019	-0.76	0.036
Assets (thousands Euros)	47,727	52,762	48,478	62,290	71,337
<i>Average monthly salary</i>	<i>2,458</i>	<i>2,040</i>	<i>1,800</i>	<i>1,583</i>	<i>1,569</i>

Long-Term Motivation by Shares

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

Corporate Governance Reporting Form

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

1. Summary of the Corporate Governance Report:

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

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

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

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

2. Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders’ rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		

1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that shall be made public in accordance with legal acts is published in Lithuanian and English via informational system of stock-exchange <i>Nasdaq Vilnius</i> and on the website of the Company. The venue, date and time of the Meeting of Shareholders convened by the Company are chosen in such a way as to ensure participation of all shareholders in the decision-making process of the Company.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's authorized share capital consists of 16,350,000 ordinary shares, the nominal value of 0.29 EUR each, which provide their holders equal voting, property, dividend and other rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The rights attached to the shares are indicated in the Articles of Association of the Company, which are published on the website of the Company.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	The Articles of Association of the Company do not provide that the mentioned transactions are subject to approval of the General Meeting of Shareholders. The shareholders of the Company approve the transactions for approval of which they have the right prescribed by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The Company convenes a General Meeting of Shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania.

1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	All information for shareholders, notices on convocation of General Meetings of Shareholders, drafts of resolutions and documents proposed for the Meeting of shareholders by the Management Board and adopted resolutions and approved documents are made public in Lithuanian and English languages through the information system of NASDAQ Vilnius Stock Exchange and published on the website of the Company.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Each shareholder can participate at the meeting in person or delegate the participation to some other person. The Company allows the shareholders voting by filling the general voting ballot in as prescribed by the law.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	The Company does not comply with the provisions of this recommendation, as it is not possible to ensure text protection and identify the signature of a voting person. Furthermore, in the opinion of the Company, so far there was no need for any modern technologies at the General Meeting of Shareholders for the purposes of participation and voting via electronic means of communication.

1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information on the candidates to the members of the Management Board of the Company is provided to the shareholders at the General Meeting of Shareholders with the item related to the election of the members of the Management Board on the agenda in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. Information on the audit company to be elected is made public together with the notice on the draft resolutions of the General Meeting of Shareholders to be convened in accordance with the procedure prescribed by the legal acts.
1.10. Members of the company's collegial management body, heads of the administration ¹ or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The Managing Director, Chief Accountant, Chairman and other competent persons who can provide information on the agenda of the General Meeting of Shareholders always participate at the General Meeting of Shareholders. The proposed candidates to the members of the Management Board, however not all, participated at the General Meeting of Shareholders.
Principle 2: Supervisory Board 2.1. Functions and liability of the supervisory board The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	As the Law on Companies of the Republic of Lithuania provides for the possibility to elect only one either collegial supervision or management body, the collegial management body, the Management Board performing the supervision function, and one-person management body, the Managing Director, are set up in the Company. The collegial supervising – the Supervisory Board is not formed.

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

2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	See item 2.1.1.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	See item 2.1.1.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent ² members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	See item 2.1.1.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	See item 2.1.1.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	See item 2.1.1.

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

2.2. Formation of the Supervisory Board The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	See item 2.1.1.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	See item 2.1.1.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	See item 2.1.1.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	See item 2.1.1.

2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	See item 2.1.1.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	See item 2.1.1.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applicable	See item 2.1.1.
Principle 3: Management Board		
3.1. Functions and liability of the management board		
The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	As there is no Supervisory Board formed at the Company, the Management Board performs supervisory functions, discusses and approves the strategy of the Company, analyses and evaluates information on implementation of the strategy of the Company.

3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Company follows the strategic plan of the Company based on which the mission of the management bodies of the Company is to create and maintain a strong, competitive, financially capable and technically advanced Company that creates and maximizes the value for the shareholders.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board ensures compliance with the laws and internal policy of the Company applicable to the Company or the Group.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance³ on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Management Board complies with this guidance.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the Chief Executive Officer, the Board takes into account the candidate's qualifications, experience and competence.
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	<p>The members of the Management Board of the Company are elected by the General Meeting of Shareholders. The members of the Management Board of the Company are qualified and competent to perform their functions, have a long experience in management.</p> <p>At present the Management Board fails to maintain gender equality. All members of the Management Board are male. At present females make 40 per cents of the members of the Management Board, i. e. two females and three males.</p>

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

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

3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the Management Board. Should a member of the Management Board attend less than a half of the meetings of the Management Board throughout the financial year of the company, the Supervisory Board of the company or, if the Supervisory Board is not formed at the company, the General Meeting of Shareholders should be notified thereof.	Yes	<p>The members of the Management Board fulfil their functions properly: actively participate at the meetings of collegial body and devote sufficient time to perform their duties as a member of the collegial body.</p> <p>In 2023 there were 19 (nineteen) meetings of the Management Board where four members participated in all the meetings and one member participated in fifteen meetings.</p>
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent ⁴ , it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	No	Two independent Board Members are Vaidas Grincevicius and Lina Simaskiene. Prior to the Meeting of Shareholders, it was published that these two candidates for Board Membership would be considered as independent Board Members.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	<p>On 9 April 2021 the Extraordinary General Meeting of Shareholders approved the <i>Procedure for Awarding and Paying Remuneration to Independent Board Members of Panevezio statybos trestas AB for their Activities in the Board</i>.</p> <p>The members of the Management Board, except for the independent members of the Management Board, are paid remuneration (bonuses) by the decision of the General Meeting of Shareholders in accordance with the Law on Companies of the Republic of Lithuania.</p>
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	Based on the data available to the Company, all members of the Management Board act in good will for the interests of the Company and its shareholders, they are guided by the interests of the Company and not those of their own or any third parties, seek to maintain their independence in decision-making.

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

3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes/No	The internal documents of the Company do not directly provide for an activity assessment of the collegial bodies exercising individual supervisory functions. However, the collegial body ensures that its members are competent and have a variety of knowledge, opinions and experience to perform their tasks properly.
Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Not applicable	There is no Supervisory Board formed at the Company.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	<p>The meetings of the Management Board of the Company are held at least once a month in accordance with the Rules of Procedures of the Management Board.</p> <p>The date of the next meeting of the Management Board is agreed at each meeting of the Management Board. If required, the meetings of the Management Board are held at shorter intervals.</p>

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

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees ⁵ .	No	The collegial body of the Company's management is the Management Board performing the functions of Nomination Committee and the Remuneration Committees. The Management Board selects and approves the candidacy of the Chief Executive Officer of the Company – Managing Director and agrees with the candidacies of Directors of the Company proposed by the Managing Director. The Management Board continuously evaluates their experience, professional capabilities and implementation of the Company's strategic goals, hears out their reports. The Board selects the candidate for the external auditor and provides proposals to the General Meeting of Shareholders for approval.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	On 27 April 2023, the Audit Committee was elected at the Annual General Meeting of Shareholders.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	No	See the commentary on the recommendation provided in item 5.1.1. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes/No	See the commentary on the recommendation provided in 5.1.1. The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company. The Audit Committee is composed of three members. Two members conform to the requirements for independence. The Audit Committee is elected for the period of one year.

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

<p>5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.</p>	<p>Yes/No</p>	<p>See the commentary on the recommendation provided in item 5.1.1.</p> <p>The Audit Committee follows the Rules of the Audit Committee prepared by the committee and approved by the General Meeting of Shareholders. These rules define the regulations specifying the rights and duties of the Audit Committee, size of the Audit Committee, term of office in the Audit Committee, requirements for education, professional experience and principles of independence.</p> <p>The approved Rules of the Audit Committee are published on the website of the Company. In 2023, there were 2 meetings of the Audit Committee held where all members of the Audit Committee were present.</p>
<p>5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.</p>	<p>Yes/No</p>	<p>See the commentary on the recommendation provided in item 5.1.1.</p> <p>The recommendation is implemented to the extent it is related to the activities of the Audit Committee in the Company.</p>

5.2. Nomination Committee		
<p>5.2.1. The key functions of the nomination committee should be the following:</p> <p>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected;</p> <p>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;</p> <p>3) devote the attention necessary to ensure succession planning.</p>	Not applicable	<p>There is no Nomination Committee formed at the Company.</p> <p>The functions of the collegial body – the Management Board performs the functions of the Nomination Committee. (See the commentary on the recommendation provided in item 5.1.1.).</p>
<p>5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.</p>	Not applicable	
5.3. Remuneration Committee		
<p>The main functions of the remuneration committee should be as follows:</p> <p>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;</p> <p>2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;</p>	Not applicable	<p>There is no Remuneration Committee formed at the Company. (See the commentary on the recommendation provided in 5.1.1).</p>

3) review, on a regular basis, the remuneration policy and its implementation.		
5.4. Audit Committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee ⁶ .	Yes	<p>The Company implements this recommendation.</p> <p>On 27 April 2023, the Audit Committee was elected at the Annual General Meeting of Shareholders. The Audit Committee is composed of three members, two of which conform to the requirements for independence. The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.</p>
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	<p>The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.</p> <p>All members of the Committee are provided with detailed information on specific issues of the accounting system, finances and operations of the Company.</p>
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	<p>The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.</p>
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	<p>The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders. The Audit Committee is provided with the information mentioned listed herein from independent audit firm.</p> <p>No internal audit function exists at the Company/Group.</p>

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

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	The Audit Committee organizes its activities in accordance with the Rules of the Audit Committee approved at the Meeting of Shareholders.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee makes analysis of and gives evaluation to the financial statements of the Company, gives recommendations on their approval to the Management Board together with the reports on their activity over the period.
Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies. The Corporate Governance Framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	Members of the management bodies of the Company behave in such a way that there is no conflict of interest with the Company. During the reporting period, there have been no known conflict of interest between the Company and the member of its management body.
Principle 7: Remuneration policy of the company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The Company has prepared the draft of revised Remuneration Policy, which is subject to the approval at the coming General Meeting of Shareholders.

7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Remuneration Policy of the Company defines the remuneration components and established the principles of its award and payment.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	Remuneration policy is intended to establish only the principles of remuneration of top and middle management staff. See item 3.2.8.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Yes	The Company complies with this recommendation in accordance with the provisions of the Labour Code of the Republic of Lithuania within the limits established therein.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	There is no scheme anticipating remuneration of the directors in shares, share options or any other right to purchase shares.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company publishes information about the implementation of the remuneration policy in the Annual Report.

