



2017

ANNUAL REPORT



WE  
CARE

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# STATEMENT OF THE CEO

The past year was one of exceptional all-round achievement. We delivered on our expectations, and accomplished organic growth in net revenue of 29.7%. This excellent performance was driven not only by the increasing demand for transportation in all markets, but also by our own sales efforts especially within the sector of large multi-national contracts. This, coupled with the determination of Girteka Logistics to continue to be the best in all of our actions and activities, gives us confidence that this growth will be sustainable for the next few years. In 2018 we will continue our focus on key account management, on winning large multi-national contracts, and on continuing our balanced cost consciousness.

During 2017 Girteka Logistics took many positive measures to implement our mission statement 'WE CARE', and to make it known, experienced and used by every single one of our employees. It is also openly promoted and part of the daily interaction we have with our stakeholders such as clients, hauliers, community, colleagues, and shareholders.

To help focus and improve our 'WE CARE' initiatives and actions, we conduct annual satisfaction surveys for both our employees and clients. During 2017 clients who were surveyed highly praised our overall performance, providing positive feedback which produced a significant rise in our overall Client Satisfaction Index (CSI) for 2017. This delivered our best results since we started using CSI in 2015, proving that the hearts, minds and actions of our employees are fully behind our aspiration to be a truly client-driven company. However, our survey also gave us important insight into where we can improve, and in doing so, to continue to increase and better our CSI score in the coming years. Our clients increasingly look at three important areas.

“

**We will continue to challenge ourselves to create more and better workplaces, and to become the best possible logistics supplier for our clients.**

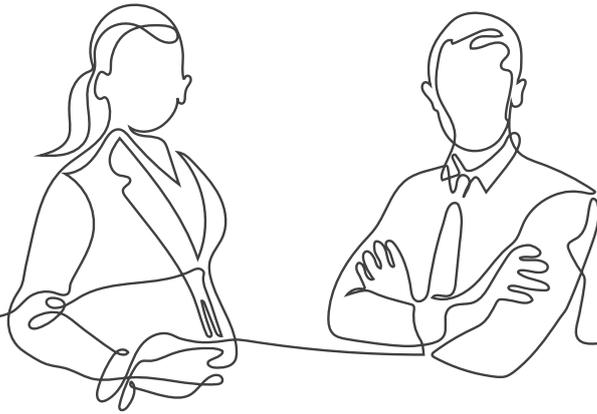
”

The first is compliance; clients want assurances in our performance to see that we are compliant in all aspects of logistics operations. The second is transparency; our clients want to fully understand who they work with. The third is consistency; our clients must have full supply chain security every single day of the year, with added importance applied during their peak season.

Navigating growth and results in a business and industry undergoing constant transformation requires dedication and a willingness to change according to client needs and market conditions. On behalf of the entire management team, I would like to thank all at Girteka Logistics for their commitment, collaboration and enthusiasm during 2017. I would also like to thank our clients, hauliers and our community for their continued trust and support in all that we do.



Edvardas Liachovičius



# **WE ARE MORE THAN TRUCKS AND TRAILERS**

Dedicated and inspiring people are attracted to working for Girtoka Logistics, because we are more than Trucks and Trailers. For new graduates or experienced professionals, our "WE CARE" mission statement is felt from day one. Our 11,000+ professionals, are inspiring and show dedication every single day. We have many opportunities and great people working not just in transport, but also in IT, LEAN, Finance, Marketing and many more fun areas.