7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	No	The Company does not apply any schemes under which members and employees of a collegial body receive remuneration in shares or share options.
Principle 8: Role of stakeholders in corporate governance The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company protects all rights of the stakeholders, allows the stakeholders to participate in corporate governance in the manner prescribed by law.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company’s authorized capital, involvement of creditors in corporate governance in the cases of the company’s insolvency, etc.	Yes	<p>The Company complies with this recommendation.</p> <p>For example, the Company has a Co-operation Agreement signed with the Works Council. According to the signed agreement, the Company informs the representatives of the Council about the financial position of the Company, employer’s status, expected changes, etc.</p>
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	Detailed information on scheduled events of the shareholders is made public following the procedure prescribed by law, the investors (shareholders) have sufficient opportunities to familiarize themselves with the relevant information and vote in adopting decisions.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The stakeholders may submit anonymous reports to the collegial body.
Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		

In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
• operating and financial results of the company;	Yes	The operating and financial results of the Company are made public in the Intermediate Semi-annual and Annual Reports of the Company on the website of the Company and on the website of stock-exchange <i>Nasdaq Vilnius</i> .
• objectives and non-financial information of the company;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
• persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	All information available to the Company is published in the Intermediate Semi-annual and Annual Reports of the Company.
• members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
• reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	Information on composition, number of meeting and attendance of members of the existing committees is published in the Intermediate Semi-annual and Annual Reports of the Company.
• potential key risk factors, the company's risk management and supervision policy;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
• the company's transactions with related parties;	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
• main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	No	The Company does not apply any schemes under which employees receive remuneration in shares, share options or other rights to share acquisition.

<ul style="list-style-type: none"> • structure and strategy of corporate governance; 	Yes/No	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
<ul style="list-style-type: none"> • initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. <p>This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.</p>	Yes	Information is published in the Intermediate Semi-annual and Annual Reports of the Company.
When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	The Company complies with the recommendation and discloses information about the results of the Company and the Group of its subsidiaries. The information is published in the Intermediate Semi-annual and Annual Reports of the Company.
When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	The information specified in the recommendation is provided in the Annual and Semi-annual Reports of the Company.

Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	The Company discloses the information via the information disclosure system used by the Vilnius Stock Exchange in the Lithuanian and English languages simultaneously. The Company does not disclose the information likely to impact the price of the issued by it securities in its comments, interviews or otherwise by the time such information is announced via the information system of the Stock Exchange.
Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The independent audit company performs auditing of the individual and consolidated (the Group) annual financial statements of the Company and its subsidiaries in accordance with the International Accounting Standards applicable in the European Union. The independent audit company evaluates conformity of the Annual Report to the audited Financial Statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Management Board proposes an audit firm to the General Meeting of Shareholders.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	In 2023, the firm of auditors provided no services other than auditing.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORT 2023



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CEO LETTER

As one of the largest construction groups in Lithuania, we consider sustainability an integral part of our business. I am pleased to present our latest Sustainability Report, which reflects our environmental, social, and governance achievements and ambitions. In this report, we have included the issues that matter most to our customers, employees, shareholders, suppliers and partners, considering their sustainability expectations.

Our sustainability and responsibility principles are based on global agreements and recommendations. We commit to adhering to the guidelines set out by the United Nations Global Compact, contributing to the Sustainable Development Goals, and following other generally accepted principles of social responsibility.

In the environmental area, reducing the environmental impact of buildings and services, waste management and resource efficiency, and reducing CO₂ emissions remain our priorities. By investing in solar energy projects and sourcing 100% of our electricity from renewable sources, we are committed to reducing CO₂ emissions and contributing to climate change mitigation. We strive not only to improve our environmental impact but also to set an example for other organisations. Last year, the Lithuanian Confederation of Industrialists (LCI) also noticed our efforts, recognising the Lazdynai swimming pool construction project as the Product of the Year and awarding it with the gold medal of the 'Lithuanian Product of the Year 2023'.

On the social area, our efforts are focused on the safety and well-being of our employees. Vision Zero for Accidents at Work continues to be our primary objective. In 2023, we introduced an e-learning platform to enhance occupational health and safety knowledge, improving the safety and efficiency of the working environment. Through various projects and events, we have worked to create and foster an internal culture of sustainability.

In governance (economic) area, we do our best to foster a culture of ethical business, ensure the high quality of the projects we carry out, manage risks, and strengthen our cooperation with partners to provide the necessary innovations and the smooth introduction of technology.

This Sustainability Report provides a comprehensive overview of our performance and commitment to sustainability in each business area. We will continue to pursue sustainability initiatives, considering stakeholders' expectations and suggestions. For us, sustainability means not only responsibility but also an opportunity to grow and develop together with our community and society.

I am grateful to all our employees, partners and stakeholders for their commitment, contribution and continued support on our sustainability journey.



GRI 2-22

Social Responsibility and Sustainability Report 2023

Chief Executive Officer
Tomas Stukas

ABOUT THE SUSTAINABILITY REPORT

This **Social Responsibility and Sustainability Report** (hereinafter the Sustainability Report) of the public limited liability company Panevezio statybos trestas (hereinafter the Company; PST), registered in Lithuania at P. Puzino g. 1, LT-35173 Panevezys, and its subsidiaries (hereinafter jointly called the Group), is published in April 2024 for the period from **1 January 2023 to 31 December 2023**.

The information presented in this report includes consolidated information of all Group companies, in some cases highlighting the data of Panevezio statybos trestas AB. Subsidiaries have no separate sustainability reports produced. The Group's sustainability report is compiled by the Global Reporting Initiative (GRI) standards 2021 updated version. The Sustainability Report is presented for the same period as the annual financial statements. This report is integrated into the Company's and Consolidated Annual Report, which is audited by an independent external auditor; having read the sustainability section of the report, the auditor confirmed its conformity to the Law of the Republic of Lithuania on Financial Reporting by Undertakings. The Company's and Consolidated Annual Report (together with the Sustainability Report) is approved by the Board and then presented to the General Meeting of Shareholders.

The Sustainability Report presents the Company's and its subsidiaries' achievements and aspirations in the environmental, social and governance (ESG) areas. This report reveals how the Group contributes to the United Nations Sustainable Development Goals (SDGs) and adheres to the principles of the Global Compact.

The report is prepared in consultation with external sustainability experts but is not audited. The information contained in the Sustainability Report complies with the requirements for the Social Responsibility Report of the Republic of Lithuania and the guidelines for non-financial reporting of the European Commission.

In 2023, when applying the GRI Standards, the Group focused on conducting materiality analysis, interviewing stakeholders and developing a materiality matrix to identify the information most relevant to stakeholders. This Sustainability Report represents the best available data at the time of publication. Still, in the future the Group will strive to improve further the quality of the information provided in the Sustainability Reports and to fully and accurately disclose all relevant performance indicators.

GRI 2-1

GRI 2-2

GRI 2-3

GRI 2-4

GRI 2-5

GRI 2-14

Social Responsibility and Sustainability Report 2023

Questions or feedback on this report and the Group's sustainability activities can be sent to the following contacts:

Economist R. Kairienė:
rkairiene@pst.lt



BRIEFLY ABOUT THE GROUP

Panevezio statybos trestas AB, together with its Group companies, is one of the largest construction companies in Lithuania. Operating in the construction sector for over 70 years, the Group has delivered major and complex projects contributing to the country's economic growth, infrastructure development, and environmental objectives.

The Group operates in the following countries: Lithuania, Sweden, Norway, Latvia and Poland. The Group's activities include the construction and design of buildings, structures, facilities and communications, and other objects for various purposes in Lithuania and beyond, the production and design of metal structures for construction, the sale of building materials, and real estate development.

The group consists of the following companies:

- Panevezio statybos trestas AB
- Skydmedis UAB
- Hustal UAB
- Vekada UAB
- Alinita UAB
- Aliuminio fasadai UAB
- Seskines projektai UAB
- Ateities projektai UAB
- PST investicijos UAB
- Tauro apartamentai UAB
- PS Trests SIA
- Kingsbud Sp.z.o.o.

Subcontractors are among the Group's most important partners. As part of the subcontractor selection process, the Company assesses the subcontractors' qualifications. The most important requirements for subcontractors are environmental protection, compliance with occupational safety and health legislation, and integrity.

Further information on the nature of the Group's activities is provided in the Company's and Consolidated Annual Report.

GRI 2-1

GRI 2-2

GRI 2-6

Social Responsibility and Sustainability Report 2023



The Group's principal activities are:



Construction and design of buildings, structures, facilities, communications, and other objects for various purposes in Lithuania and abroad.



Sales of building materials.



Production of some building materials.



Real estate development and management.

SUSTAINABILITY IN THE GROUP



MAIN SUSTAINABILITY PRINCIPLES

The Group aims to integrate sustainability topics into its overall business strategy and key performance indicators. Sustainability is understood as an integral part of the Group's activities, closely linked to its commitments to its stakeholders and key strategic directions. The Group's principles of sustainable, responsible, and fair business conduct are described in the Code of Conduct for Employees, Suppliers, and Company Representatives and other applicable policies.

Key sustainability principles applied in the Group:

- Embedding sustainability in three areas – **environmental, social and governance** – to create balanced long-term value.
- Taking into account stakeholders' expectations, honoring our commitments to them, and engaging with them transparently and fairly when making decisions on the Group's sustainable development.
- Sticking to the common objectives set out in **the European Green Deal** and the **Paris Agreement** on climate change.
- Implementing the globally recognised good governance recommendations by OECD.
- Contributing to the United Nations **Sustainable Development Goals (SDGs)**.
- Supporting and being guided by the United Nations Global Compact principles on human rights, employees' rights, the environment, and the prevention of corruption.
- Carrying out due diligence on environmental, social and economic impact management.
- Setting sustainability targets based on the precautionary principle, i.e., using the most up-to-date scientific advice on the environmental protection.

GRI 2-23

GRI 2-24

Social Responsibility and Sustainability Report 2023



The Group understands the importance of sustainable development and will seek to further clarify the directions of its sustainability strategy, develop a framework for embedding responsible business principles at all organisational levels, and integrate them into operational strategy, policies, and procedures in the future.



SUSTAINABILITY MANAGEMENT

The management of the Group's environmental, social and economic impacts is overseen by the Board and the Management Team (top management). The Board reviews the results of impact management once a year and considers and approves the Group's strategy. The Board puts executive managers and employees in charge for sustainability in Company's day-to-day operations. The persons in charge shall report to the Board on the results of environmental, social and economic impact management on a regular basis – at weekly, monthly and annual meetings and as required.

The CEO immediately informs the Board of critical sustainability issues. In 2023, there were no essential sustainability issues of particular concern in Group companies.

Governance structure and composition

According to the Articles of Association of Panevezio statybos trestas AB, the company's governing bodies are the General Meeting of Shareholders, the Board (which performs a supervisory function), and the CEO – general director.

The members of the Board have supervisory and control functions. The Company has an Audit Committee only, elected for one year. The Board exercises the functions of the Appointment and Remuneration Committee.

The Board is composed of 5 members elected by the General Meeting of Shareholders for four years to represent the interests of shareholders.

In 2023, the Board consisted of 3 men and two women. 2 Board members were independent. The Chairman of the Board has not held any other significant position (as a top manager) in the Company.

In 2023, the Audit Committee comprised one man and two women, with two independent Audit Committee members.

For more information on the members of the Board and the Audit Committee, including their other significant responsibilities, please refer to the section Governance Report of the Company's and the Consolidated Annual Report.

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GRI 2-11

GRI 2-12

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Social Responsibility and Sustainability Report 2023

Nomination and selection of board members

The Company's Board is elected and dismissed by the General Meeting of Shareholders under the procedure established by the Republic of Lithuania Law on Companies.

The company's shareholders propose candidates for the Board. Board members must be qualified and competent to perform their functions and have years of experience in management. At least two members must be independent, and at least two-fifths of the Board members must be women.

To date, Board members have been selected disregarding their competencies in sustainable development, and no specific measures were taken to improve their knowledge of sustainability; the measures would be applied if needed.

Conflicts of Interest

Board members, employees, suppliers, and representatives of the Company are required to disclose any situation that may give rise to a conflict of interest that may compromise the interests of the Company in favour of their own private interests or those of persons close to them. Situations where the personal, family, or financial interests of employees could conflict with the interests of the Company must be avoided.

The potential risk of conflicts of interest is assessed during the annual audit, and the auditor issues their opinion. No conflicts of interest were identified in 2023.

Whistleblowing channels and processes to remediate negative impacts

Stakeholders can report various infringements and concerns, such as possible ongoing or committed criminal activities, breach of administrative duty or job responsibilities, or other offences that threaten or undermine the public interest, by emailing skundai@pst.lt and through other channels indicated on the PST website.

Infringement information is dealt with by the description of the procedure for submitting and handling infringement information by PST.

Depending on the nature of the breach, PST shall, following the Company's procedures, investigate the breach, report to management and the responsible authorities and undertake to remedy and/or repair the damage. In the absence of a prescribed process, the Company shall act by the law.

STAKEHOLDER INVOLVEMENT

Continuous engagement with stakeholders and assessing and responding to their expectations is crucial for the Group's success in ensuring sustainable operations. The Group's strategy defines five main stakeholder groups: **customers, employees, shareholders, suppliers and partners.**

Stakeholders are defined as groups that find our activities highly relevant and/or are significantly affected by our actions, as well as individuals and organisations that significantly influence the Group. The Sustainability Report's content is based on key stakeholders' views, needs and expectations.



GRI 2-29

GRI 3-1

Social Responsibility and Sustainability Report 2023

MATERIALITY MATRIX

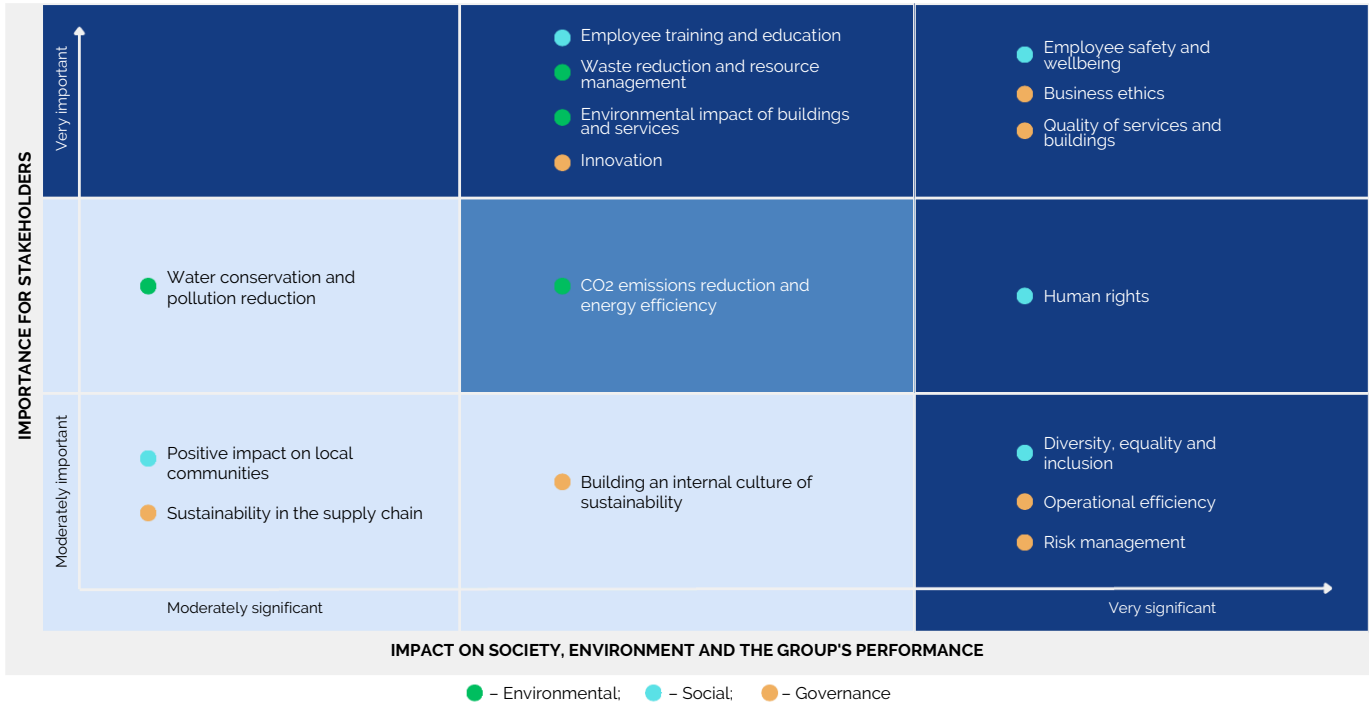
At the beginning of 2023, the Group conducted its first materiality analysis of sustainability topics following GRI standards. The purpose of this assessment is to identify the Group's key environmental, social, and governance topics, start developing the Group's sustainability strategy based on these topics, and provide detailed information on their management in sustainability reports.

The results of the materiality analysis are summarised later in this report.

Critical steps in assessing materiality:

- 1 Identification of relevant topics for sector peers.**
 Topics of interest to companies in the construction and other sectors in which the Group operates were reviewed, and a list of potential sustainability topics was compiled. Topics recommended by other widely used sustainability standards were also assessed.
- 2 An assessment of the topics that are most important to stakeholders.**
 An anonymous survey was conducted to compile information on the most critical sustainability topics for stakeholders. The survey was carried out in March 2023 by sending a questionnaire to targeted contacts from each stakeholder group. A total of 204 responses were received.
- 3 Impact and risk assessment.**
 Each sustainability topic has been assessed in terms of its potential impact on the environment and society and its impact on the Group's performance. At this stage, the Group also discussed the principal risks and opportunities related to sustainability and the potential financial impact on Group companies. The final result is a materiality matrix, which is presented further. Risks related to each sustainability topic is described throughout the report in topic-specific sections.

MATERIALITY MATRIX



The materiality matrix outlines the social, environmental and governance topics (impacts and risks) most relevant to the Group's sustainability. These topics are all important, but to set sustainability priorities, they are ranked according to their importance to stakeholders and their impact on society, the environment and the Group's performance. Material topics are the issues of utmost importance to the stakeholders that significantly impact society, the environment, and the Group's results, highlighted in the matrix's darkest colour. The management principles for all material topics are described by GRI requirements in this report, in chapters arranged by topic.








[GRI 3-2](#)
[GRI 3-3](#)

KEY SUSTAINABILITY TOPICS

The materiality analysis identified 12 key (priority) sustainability topics that are closely interlinked and most relevant to the Group's environmental, social, and governance activities. The Group will continue developing its sustainability strategy and reporting on these topics.

The United Nations Sustainable Development Goals the Group can contribute to the most are identified and listed for each topic (if applicable). The Sustainable Development Goals (SDGs) are a universal set of aspirations that set the direction for global economic, social and environmental development up to 2030.

This report details the principles behind managing the sustainability topics and the Group's performance and targets in each area.

Priority sustainability topic	Long-term direction	Sustainable Development Goals
Environmental area		
Environmental impact of buildings and services	To apply and develop new solutions and services to help reduce the environmental impact of buildings throughout their life cycle.	 
Waste reduction and resource management	To optimise production processes to decrease the amount of raw materials used and reduce and recycle waste.	
CO2 emissions reduction and energy efficiency	To reduce the energy needed for our operations and the greenhouse gases (CO2) emitted.	 
Social area		
Employee safety and wellbeing	To create a safe and healthy working environment and improve working conditions.	 

Social Responsibility and Sustainability Report 2023

Priority sustainability topic	Long-term direction	Sustainable Development Goals
Social area		
Human rights	To support and promote the protection of fundamental human rights in the Group's activities.	-
Employee training and education	To ensure all employees are given opportunities to improve and develop their skills.	
Diversity, equality and inclusion	To ensure equal opportunities, prevent discrimination at work and promote equality in recruitment.	 
Governance area		
Business ethics	To create and foster an ethical business culture, prevent corruption and bribery, and compete fairly.	
Quality of services and buildings	To ensure that the projects we deliver are of high quality, meet our clients' needs and comply with industry standards.	
Innovation	To develop and apply innovative solutions and introduce modern technologies into crucial business processes.	
Operational efficiency	To apply efficient, innovative and resource-saving process management methods.	
Risk management	To continuously assess operational risks and implement measures to address and mitigate them.	-

EU TAXONOMY ALIGNMENT OVERVIEW

The European Union (EU) Taxonomy (Taxonomy Regulation 2020/852 and the delegated acts adopted under it) is a classification system for sustainable economic activities designed to channel private investment into environmentally sustainable activities that contribute to the environmental objectives of the European Green Deal. The Taxonomy regulation sets out scientific evidence-based criteria for assessing the sustainability of an activity. The activities of those enterprises that fall under the Taxonomy list and meet the criteria provided can be classified as sustainable and attract green investments.

Taxonomy-eligible economic activities are defined as activities described in the relevant delegated acts of the Taxonomy Regulation, i.e. included in the Taxonomy. Companies that have identified that their Turnover, CapEx and/or OpEx are related to the activities described in the Delegated Acts are required to carry out an analysis and disclose the extent to which their activities comply with the Taxonomy criteria with respect to these indicators. Taxonomy-aligned activity is defined as an activity meeting the Taxonomy technical analysis criteria, i.e. making a significant contribution to at least one of the six environmental objectives and causing no significant harm to the other five.

In this overview, we provide information on the taxonomy-eligible activities conducted and their compliance with the Taxonomy criteria according to the main indicators. The methodology for calculating the indicators has been updated compared to our last year's disclosure (described further).