# OUR MISSION

WE  
CARE



**CLIENTS**

TRANSPORTATION  
SERVICE  
RELIABILITY AND  
LONG-LASTING  
PARTNERSHIP



**COLLEAGUES**

WORKING  
TOGETHER,  
KEEPING PROMISES  
AND CONTINUOUSLY  
IMPROVING



**OUR  
COMMUNITY**

ROAD SAFETY  
AND  
ENVIRONMENTAL  
PROTECTION



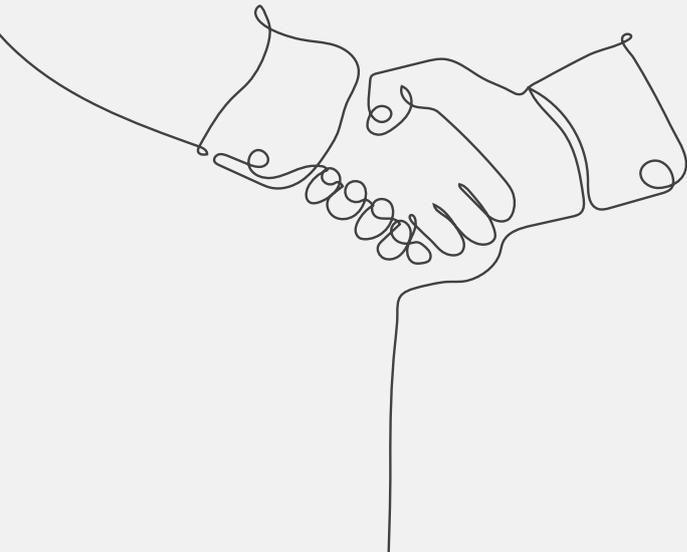
**HAULIERS**

SUSTAINABLE  
COLLABORATION  
AND  
MUTUAL  
BENEFIT



**SHARE-  
HOLDERS**

PROFITABLE  
GROWTH  
AND COST-  
CONSCIOUSNESS



# MANAGEMENT

**DONATAS NAČAJUS**

Chief  
Transport  
Officer

**KRISTIAN KAAS  
MORTENSEN**

Chief  
Communications  
Officer

**UGNĖ GRUODIENĖ**

General  
Counsel

**EDVARDAS  
LIACHOVIČIUS**

Chief  
Executive  
Officer



**MINDAUGAS RAILA VAIDOTAS MISEVIČIUS MANTAS RANONIS**

Chairman

Chief Human  
Resources  
Officer

Chief  
Finance  
Officer



# DRIVING THE BLUE REVOLUTION WITH MARINE HARVEST

Marine Harvest is not just one of the largest seafood companies in the world, the company is also one of the most important clients for Girtoka Logistics since 2007. Marine Harvest employs more than 12.000 people, and is represented in 25 countries. Marine Harvest supplies healthy, delicious and sustainably farmed salmon and processed seafood to more than 80 markets worldwide.

Marine Harvest harnesses nature to produce nutritious, tasty and supreme quality food from the ocean. As a result of its ongoing innovation and sustainable development it is the world's largest supplier of farmed Atlantic salmon - satisfying one fifth of global demand.

“

**Over 6 million meals of seafood from Marine Harvest are enjoyed around the world every day, to ensure that we must have excellent distribution and logistics.**

”



From producing fish feed to delivering premium portioned fish fillets, Marine Harvest operates the entire value chain of all its products – ensuring every stage of farming, production and distribution adheres to their strict best practice and category-leading guidelines. These controls guarantee supreme quality and consistent products which customers around the globe value and trust.

“In Marine Harvest we use a combination of road, rail, ship and airfreight to deliver our products to our customers. Our priority through all stages of our distribution is to maintain the freshness and quality of the fish and fish products and to minimise the amount of time and distance it travels. For this we must have reliable partners, Girteka Logistics has over the years shown to be just that,” says Ivar Raugstad, Logistics Manager, Marine Harvest

A strong and positive example of the partnership between Marine Harvest and Girteka Logistics is the fact that both companies are contributing to the UN’s Sustainable Development Goals, and both are reporting their CSR activities in accordance with the UN Global Compact.

“We source and transport our salmon over long distances. As most of our products are perishable and can be stored only for a limited time, disruptions to our supply chain due to weather or other matters beyond our control could impair our ability to bring our products to the market. This is why we work with well know and reliable partners, like Girteka Logistics,” insists Ivar Raugstad.

“  
**The world needs safe, healthy and tasty food, produced in a sustainable and efficient way. With 70% of the world covered by water and a uniquely low carbon footprint, aquaculture is the most sustainable way to feed the world’s growing population.**  
”





# **WE ARE MORE THAN GROWTH AND GREATNESS**

Leading International brands and producers choose Girtaka Logistics because we are more than growth and greatness. We are a strong and energetic team of 11.000+ fantastic colleagues working every day to deliver more than expected. Whether you are transporting salmon from Norway, furniture from Dortmund or fruits from Spain, then we have great people with the experience to ensure it's done right.



Our trucks go around the globe  
**14,850** TIMES PER YEAR



**420,000** FTL PER YEAR

It equals almost 800 Egyptian pyramids



**855** MLN. ICE CREAM  
PORTIONS AND  
**1,052** MLN. CHOCOLATE BARS  
transported per year



STORAGE SPACE  
**160,000** SQ.M.

WE CARE ABOUT  
OUR COMMUNITY



Ordered  
**1ST** TESLA TRUCK  
in Europe



**11,000**  
Professional employees



**4,400** trucks



**4,700** trailers



**16,000** TYRES USED  
for trucks and trailers per year



**15** DIFFERENT  
NATIONALITIES  
EMPLOYED

# IMPLEMENTING CSR INTO OUR STRATEGY AND OPERATIONS

Girteka Logistics is committed to being a responsible and reliable business partner as well as an active participant in our community. We have clear guidelines for our CSR activities and reporting, and we work systematically within the framework of the UN Global Compact. Here we highlight a few of our CSR activities as reported in our 2017 Communication on Progress (COP) under the principles of the UN Global Compact.