TAXONOMY-ELIGIBILITY ASSESSMENT AND CALCULATION OF INDICATORS

Turnover. The Group derives part of its revenue from taxonomy-eligible activities. The primary economic activity of PST, construction, accounts for the majority of the Company's revenue and corresponds in the Taxonomy to the activity labeled Construction of new buildings. Other activities of the Company (real estate activities, building renovation activities) that are considered taxonomy-eligible are the Acquisition and ownership of buildings and Renovation of existing buildings. The revenue generated by these activities is calculated accordingly, as shown in the table provided further.

Capital expenditure (CapEx). In terms of specific acquisitions that can be attributed to taxonomy-eligible activities in 2023, the Group acquired passenger vehicles (Transport by motorbikes, passenger cars and light commercial vehicles) and freight vehicles (Freight transport services by road) and a solar power plant (Installation, maintenance and repair of renewable energy technologies). The remaining long-term asset acquisitions have been distributed among taxonomy-eligible activities based on revenue proportions. This allocation is necessary because the equipment is utilized across various projects and cannot be directly linked to a specific activity. This approach was selected as the most suitable given the prevailing trends in Taxonomy disclosure within the construction sector.

Operating costs (OpEx). Operating costs (OpEx) are defined in the Taxonomy Regulation as direct non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repairs, etc. According to the definition of the Taxonomy OpEx, we have calculated the total amount of operating costs (denominator) by including only maintenance and repair costs and short-term rentals. Similar to CapEx, the total operating costs have been divided among taxonomy-eligible activities based on revenue proportions.

TECHNICAL SCREENING OF ACTIVITIES

So far, the Taxonomy has encompassed and implemented criteria for activities aiding climate change mitigation and adaptation objectives (that also applies to our taxonomy-eligible activities). By the end of 2023, the list was broadened to incorporate criteria for activities addressing the remaining four environmental objectives. According to the expanded list, the activities Construction of new buildings and Renovation of existing buildings can also contribute to the transition to circular economy objective. We have also assessed other activities identified under the transition to circular economy objective, but have not identified any taxonomy-eligible activities tied to this objective for projects executed in 2023. In the future, our taxonomy-eligible activities and the methodology for calculating indicators may change in the light of possible new official interpretations of the EU Taxonomy.

Our technical analysis has shown that the Group's current activities only partially meet the Taxonomy criteria and are therefore assessed as not taxonomy-aligned. The Group executes projects based on designs and cost estimates approved by clients, thus it cannot guarantee alignment with Taxonomy criteria. For example, the main activity of the Group Construction of new buildings is subject to quite challenging climate change mitigation criteria: new buildings must meet even higher requirements than are currently applied to buildings of the highest energy performance class A++, which are almost energy-free.

Climate risk and vulnerability assessments have not been conducted for individual projects or at the Group level. Consequently, the activities fail to meet one of the 'do no significant harm criteria' for climate change adaptation, which applies to all taxonomy-eligible activities.

In line with our support for the EU Green Deal, we intend to consider the Taxonomy Regulation in our future investment planning, so that our activities align with the Taxonomy criteria to the extent possible. The results of the screening are presented further using the template tables set out in the Taxonomy.

MINIMUM SAFEGUARDS

In its activities, Panevezio statybos trestas AB ensures compliance with the Guidelines for Multinational Enterprises of the Organization for Economic Co-operation and Development (OECD) and the United Nations' Guiding Principles on Business and Human Rights. The company protects and respects human rights and has a [Code of conduct for employees, suppliers and company's representatives](#). Being one of the largest construction companies in Lithuania, Panevezio statybos trestas AB recognizes, understands and assumes responsibility for the impact of the corporate activities on the social, economic and natural environment. The Company is committed to complying with the legislation, regulations and agreements applicable to its operation.



REVENUE ACCORDING TO TAXONOMY IN 2023

				Substantial contribution criteria		Do no significant harm criteria										
Economic activity	NACE code(s)	Absolute revenue 2023	Proportion of revenue, 2023	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of revenue, 2023	Taxonomy-aligned proportion of revenue, 2022	Category (enabling)	Category (transitional)
		thousand Eur	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activity:																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
Revenue of environmentally sustainable activities(Taxonomy-aligned) (A.1)		0	0%										0%	0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
Construction of new buildings	F411, F412, F43	81649	68.14%													
Acquisition and ownership of buildings	L68	2883	2.41%													
Renovation of existing buildings	F41, F43	7340	6.13%													
Revenue of Taxonomy-eligiblebut not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		91872	76.67%													
Total: A.1 + A.2		91872	76.67%													
B. Taxonomy-non-eligible activities																
Revenue of Taxonomy-non-eligible activities (B)		27956	23.33%													
TOTAL: A + B		119828	100.00%													

CAPITAL EXPENDITURE (CAPEX) ACCORDING TO TAXONOMY IN 2023

			Substantial contribution criteria			Do no significant harm criteria										
Economic activity	NACE code(s)	Absolute Taxonomy CapEx in 2023	Proportion of CapEx, 2023	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2023	Taxonomy-aligned proportion of CapEx, 2022	Category (enabling)	Category (transitional)
		Eur	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activity:																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
CapEx of environmentally sustainable activities(Taxonomy-aligned) (A.1)		0	0%										0%	0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	100554	9.11%													
Freight transport services by road	H49, H53, N77	172065	15.59%													
Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	113915	10.32%													
Construction of new buildings	F41.1, F41.2, F43	582003	52.75%													
Acquisition and ownership of buildings	L68	10143	0.92%													
Renovation of existing buildings	F41, F43	25780	2.34%													
CapEx of Taxonomy-eligiblebut not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1004459	91.04%													
Total: A.1 + A.2		1004459	91.04%													
B. Taxonomy-non-eligible activities																
Taxonomy CapEx of Taxonomy-non-eligible activities (B)		98892	8.96%													
TOTAL: A + B		1103352	100 %													

2023 OPERATING EXPENDITURE (OPEX) ACCORDING TO TAXONOMY

				Substantial contribution criteria		Do no significant harm criteria										
Economic activity	NACE code(s)	Absolute operating expenditure in 2023	Percentage of operating expenditure, 2023	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned percentage of operating expenditure, 2023	Taxonomy-aligned percentage of operating expenditure, 2022	Category (enabling)	Category (transitional)
		Eur	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E
A. Taxonomy-eligible activity:																
A.1. Environmentally sustainable activities (Taxonomy-aligned)																
Operating expenditure of environmentally sustainable activities(taxonomy-eligible) (A.1)		0	0%										0%	0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
Construction of new buildings	F411, F412, F43	547169	68.10%													
Acquisition and ownership of buildings	L68	19284	2.40%													
Renovation of existing buildings	F41, F43	49012	6.10%													
Operating expenditure of Taxonomy-eligiblebut not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		615465	76.60%													
Total: A.1 + A.2		615465	76.60%													
B. Taxonomy-non-eligible activities																
Operating expenses of non-taxonomy-eligible activities (B)		188014	23.40%													
TOTAL: A + B		803479	100.00%													

ENVIRONMENTAL AREA



CO₂ EMISSIONS REDUCTION AND ENERGY EFFICIENCY

The Group is responsible for a significant amount of greenhouse gases (GHGs) emitted into the atmosphere during its activities. Therefore, this topic is identified as one of the key impact areas to manage. Reducing emissions and increasing energy efficiency are integral parts of the Group's strategy and will be the focus of future annual targets and impact reduction. The Group puts great effort into contributing to climate change mitigation and environmental protection. This is crucial for the sustainable and long-term preservation of the environment. The Group keeps investing in developing solar power plants and purchasing energy from 100% renewable sources. Some Group's companies already generate electricity to cover 100% of their needs.

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In this report, the PST publishes its estimated (GHG) emissions from its activities in CO₂ equivalent. The sources of emissions and the methodologies used to calculate them are identified, including the Scope to which the emission source belongs. The know-how and methodologies of market-based financial institutions and energy suppliers were used to calculate GHG emissions. The emissions calculation was based on the Greenhouse Gas Protocol (GHG) and Global Reporting Initiative (GRI) standards and recommendations. The calculation of emissions includes not only CO₂ but also all other greenhouse gases (CO₂, NH₄, CH₄, HFCs) emitted in the activity, converting them to CO₂ equivalents using standard factors and naming the final total figure as CO₂-eq. Emission consolidation method: operational control. The baseline year for calculating GHG emissions is 2022, the first year PST has chosen to estimate its emissions.

Plans for 2024



To provide a better picture and set specific and measurable targets, PST also foresees to assess the indirect emissions of Scope 3 for 2024.

GHG emissions

	Measurement units	2022	2023	Change 2022/2023	Change 2022/2023, t CO ₂ eq.
Direct (Scope 1)	t CO ₂ -eq	1 803.5	1 916.5	+ 6.27%*	+ 113.1*
Indirect (Scope 2)	t CO ₂ -eq	243.0	462.8	+ 90.41%**	+ 219.7**
Indirect (Scope 3)	t CO ₂ -eq	-	-	-	-

Note: Calculated using the market-based method, based on actual electricity purchases. Calculated using the location-based method, i.e. based on a country's specific energy production pattern, 2023. The company's indirect Scope 2 GHG emissions would be 702.1 t CO₂ eq., 850.1 t CO₂ eq. in 2022.

* Compared to 2022, direct (Scope 1) emissions have increased due to higher fuel consumption in the transport fleet.

** Compared to 2022, indirect (Scope 2) emissions have increased because part of the electricity in Hustal UAB was purchased without guarantees of origin (it cannot be classified as green energy), and heating costs in PST construction sites have increased -53%.

The GHG emission intensity is calculated by dividing annual emissions by the number of units of economic activity. PST calculates how much CO₂ is emitted per employee and per million Eur in this case. As with the total emissions calculation, the intensity ratios include all GHG emissions, converting them into CO₂-eq.

GHG emissions intensity

	2022	2023	Change 2022/2023
t CO ₂ -eq / 1 employee	2.9	3.7	+ 28%
t CO ₂ -eq / €1 million turnover	20.9	23.0	+ 10%

Note: The emission intensity ratio has been calculated for the total Scope 1 and Scope 2 GHG emissions.

Energy consumption

Direct & indirect energy consumption			
	Measureme nt units	2022	2023
Direct fuel consumption from renewable sources	TJ	0.42	0.84
Biofuels	TJ	0.42	0.84
Direct fuel consumption from non-renewable sources	TJ	24.05	25.67
Diesel	TJ	22.58	23.48
Petrol	TJ	1.47	2.19
Energy purchased and consumed	TJ	21.21	17.78
Electricity	TJ	12.45	7.18
Heat	TJ	9.06	10.60
Total energy consumption in the organisation:	TJ	45.98	44.29

Note: Total energy consumption is calculated using the GRI 302-1 formula. Conversion factors from convert-measurement-units.com convert energy quantities to TJ.

Energy intensity

Energy intensity	2022	2023
TJ / 1 million Eur revenue	0.47	0.43
TJ / 1 employee	0.066	0.068

The energy intensity index is calculated using the GRI 302 Energy methodology.

[GRI 302-1](#)
[GRI 302-3](#)
[GRI 305-1](#)
[GRI 305-2](#)
[GRI 305-3](#)
[GRI 305-4](#)

Social Responsibility and Sustainability Report 2023

Work and Achievements in 2023



PST purchased a new Komatsu bulldozer to replace the previous one manufactured in 2007. The new bulldozer has a new generation Euro 6 engine (the old bulldozer had Euro 3 one). In terms of hours actually worked in 2023 and the average fuel consumption per hour for this model, the new bulldozer consumes half as much fuel per working hour. During 2023, It emitted approximately 17.5 tonnes less CO2 than the old bulldozer would.



PST has increased the capacity of its solar power plant (Puzino g. 1, Panevezys) from 30 kW to 60 kW.

Hustal UAB has increased the capacity of its solar power plant from 200 kW to 320 kW.

Plans for 2024



Development of solar energy projects: investments in new solar power plants or the expansion of existing ones to increase renewable energy production and reduce dependence on non-renewable sources.



Initiation of projects to reduce electricity consumption by applying energy efficiency improvement measures and promoting responsible energy use.



WASTE REDUCTION AND RESOURCE MANAGEMENT

The Group aims to ensure the responsible management of all waste associated with its operations, continuously increase recycling and ensure responsible resource management. To conserve the environment and natural resources and to provide comprehensive pollution prevention, the Company has a practice of preparing an environmental plan at the beginning of each project. The plan foresees specific measures to manage significant environmental aspects and the Company's activities. This is to minimise the Group's footprint in this area. The Company's approach to waste reduction is defined explicitly in the [PST Environmental Policy](#).

To successfully manage this topic, the Company has implemented an Environmental Management System according to the standard LST EN ISO 14001:2015. Waste reduction targets, describing the proportion of waste sorted to be achieved, are set each year.

Objectives for 2024:

Ensure the following minimal proportion of waste sorting on sites:



- new construction – 60 %;
- reconstruction, modernisation and renovation of buildings – 30 %;
- environmental management, road construction, site development and waste sites – 85%;
- otherwise unspecified waste sites – 45 %.



To keep construction machinery, equipment and vehicles up-to-date, subject to financial constraints.

PST strives to reduce the Group's negative environmental impact by adequately managing all waste generated from its operations. The Company supports and endorses the European Union's (EU) waste policy, which is based on the waste hierarchy principle of waste management—waste prevention in the first line, followed by preparation for reuse and only afterwards recycling and recovering.

GRI 306-3

GRI 306-4

Social Responsibility and Sustainability Report 2023

PST sorts the generated construction waste on-site. Building materials suitable for reuse are separated. Waste that is not suitable for reuse is sent to waste handlers. Waste generated on construction sites is also sorted according to all applicable requirements.

Internal audits monitor and control the waste sorting process. Records of generated waste are kept in the electronic Unified Product, Packaging, and Waste Record Keeping Information System (GPAIS). At the end of the calendar year, the proportion of waste sorted is calculated.

Waste from operations

	Measurement units	2021	2022	2023
General waste	t	12,531.279	3684.020	2772.483
Hazardous waste	t	2.923	4.759	11.107
Total	t	12534.203	3688.779	2783.59

Note: All hazardous waste generated by the activity has been passed on to waste handlers.

Waste sent for recycling

	Measurement units	2021	2022	2023
Wood	t	68.890	98.670	72.86
Metals	t	20.010	5.118	277.585
Paper	t	7.770	7.365	19.755
Glass	t	13.940	2.040	0.14
Plastics	t	0.040	0.065	8.807
Concrete brick mixes	t	3099.940	1042.500	1088.1
Bituminous mixtures	t	1200.000	416.400	0.65
Total	t	4410.59	3590.109	1467.897

Note: All of this waste has been sent for recycling; however, PST cannot guarantee that it has actually been recycled.

WATER CONSERVATION AND POLLUTION REDUCTION

The company considers water conservation and reducing water pollution as one of its key objectives and aims to reduce its impact on this topic in every possible way. The approach to this topic is further described in the Company's (Environmental Policy.)

Amount of water consumed

	Measurement units	2021	2022	2023
Water consumption of PST fixed facilities	ML (megaliters)	3.211	4.312	5.233
Water consumption of PST construction sites	ML (megaliters)	1.365	12.102	8.822
TOTAL:	ML (megaliters)	4.576	16.414	14.055

PST does not use water from areas experiencing water stress, while all calculations are based on metering devices installed within the Company.

GRI 303-5

Social Responsibility and Sustainability Report 2023

ENVIRONMENTAL IMPACT OF BUILDINGS AND SERVICES

The Company sees this topic as one of the most important for managing its impact on the environment, employees, and society. Therefore, the aim is to apply and develop new solutions and services to help reduce the environmental impact of buildings throughout their life cycle. The circular economy is about preserving the value of products and materials for as long as possible, with as little waste as possible and as few resources used as possible; the Company aims to do the same by trying to minimise its impact in this area.

It is important to note that in terms of volume, construction and demolition are among the largest sources of waste. The construction industry significantly impacts the overall environmental performance of the life cycle of buildings and infrastructure. Given the long lifespan of buildings, the Company strives to promote better design in every possible way to reduce the impact on the environment and to increase the resilience and recyclability of their components. At the same time, the use of hazardous chemicals in construction sites is being steadily reduced by replacing them with less hazardous ones.

The Company's new buildings currently under construction are of energy efficiency class A++. These buildings use almost no thermal energy, contributing to climate change mitigation. As the market tightens its requirements for the energy class of new projects, PST is developing its competencies and technological base to implement this type of project.

Work and Achievements in 2023



In 2023, the Lazdynai swimming pool was recognised as the Product of the Year at the Lithuanian Confederation of Industrialists (LPK) awards, receiving the "Lithuanian Product of the Year 2023" gold medal.

Plans for 2024



In 2024, priority will be given to acquiring and installing equipment and machinery, allowing to reduce the environmental impact of operations and fuel consumption.



SOCIAL AREA



EMPLOYEES AND THEIR DIVERSITY

Professional, competent and responsible employees are the Group's greatest asset and essential to achieving its goals. The Group aims to ensure a respectful and caring relationship with its employees, increase diversity, and foster employees' well-being and internal corporate culture.

On 6 August 2021, a Labour Council of nine members was elected to represent employees in the Group. The Labour Council makes proposals to employer on economic, social, and labour issues of concern to employees, as well as employer decisions and laws and regulations governing labour relations. The Council is set up for a term of office of 3 years, starting from the beginning of its mandate.

As of 31 December 2023, the Group had a total of 762 employees, and PST had 491 employees. As of 31 December 2022, the Group had a total of 805 employees, and PST had 536 employees.

Breakdown of employees by gender and location

	Number of employees		Permanent employees by gender (indefinite contract)		Temporary employees by gender (fixed-term contract)		Full-time employees by gender		Part-time employees gender	
	PST	Group	PST	Group	PST	Group	PST	Group	PST	Group
Total	491	762	451	721	40	41	471	735	20	28
Women	80	108	76	103	2	3	79	156	6	12
Men	411	618	375	38	38	578	392	578	14	16
Lithuania	490	756	450	716	40	41	470	729	20	27
Latvia	1	3	1	3	0	0	1	3	0	1
Poland	0	3	0	2	0	0	0	2	0	0

Note: The tables present the Group's data at the end of the reporting period (2023). Data for 2022 is available for comparison in the PST Social Responsibility and Sustainability Report for 2022.

[GRI 2-7](#)
[GRI 2-8](#)

There has been a natural turnover of employees in the Group's companies during 2023. The Group does not have information on the total number of employees (e.g., subcontractors' employees) who are not employees of the Group and whose work and/or workplace is not controlled by the Group.



New hires and turnover

		New hires		Turnover	
	Total number in each category	Number of new hires	Rate per category (%)*	Number of redundancies	Rate per category (%)*
By gender:					
Women	108	10	9.3%	4	3.7%
Men	654	225	34.4%	71	10.9%
By age:					
Up to 30 years	67	61	91.0%	20	29.9%
30–50 years	389	131	33.7%	38	9.8%
Over 50 years	306	43	14.1%	17	5.6%
By location:					
Lithuania	756	212	28.00%	43	5.7%
Latvia	3	0	0.00%	0	0.00%
Poland	3	1	33.3%	0	0.00%

*The rate is calculated as follows: the number of new hires in a given category divided by the total number of employees in that category. For example, the number of new female hires among all female employees.

GRI 401-1

GRI 401-3

Social Responsibility and Sustainability Report 2023

Parental leave

Employees and their diversity	Breakdown by gender
Total number of employees entitled to parental leave (by gender).	Men – 7
	Women – 1
Total number of employees on parental leave (by gender).	Men – 0
	Women – 1
Total number of employees who returned to work after parental leave during the reporting period (by gender).	Men – 0
	Women – 3
The total number of employees who returned to work after parental leave and are still working 12 months after their return (by gender).	Men – 0
	Women – 1

Note: The relative rate of return to work of workers on parental leave by the GRI formula is not reported, as this is the first time the indicator has been reported, and the data are only disclosed for 2023.



DIVERSITY, EQUALITY AND INCLUSION

The Group has placed a strong emphasis on diversity, equality and inclusion in 2023. By creating a work environment based on diversity, equality and inclusion, the Group ensures that the views of different stakeholders are taken into account and that the expectations of these stakeholders towards the Group are better reflected.

In 2023, as in the past, the majority of the Group's employees, 86% (PST – 84%), were men, which is typical for the construction sector. This is strongly influenced by the specific nature of the activities carried out, i.e. women are less likely to opt for technological work in construction and directly related construction-technical-engineering occupations and outdoor work.

The Group does not discriminate based on gender, assesses employees based on their qualifications, and provides equal employment and career opportunities. Every employee's opinions and ideas are accepted. There were no cases of discrimination in 2023.



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Percentage of individuals in each of these diversity categories on the Group's board

	Gender and age group	2022	2023
		Share (%)	
The board	Women	40	40
	Men	60	60
	Up to 30 years	0	0
	30–50 years	60	40
	Over 50 years	40	60

Percentage of employees in each of these diversity categories

	Gender and age group	Share (%)		
		2021	2022	2023
PST	Women	15	17	16
	Men	85	83	84
	Up to 30 years	7	8	8
	30–50 years	42	43	48
	Over 50 years	51	49	44
Group	Women	19	15	14
	Men	81	85	86
	Up to 30 years	8	9	9
	30–50 years	47	47	51
	Over 50 years	45	44	40

The group is against forced, involuntary labour and child exploitation. Only persons of the legal age by the law of the Republic of Lithuania may be recruited.