“

**We are committed to making a positive impact on traffic safety, our society and the environment.**

”





CLIENTS



SHARE-HOLDERS



OUR COMMUNITY



HAULIERS



COLLEAGUES

One of the key highlights during the year was our road safety day in Vilnius; a collaboration between Girteka Logistics Drivers Academy and the Lithuanian Police. The event provided special awareness training for socially supported children from three different organizations, and included our Drivers Academy educating the participants in blind spot detection and accident prevention.

Traffic safety is of the highest importance for our company and we used this event to improve our Drivers Academy's understanding of how to protect children in traffic. The event introduced safe behaviour to the children, and also allowed them to see and to experience the equipment and vehicles used by Girteka Logistics and the Police. Finally, each child had an opportunity to personalize their own safety vest to make it fashionable enough to be worn every day.

Throughout the year Girteka Logistics also participated in and supported additional local projects on themes such as: children's rights, anti-bullying, sports, local culture, and environment. In addition, our active participation in the 2017 Swedish Institute Sustainability Forum provided us with the opportunity to interact with international players in the field of CSR and sustainable development. Joining such events is an inspiration for our

future CSR work, and helps us to promote and benchmark our achievements against international leaders.

Based on the UN Global Compact, we continue to implement our own Code of Conduct, and to deepen the understanding of its importance in all aspects of our company.

The UN Sustainable Development Goals (SDGs) provides us with a useful framework and focus in order to set a clear path towards a more sustainable future. This is evident in the ethical investment choices we make throughout our operations, buildings and equipment. One example being the fact that we were the first company in Europe to order the new TESLA electric truck when it was launched in 2017.



Driver #8000 Vaidas Grigaliūnas



# UAB Girteka Logistics

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2017  
PRESENTED TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT



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PVM mokėtojo kodas LT108784411  
Juridinių asmenų registras

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VAT payer code LT108784411  
Register of Legal Entities

## INDEPENDENT AUDITOR’S REPORT

### To the management of Girteka Logistics, UAB

#### *Opinion*

We have audited the special purpose financial statements of Girteka Logistics, UAB (hereinafter – the Company), which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flows statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the special purpose accompanying financial statements of the Company for the year ended 31 December 2017 are prepared, in all material respects, in accordance with the accounting principles described in Note 2 to these financial statements.

#### *Basis for Opinion*

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

#### *Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use*

We draw attention to Note 1 to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to assist the Company in presenting certain financial information in the annual report of the parent company. As a result, these financial statements may not be suitable for another purpose. Our report is intended solely for the Company and the parent company and should not be distributed to or used by parties other than the Company. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of the special purpose financial statements in accordance with the accounting principles described in Note 2 to the special purpose financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### *Auditor’s Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Jonas Akelis  
Auditor's license  
No. 000003

30 April 2018

A member firm of Ernst & Young Global Limited

## BALANCE SHEET

AS OF 31 DECEMBER 2017 (EUR, unless otherwise stated)

ASSETS	NOTE	2017
<b>NON-CURRENT ASSETS</b>		
INTANGIBLE ASSETS		
Software		56 442
Concessions, patents, licenses, trademarks and similar rights		109 005
	3	165 447
TANGIBLE ASSETS		
Vehicles		3 959
Other fixtures, fittings, tools and equipment		50 902
	4	54 861
OTHER NON CURRENT ASSETS		
Deferred tax assets		221 754
		221 754
<b>TOTAL NON-CURRENT ASSETS</b>		<b>442 062</b>
<b>CURRENT ASSETS</b>		
INVENTORIES		
Raw materials and mounting parts		391
Prepayments		96 007
		96 398
AMOUNTS RECEIVABLE WITHIN ONE YEAR		
Trade receivables	5	108 909 464
Receivables from Group companies		30 407 691
Receivables from associated companies		3 071 040
Other amounts receivable	6	6 086 333
		148 474 528
CASH AND CASH EQUIVALENTS	7	1 458 310
DEFERRED EXPENSES AND ACCRUED INCOME	8	3 869 033
<b>TOTAL CURRENT ASSETS</b>		<b>153 898 269</b>
<b>TOTAL ASSETS</b>		<b>154 340 331</b>
<b>EQUITY AND LIABILITIES</b>		
EQUITY		
CAPITAL		
Authorized (subscribed) capital or main capital	9	10 136
		10 136
RESERVES		
Legal reserve	9	1 014
		1 014
RETAINED EARNINGS (LOSS)		
Profit (Loss) of the reporting year		11 627 132
Profit (Loss) of the previous years		23 456 963
		35 084 095
<b>TOTAL EQUITY</b>		<b>35 095 245</b>