REMUNERATION POLICY

To attract professionals to management positions, the Group aims to maintain remuneration close to the market median of the country where the Group operates. The remuneration system is a set of remuneration packages that Group companies use to attract, motivate and retain the best people to help them achieve their long-term goals and business strategy. Staff remuneration is based on the employee's responsibilities, performance, competencies, knowledge and skills; the pay for equivalent posts is similar.

Employees benefit from advanced bonus schemes and an exceptional working environment. The Group also provides social security benefits for employees, such as death benefits for family members or relatives (in the event of an employee's loss) and gifts at the birth of a child and on the occasion of an anniversary.

For more information on the remuneration policy, please refer to the "Consolidated Remuneration Report" section of the Annual Report.

DETERMINING THE REMUNERATION FOR THE BOARD MEMBERS

The extraordinary general meeting of shareholders of 9 April 2021 approved the procedure for the appointment and payment of remuneration to independent members of the board of Panevezio statybos trestas AB.

Under these arrangements, the independent member of the board is paid a fixed monthly remuneration. The board members, other than the independent members of the board, are paid remuneration (bonuses) for their work on the board, as decided by the general meeting of shareholders, by the Law on Companies of the Republic of Lithuania.

DETERMINING THE REMUNERATION OF TOP AND MIDDLE MANAGERS

The remuneration policy for top and middle managers of Panevezio statybos trestas AB was approved at the ordinary general meeting of shareholders on 29 April 2020.

The board approves the remuneration of the Company's chief executive officer (general director) and the remuneration of functional and branch directors on the general director's recommendation. The Company currently has no information on

how stakeholders' views (including shareholders) are considered in determining remuneration or the involvement of consultants in the remuneration setting.

Remuneration for top and middle managers consists of fixed and variable components. The fixed component is the employee's basic monthly salary, as set out in the employment contract. The variable component is based on the Company's and the employee's performance.

The remuneration policy for board members and the management team is not linked to sustainability performance.

The consolidated remuneration report for 2022 and the set of financial statements 2022 were approved at the general meeting of shareholders on 27 April 2023.

Annual total compensation ratio

	PST			Group		
	2021	2022	2023	2021	2022	2023
The ratio of the annual total compensation for the organisation's highest-paid individual to the median annual total compensation for all employees	6.33:1	5.5:1	4.7:1	6:1	7.87:1	7.5:1
The ratio of the percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in total yearly compensation for all employees	-	0.24:1	0.29:1	-	2:1	0.73:1

The annual increase in total remuneration for the highest-paid individual at PST was 8%. The annual percentage increase in the median total compensation of all employees (excluding the highest-paid individual) was 26%.

At the group level, the highest-paid individual had an annual compensation increase of 18%. The annual percentage increase in the median total remuneration of all employees (excluding the highest-paid individual) was 24%.

GRI 2-19

GRI 2-20

GRI 2-21

EMPLOYEE SAFETY AND WELLBEING

The Group is committed to ensuring a safe working environment for its employees, so safety is considered one of the highest priorities.

One of the Group's main objectives is to become a leader in the construction market, guaranteeing safe and hazard-free workplaces for Panevėžio statybos trestas AB employees and all the employees working on behalf of the Company.

The Group has an Occupational Health and Safety (OHS) Policy and relevant ISO 45001 procedures in place:

- Implementation of legal and other requirements for environmental protection and occupational safety and health (ADSSVP-02).
- Emergency preparedness and response (ADSSVP-04).
- Monitoring and measurement (ADSSVP-06).
- Occupational safety and health management (OSHMP-09).
- Identification and risk assessment of occupational hazards (DSSAP-10).
- Managing objectives, targets and management programs (KADSSVP-002).
- Design Management (KADSSVP-003).
- Purchase and sale (KADSSVP-004).
- Selection of subcontractors (KADSSVP-005).

This helps to ensure the ongoing identification and assessment of OHS risks, defining risk management measures, and monitoring their implementation.

WORK-RELATED RISKS

Sound occupational health and safety management contributes significantly to the Group's sustainable and long-term performance. In the construction sector, the risk of injury and occupational diseases is high where there are high physical loads or where hazardous work, chemicals, or other materials are involved.

Hazardous and harmful risk factors (hazards) identified:

- Noise – noise from mobile electrical work equipment on a construction site.

- Hand vibration – when working with portable electrical equipment on a construction site.
- Low and high temperatures (working outdoors, indoors (cold and warm seasons)).
- Inadequate lighting – artificial lighting (when work is carried out outdoors, in open spaces during the dark daytime, or in basements).
- Contact with hazardous chemicals: petroleum products (fuels, lubricants, etc.), acids, alkalis in mixtures and other hazardous substances, soil, paints, adhesives, and sealants.
- The physical exertion of lifting and carrying loads by hand involving the arms, legs and back muscles.
- Falls from height – scaffolding; mobile towers, ladders; mobile work platforms; workplaces at a height not protected by safety fencing.
- Falling at the same level (horizontal), risk of slipping, tripping, stumbling.
- Falling objects – lifting loads with cranes; workplaces at heights not protected by safety fencing; hazardous areas near buildings; lifting equipment.
- Risk of tripping, pinching – erecting and dismantling heavy structures using lifting equipment.
- There is a risk of being run over, pinched, or crushed by moving vehicles during delivery of building materials, waste removal, or landscaping.
- Risk of entrapment and crushing of rotating parts of machinery and equipment.
- Risk of cuts and dents when using sharp tools or materials with sharp edges or corners.
- Exposure to electrical currents (alternating current over 50 V and direct current over 75 V, high voltages of 10 kV and above).
- Fragmented, flying particles of work materials – hazardous areas on a construction site when working with portable electrical work equipment.
- Fire hazards include welding, metal cutting with power tools causing sparks, and the use of electrical household appliances.
- Potential displacement and collapse of stored building materials and structures – storage of building materials and heavy structures.
- Hazards in the work and services provided by other organisations and their employees.
- Dust risk – excavation and construction work during the warm season.

GRI 403-1

Work-related injuries

	2022	2023
Injury rate	0	2
Number of minor accidents (injuries) per million hours worked	0	131

Note: The total recordable injury rate per million hours worked is calculated using the GRI 403-9 formula. The total number of hours worked by all employees in 2023 was 11,269,833.

OCCUPATIONAL HEALTH AND SAFETY TRAINING SYSTEM

The company provides occupational health and safety training to ensure every employer is informed and prepared to perform their duties safely. The training program comprises several parts:

- Theoretical training covering the basics of health and safety at work, legislation, Company policies and procedures. It also focuses on hazard identification and the principles of safe behaviour, including using personal protective equipment and accident prevention.
- Practical training on specific hazards and activities, such as fire safety, civil protection, use of chemicals and high-risk work. It also includes evacuation plan training and first aid principles.
- Periodic knowledge checks and practical training to refresh and test workers' knowledge and skills in actual or simulated situations.

The Company's managers and safety officers are responsible for ensuring the quality of the training and keeping the programs up-to-date with the latest hazards and legal requirements. This is the Company's way of creating a safe working environment and ensuring every employee is well-prepared for different situations.

[GRI 403-9](#)
[GRI 403-5](#)

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Work and Achievements in 2023



We introduced an e-learning platform for qualification and occupational safety and health training to improve the quality and accessibility of training for every employee.



The process for issuing personal protective equipment has been digitised. From 1 March 2023, employees will be issued personal protective equipment via the VIACOREX electronic platform.



On 16-03-2023, Technical Director K. Grimalis, OHS Senior Specialist V. Fijalkauskas and Construction Manager K. Kurpis participated in PETROFAC's "2023 Contractors Safety Forum Lithuania", where Lithuanian and foreign companies shared their experience of creating a safe environment.



The digitalisation of compulsory health screening for workers through the electronic platform Esveikata. It has been launched to improve the quality of health screening and the accessibility of information for every employee.

Plans for 2024



The overarching goal of the Vision Zero for Accidents at Work 2024 is 0 accidents at work.



The implementation of the e-platform for OSH management, "SAUGA.lt," should be completed in Q1 2024. OSH and competencies/professional training will be delivered using the e-platform.



Improve staff and manager awareness of OSH and risk assessment through better training programs and presentation of information.

EMPLOYEE TRAINING AND EDUCATION

One of the main objectives of the Group's strategy is to promote the training and development of employees at all levels. Employee development and improving specific and general skills ensure the proper and smooth running of the Group's businesses and operational processes. They are among the most critical factors in ensuring competitiveness.

Employee development plans are drawn up annually, taking into account the Group's objectives and the competencies required to achieve them. The Group provides opportunities for employees to improve their knowledge and skills through various training courses, seminars and conferences. The Company and its subsidiaries provide regular in-house training for employees based on the nature of the work and the workplace requirements.

The Group focuses mainly on Occupational Health and Safety (OHS) training, which is included and described in the Group's Occupational Health and Safety Policy. To ensure a smooth process on this topic, the Group has also implemented the ISO 45001 procedure Personnel Training (KADSSVP-016) and the training procedures are defined in the Group's procedure for training, testing and assessment of the Group's employees' knowledge in the field of occupational safety and health.

The Company and its subsidiaries are responsible for developing the qualifications and skills of their employees, which means investing time and money in organising and implementing the necessary training and education programs.

The Group's training is delivered in two tracks, using the services of

1. Training providers (external training).
2. Higher education institutions (employee studies).

The Group continuously invests in training and development courses to improve its employees' competencies and awareness of occupational safety and health. In 2023, training courses were organised at the Company and training institutions. The training sessions attended by employees are listed in the table below.

The Group dedicated a total of **4712** hours to various external and internal trainings", pagal nutartą dizaino kryptį.



Average hours of training per year per employee

	2022	2023	2022	2023	2022	2023
	Number of specialists		Number of hours		Average hours of training per employee	
Women	6	19	130	170	21.67	8.95
Men	143	272	2791	4542	19.52	16.70
Sales and negotiations	2	3	8	16	4.00	5.33
Workman employed in the construction of high-rises	40	23	916	148	22.90	6.43
Cargo hanger	0	21	0	277		13.19
Fire safety (employee)	48	59	161	176	3.35	2.98
Fire safety (manager)	6	3	41	17	6.83	5.67
Civil protection	9	22	1	40	0.11	1.82
Violence and harassment: risks, prevention measures, employees' rights and obligations	9	22	1	40	0.11	1.82
Lifting platform and equipment operator	0	41	0	1274		31.07
The organisation of crane work	0	1	0	3		3.00
Tower crane operator	0	1	0	32		32.00
Mobile work platforms work manager	0	1	0	16		16.00
Coordinator for construction safety and health at work	0	3	0	96		32.00
First aid training	9	53	1	143	0.11	2.70
OHS professionals	9	14	652	1072	72.44	76.57

GRI 2-4

GRI 404-1

	2022	2023	2022	2023	2022	2023
	Number of specialists		Number of hours		Average hours of training per employee	
Improving occupational health and safety	0	3	0	64		21.33
Persons authorised by the employer*	5	5	170	170	34.00	34.00
Energy workers (heating)	8	0	234	0	29.25	
Training of certified construction professionals for the certificate of competence	4	3	32	48	8.00	16.00
Training for the renewal of the certificate of competence for certified construction professionals	17	29	404	704	23.76	24.28
Training of certified construction professionals to supplement the certificate of qualification for work in the territory of a cultural heritage object, its protection zone, a cultural heritage site	10	13	160	259	16.00	19.92
Certification training for responsible structural welders	4	3	128	96	32.00	32.00

* Employer's authorised person – the head of the structural unit to which the head of the company has delegated the implementation of OHS prevention measures (head of a department, office, bureau or other units)

Note: The table for 2023 has been updated with data for 2022, as the information disclosed in last year's report was incomplete.

243 employees and managers trained

BUILDING AN INTERNAL CULTURE OF SUSTAINABILITY

The Group consistently strives to foster an internal culture of sustainability. There is a strong focus on encouraging employees, creating a supportive environment for developing and implementing new ideas, and constant information sharing. The Group aims to ensure that employees feel comfortable in their workplace, can build their skills and knowledge, and are free to create and implement sustainability-related ideas.

The Group's key principles for a sustainable culture:

- Accountability (for impacts on society, economy, environment).
- Transparency (decisions and activities affecting society and the environment).
- Ethical (decent) conduct.
- Respecting (listening and responding to) stakeholders' interests.
- Respect for the rule of law.
- Compliance with international standards of conduct.
- Respect for human rights.
-

A well-established sustainability culture helps the Company manage its negative environmental impacts, ensure a sustainable construction process and contribute to a sustainable society.

To create and foster an internal culture of sustainability, the Group has developed additional related documents to communicate the Group's position on various sustainability issues to its employees. The following documents are available to all employees:

- [Supplier code of conduct](#)
- [Environmental policy](#)

2023 achievements:

In 2023, the following initiatives have been implemented within the Group to promote a culture of sustainability:



In May, employees repeatedly participated in the Steps Challenge initiative, which saw more than 22 million steps taken.



Practical first aid training for all employees from Panevėžys and Vilnius who expressed their wish to participate. During the training, they learned or refreshed their knowledge on how to deal with life-threatening situations so that they could help colleagues, relatives, or other close people if needed.



Expanding the fleet and capacity of existing solar power plants at Hustal UAB.



Hustal UAB colleagues have taken concrete action on the environment by producing two Environmental Product Declarations (EPD). In the main product declaration, one of the key indicators—the product's Global Warming Potential (GWP)—was reduced from 2.83 to 1.47 kgCO₂/kg, while the box joist declaration achieved an extremely low GWP of 0.877 kgCO₂/kg. This means that Hustal UAB products now have a lower carbon footprint and are greener.



PST's subsidiary Skydmedis produces green energy and fully supplies its needs. Neither electricity nor heating fuel is bought from outside.

PST purchases and focuses only on green energy purchases at the company level.



Increasingly, the Company is using Ecocrete, a low-CO₂ formula concrete with the same standard and early strength characteristics as conventional concrete but a significant reduction in CO₂ emissions, in a wide range of projects (especially wind farms). The company aims to keep using more environmentally friendly concrete and other technologies that help use resources more efficiently and reduce environmental pollution.



The company gives a second thought and responsibly gives sustainable gifts to its customers or partners on special occasions. For example, on the occasion of the completion of the Lazdynai swimming pool, an oak tree with a commemorative plaque was planted on the site; partners OP Bank were also presented with a tree near their office on the anniversary of their establishment in Lithuania.

POSITIVE IMPACT ON LOCAL COMMUNITIES

Positive impact on communities is one of the Group's key focus areas. The Group believes that corporate social responsibility - effective only when integrated into daily work and managed like any other business activity - leads to a sustainable and responsible economy.

The Group's constant and continuous improvement in business and project management, quality, customer satisfaction, supply and subcontractors' chain management, environmental protection and public relations is not only a matter of being open to the surrounding community but also of acting ethically, honestly and transparently towards the market, the environment, society and employees.

The Group's businesses are guided by the highest standards of business ethics and social ethics. Social responsibility activities are based on the Group's values and define the Group's approach to its activities, the incorporation of social, environmental and transparency principles into the Company's and the Group's internal processes, and its relations with its customers.

The construction sector has a significant environmental and ecological footprint. It depletes natural resources, uses a wide range of machinery (trucks, tractors, etc.), and pollutes building materials. Without managing the risks associated with such activities, the impact on the environment and communities can be significant.

To successfully manage this topic, the Group is implementing local community involvement, impact assessment and the following development programs:

- A life cycle perspective is considered when determining the environmental aspects of projects. The following key stages of the product/service life cycle are assessed in the process: procurement of raw materials, design, manufacture of construction products, transport, construction of the building, use of the building, demolition at the end of the cycle and final disposal.
- The Group monitors and measures environmental, social and governance indicators such as waste, hazardous chemicals used, incidents of ground contamination by petroleum products, stormwater pollution, internal combustion engine emissions, particulate air pollution, noise, indoor dust, street dirt/dust, electricity, water and fuel consumption, etc.
- The Group and its companies report the results of the measurements to the regulatory authorities.

SUPPORTING LOCAL COMMUNITIES

In 2023, the Group continued to pursue its goal of being a reliable and socially responsible company by investing its financial and human resources in a wide range of complementary activities and by supporting social, sporting, cultural and health promotion projects. In 2023, the Group has supported over ten various organisations. We aim to support the education community, engage with students and strengthen their interest in the construction sector.

Work and Achievements in 2023

We have contributed to supporting and growing the Lithuanian scientific community:



We have awarded a scholarship to the author of the best scientific dissertation of 2022 in the framework of the "Best Dissertation of 2022" election initiated by the Lithuanian Society of Young Researchers (LJMS).



In cooperation with Kaunas University of Technology (KTU) Panevezys Faculty of Technology and Business, we have established a scholarship for the best study and scientific achievements for the student of the master's degree study program "Integrated Design and Construction Management".

HUMAN RIGHTS

The Group aims to provide a working environment based on respect for fundamental human rights and human values. The importance of ensuring human rights is defined in PST [Code of conduct for employees, suppliers and company representatives](#). PST expects the employees, suppliers and representatives in all branches of the Company to prohibit all forms of discrimination and harassment.

During 2023, the Group identified no human rights risks or violations.

The Company and the Group respect the principles of human rights protection, do not tolerate any violation of human rights, advocate a fair and transparent remuneration policy, comply with the laws on overtime and working time, respect the right of workers to rest and do not tolerate any form of harassment and violence.

The Company opposes discrimination and forced labour of any kind. Employees have equal rights and opportunities regardless of gender, nationality, social or marital status, social or political organisation membership, or personal characteristics. In 2023, the Company and the Group did not record any cases of human rights violations or related complaints.



GOVERNANCE AREA



BUSINESS ETHICS

Business ethics is integral to PST and the Group's business activities. The Group aims to create and foster an ethical business culture, prevent corruption and bribery and compete fairly.

The PST Code of Conduct, accessible to all stakeholders, describes the Group's position and broader approach to business ethics.

The Group has identified and is guided by the following principles:



Accountability (for impacts on society, economy, and environment)



Transparency (of decisions and activities that affect society and the environment)



Ethical (decent) conduct



Respecting (listening and responding to) stakeholders' interests



Respect for the rule of law



Compliance with international standards of conduct



Respect for human rights

GRI 205-3

GRI 2-27

Social Responsibility and Sustainability Report 2023

FIGHTING CORRUPTION AND BRIBERY

The Company and its subsidiaries do not tolerate corruption of any kind or its manifestation. They are committed to open competition, ethical business conditions and adequate transparency and openness in their operations. The Group does not tolerate fraud, extortion, the creation of unofficial accounts, the execution of unofficial and improperly documented transactions, the recording of fictitious expenses, the use of false documents and other forms of corruption. The anti-corruption provisions apply to all employees of the Group, members of the management and supervisory bodies and third parties acting on behalf of the Group.

Comprehensive internal control mechanisms to identify potential corruption risk factors mitigate the risk. The Company and the Group's companies continuously monitor and improve their business processes.

The Company and its subsidiaries refrain from any form of influence with politicians and do not contribute to the election campaigns of political parties, their representatives or candidates. The Group always cooperates with the authorities and is ready to provide all the necessary information.

The Company and its subsidiaries shall ensure that all its procurement is carried out in a manner that rationally uses resources based on the principles of equality, non-discrimination, transparency, mutual recognition, proportionality, confidentiality, and impartiality. Suppliers shall be selected based on the most economically advantageous tender or the lowest price, based on equal and non-discriminatory treatment between suppliers.

The group assesses subcontractor qualifications as part of the subcontractor selection process. Subcontractors must ensure compliance with environmental and occupational health and safety legislation and their integrity.

There were no significant cases of non-compliance during 2023. There were also no fines for non-compliance with laws and regulations. The Group complies with the law as defined by government regulations.

No cases of corruption were reported in 2023.

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

The description of the procedure for reporting and handling irregularities has been uploaded on the PST website and is available to all management bodies. It was also emailed to the board members and the general director. All employees (100%) are informed about the organisation's anti-corruption policies and procedures.

A description of the procedure for reporting and handling infringements is available to business partners on the PST website. The awareness percentage is not calculated.

In 2023, no anti-corruption training was provided for governing body members or employees. The procedure is explicitly explained in the description mentioned above. It is communicated to employees upon signed acknowledgement.



GRI 205-2

SUSTAINABILITY IN THE SUPPLY CHAIN

Sustainability in the supply chain is managed by selecting suppliers based on their practices and their impact on the environment, human rights and communities. By contributing to sustainability initiatives in the supply chain, the Group can provide an impetus for suppliers and building product manufacturers to join together and make their operations more sustainable.

A sale/purchase procedure is foreseen to ensure a proper process for this topic. In addition, the management of this topic is defined in the [Quality](#) and [Environmental](#) policies.

Share of the procurement budget by location of operation

Location	Share of products and services purchased by country (%)	
	2022	2023
Lithuania	94.4	88.87
Poland	2.7	3.2
Latvia	1.5	7.64
Germany	1.3	0.28

Note: The Group's geographical definition of 'local' is Lithuania. Construction sites define the 'significant locations of operation'.

So far, new suppliers have not been evaluated on environmental and social criteria. In the future, it is envisaged that suppliers will be evaluated based on sustainability criteria and that suppliers that meet these criteria will be given preference.

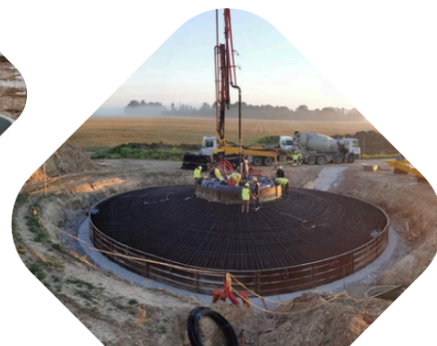
2023 achievements:



The procurement management system was digitised in 2022, and procurement was launched on the e-procurement platform Viacorex. In 2023, 90% of purchases were made through this system.



Purchase/sales contracts have been transferred to the program Doclogix, which allows a significant reduction in paper and ink consumption. So, in 2023, paper annexes to generic contracts were abandoned in favour of e-orders. Up to 80% of purchases are made this way.



GRI 204-1 GRI 308-1 GRI 414-1

Social Responsibility and Sustainability Report 2023

INNOVATION AND OPERATIONAL EFFICIENCY

The Company and its subsidiaries continuously focus on improving operational management efficiency, improving the quality of construction works, and introducing modern technologies. The Group seeks ways to improve efficiency, innovative and resource-efficient process management, working conditions, construction work and service quality. So, in 2023, the company started optimising its core business – project management processes. The aim will be to purify and digitise the processes.

The Company and its subsidiaries aim to reduce the energy used in their operations by optimising production processes. The Group is investing in technologies that produce and use green energy.

The Group adopts and uses advanced processes and technologies to maintain excellence in the construction sector. In cooperation with its partners, the Group seeks to expand the use of Building Information Modeling (BIM) principles in project management activities.

The Group uses modern design software to prepare building projects. It also actively monitors and continuously adds relevant applications to the software.

Plans for 2024



In 2024, the company will focus on digitising processes (project management, HR management, data analysis). It will also aim to acquire and install equipment and machinery to increase productivity, improve accuracy and reduce the environmental impact of the activities and fuel consumption.



QUALITY OF SERVICES AND BUILDINGS

Quality of services and buildings is one of the Group's key strategic topics. The Company and its subsidiaries are committed to ensuring that the projects they deliver are of high quality, meet the needs of their clients and comply with industry standards.

To meet its customers' needs and expectations, the Group endeavours to understand not only the customer's current needs but also its forecasted needs by identifying the key characteristics of its products/services, assessing its position in the marketplace, identifying market opportunities and weaknesses, and predicting its future competitive advantage.

The Group is guided by a quality management system that has been developed, documented, implemented and continuously monitored to ensure the smooth implementation of this topic. The Group is committed to continuously improving the performance of its quality management system to the requirements of LST EN ISO 9001:2015. Specific processes have been identified, their sequence and interactions defined, and criteria and methods identified for effective process management.

The Company and its businesses have established quality objectives and requirements for products or services in their product and service marketing planning. The requirements are detailed in the [Group's Quality Policy](#). Quality objectives and requirements are reviewed yearly.

The management systems implemented in the Company and its subsidiaries are certified by an independent surveillance audit carried out by auditors from the certification firm Bureau Veritas. The management team analyses the results of internal and external audits and makes decisions to improve the management system.

Work and Achievements in 2023



2023 Einpax was launched to streamline communication and task sharing with collaborators, suppliers, subcontractors, and customers to manage warranty tasks. It has enabled simplified task and defect management, efficient handling of urgent problems, real-time supervision of staff tasks, and monitoring of the client's reaction to the work performed.

Plans for 2024



Integrate quality issues into the project management IT system that is being implemented.



RISK MANAGEMENT

Risk management is part of strategic management and is integral to the Group's operations. The Group's primary objective in managing risks is to identify and optimally manage the higher and more significant risks. The Group aims to continuously assess its operational risks and implement measures to address and mitigate them.

PST and the Group companies are exposed to a variety of risks in the course of their business:

- Legal regulation
- High levels of competition
- Shortage of qualified labour force
- Economic cyclicity
- Consistency of order intake
- Volatile material prices on the global market
- Rising material prices
- Macroeconomic factors
- Dumping

Only some of them may significantly impact the Group's and the Company's performance. The main factors that create business risks for the Company and the Group are competition in the construction market and changes in demand for construction services.

Demand for construction services is also strongly influenced by the volume of investment and the funding available from EU structural funds. Increases and fluctuations in the prices of materials and services complicate the budgeting process for ongoing projects and the ability to complete projects within planned costs. This creates additional risks in fixed-price construction contracts and reduces project profitability.

The Company's and the Group's operations are also affected by the economic situation in Lithuania and the countries where the Group's companies operate (economic cyclicity), geopolitical changes, Russia's military invasion of Ukraine, and the remaining risks associated with COVID-19.

Uncertainties remain in global economic developments due to the anticipated regional and global crisis.

The section Governance Report of the Company's and Consolidated Annual Report provides more information on risks and their management.

Note 4 to the Separate Financial Statements and Note 4 to the Consolidated Financial Statements provide information on the types of financial risks and risk management. Legal uncertainties are disclosed in Note 28 to the Separate Financial Statements and Note 27 to the Consolidated Financial Statements.



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GRI INDEX

Statement of use		Panevezio statybos trestas AB has reported in accordance with the GRI Standards for the period from 1 January to 31 December 2023.
GRI 1 used		GRI 1: Foundation 2021
Applicable GRI Sector Standards		Not applicable
GRI 2: General Disclosures 2021		
GRI Standard		Page
1. The organisation and its reporting practices		
2-1	Organisational details	4, 5 p.
2-2	Entities included in the organisation's sustainability reporting	4, 5 p.
2-3	Reporting period, frequency and contact point	4 p.
2-4	Restatements of information	4, 31 p.
2-5	External assurance	4 p.
2. Activities and workers		
2-6	Activities, value chain and other business relationships	5 p.
2-7	Employees	24 p.
2-8	Workers who are not employees	24 p.

GRI Standard		Page
3. Governance		
2-9	Governance structure and composition	8 p.
2-10	Nomination and selection of the highest governance body	8 p.
2-11	Chair of the highest governance body	8 p.
2-12	Role of the highest governance body in overseeing the management of impacts	8 p.
2-13	Delegation of responsibility for managing impacts	8 p.
2-14	Role of the highest governance body in sustainability reporting	4 p.
2-15	Conflicts of interest	8 p.
2-16	Communication of critical concerns	8 p.
2-17	Collective knowledge of the highest governance body	8 p.
2-18	Evaluation of the performance of the highest governance body	<i>To date, there has been no specific process for assessing the board's performance in terms of sustainability. Such a process would be foreseen should the need arise.</i>
2-19	Remuneration policy	27 p.
2-20	Process to determine remuneration	27 p.
2-21	Annual total compensation ratio	27 p.
4. Strategy, policies and practices		
2-22	Statement on sustainable development strategy	3 p.
2-23	Policy commitments	7 p.
2-24	Embedding policy commitments	7 p.
2-25	Processes to remediate negative impacts	8 p.
2-26	Mechanisms for seeking advice and raising concerns	8 p.

GRI Standard		Page
2-27	Compliance with laws and regulations	36 p.
2-28	Membership associations	<i>Panevezio statybos trestas AB is a member of the Lithuanian Construction Association, Association of construction products testing laboratories and a member of Panevezys Chamber of Commerce, Industry and Crafts. Metalo meistrai UAB is a member of the Lithuanian Welders Association, PST investicijos UAB is a member of the Lithuanian Real Estate Development Association.</i>
5. Stakeholder engagement		
2-29	Approach to stakeholder engagement	9 p.
2-30	Collective bargaining agreements	<i>The Company does not have a collective agreement with its employees.</i>
GRI 3: Material topics 2021		
3-1	Process to determine material topics	9 p.
3-2	List of material topics	10 p.
3-3	Management of material topics	10 p.
Economic topics		
GRI 204: Procurement practices 2016		
204-1	Proportion of spending on local suppliers	38 p.
GRI 205: Anti-corruption 2016		
205-2	Communication and training on anti-corruption policies and procedures	37 p.
205-3	Confirmed incidents of corruption and actions taken	36 p.
Environmental topics		
GRI 302: Energy 2016		
302-1	Energy consumption in the organisation	19 p.
302-3	Energy intensity	19 p.

GRI Standard		Page
GRI 303: Water and Effluents 2018		
303-5	Water consumption	21 p.
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	19 p.
305-2	Energy indirect (Scope 2) GHG emissions	19 p.
305-3	Direct (Scope 1) GHG emissions	19 p.
305-4	GHG emissions intensity	19 p.
GRI 306: Waste 2020		
306-3	Waste generated	20 p.
306-4	Waste diverted from disposal	20 p.
GRI 308: Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	38 p.
Social topics		
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	25 p.
401-3	Parental leave	25 p.
GRI 402: Labor/Management Relations 2016		
402-1	Minimum notice periods regarding operational changes	<i>Matches the deadlines set out in the Labour Code</i>
GRI 403: Occupational health and safety 2018		
403-1	Occupational health and safety management system	28 p.
403-5	Occupational health and safety management system	29 p.
403-9	Work-related injuries	29 p.
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	31 p.

GRI Standard		Page
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	26 p.
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	26 p.
GRI 413: Local Communities 2016		
413-1	Activities related to local community participation, impact assessment and development programs	33 p.
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	38 p.



UN GLOBAL COMPACT PRINCIPLES

At the beginning of this century, the United Nations compiled and published the 10 universal principles (Global Compact), Global Compact), inviting all organisations seeking to operate responsibly and sustainably to adhere to voluntarily. We support these principles in our work and promote their implementation in areas we can impact. Below is a list of all the principles and the pages in this report that describe our activities, ambitions and initiatives in relation to these principles.



Global Compact principle		Page
1	We support and respect the protection of internationally proclaimed human rights.	34 p.
2	We make sure that we are not complicit in human rights abuses.	34 p.
3	We uphold the freedom of association and the effective recognition of the right to collective bargaining.	34 p.
4	We do not use forced and compulsory labour and work to eliminate all forms of it.	34 p.
5	We do not exploit child labour and work to eliminate all forms of it.	34 p.
6	We do not discriminate and work to eliminate discrimination in respect of employment and occupation.	34 p.
7	We support a precautionary approach to environmental challenges.	7 p.
8	We undertake initiatives to promote greater environmental responsibility.	17 p.
9	We encourage the development and diffusion of environmentally friendly technologies.	17 p.
10	We do not tolerate corruption and work against corruption in all its forms, including extortion and bribery.	36 p.