(continued)

## BALANCE SHEET

AS OF 31 DECEMBER 2017 (EUR, unless otherwise stated)

ASSETS	NOTE	2017
AMOUNTS PAYABLE AND OTHER LIABILITIES		
ACCOUNTS PAYABLE WITHIN ONE YEAR AND CURRENT LIABILITIES		
Borrowings from credit institutions	10	16 727 232
Advances received		113 478
Trade amounts payable		2 503 212
Payable to Group companies		92 908 057
Payable to associated companies		75 067
Income tax liabilities		714 097
Employment related liabilities		1 635 135
Other amounts payable and current liabilities		121 926
		114 798 204
ACCRUED EXPENSES AND DEFERRED INCOME	11	4 446 882
<b>TOTAL AMOUNT PAYABLES AND LIABILITIES</b>		<b>119 245 086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>154 340 331</b>

*The accompanying explanatory notes are an integral part of these special purpose financial statements.*

These special purpose financial statements were approved on 30 April 2018 and signed by:



**Edvardas Liachovičius**

General Director



**Milda Mikalauskiene**

Chief accountant

## INCOME STATEMENT

AS OF 31 DECEMBER 2017 (EUR, unless otherwise stated)

	NOTE	2017
SALES REVENUE		561 452 425
COST OF SALES		(536 031 594)
<b>GROSS PROFIT</b>		<b>25 420 831</b>
SELLING EXPENSES		(108 008)
GENERAL AND ADMINISTRATIVE EXPENSES		(15 095 801)
INCOME (EXPENSES) FROM OTHER ACTIVITY	12	3 683 419
OTHER INTEREST AND SIMILAR INCOME	13	515 033
INTEREST AND OTHER SIMILAR EXPENSES	13	(898 474)
<b>PROFIT BEFORE INCOME TAX</b>		<b>13 517 000</b>
INCOME TAX	14	(1 889 868)
<b>NET PROFIT</b>		<b>11 627 132</b>

*The accompanying explanatory notes are an integral part of these special purpose financial statements.*

These consolidated financial statements were approved on 30 April 2018 and signed by:



**Edvardas Liachovičius**

General Director



**Milda Mikalauskiene**

Chief accountant

## STATEMENT OF CHANGES IN EQUITY

AS OF 31 DECEMBER 2017 (EUR, unless otherwise stated)

Group	Share or main capital (paid)	Legal or reserve capital	Retained earnings (loss)	Total
<b>As of 31 December 2016</b>	10 136	1 014	29 956 963	29 968 113
Profit (loss) for a reporting period	-	-	11 627 132	11 627 132
Dividends	-	-	(6 500 000)	(6 500 000)
<b>As of 31 December 2017</b>	<b>10 136</b>	<b>1 014</b>	<b>35 084 095</b>	<b>35 095 245</b>

The accompanying explanatory notes are an integral part of these special purpose financial statements.

These consolidated financial statements were approved on 30 April 2018 and signed by:



**Edvardas Liachovičius**

General Director



**Milda Mikalauskienė**

Chief accountant

## CASH FLOW STATEMENT

AS OF 31 DECEMBER 2017 (EUR, unless otherwise stated)

	<b>2017</b>
<b>Cash flows from (to) operating activities</b>	
Net profit (loss)	11 627 132
Depreciation and amortization expenses	126 640
Elimination of financial and investing activities	383 441
Elimination of results other non - cash activities	75 723
(Increase) in deferred income tax asset	(16 097)
(Increase) in inventories, except for prepayments made	(18)
(Increase) in prepayments made	(19 609)
(Increase) in trade receivables	(35 620 536)
(Increase) in receivables from group companies and associates	(8 195 406)
(Increase) in other accounts receivable	(820 544)
(Increase) in deferred expenses and accrued income	(815 768)
(Decrease) in current trade payables and advances received	(67 587)
Increase in current payables to group companies and associates	33 663 551
Increase in income tax payable	714 097
Increase in employment related liabilities	924 887
(Decrease) in other accounts payable and current liabilities	(49 345)
Increase in accrued expenses and deferred income	2 038 901
<b>Net cash flows from (to) operating activities</b>	<b>3 949 462</b>
<b>Cash flows from (to) investing activities</b>	
Acquisition of non-current assets (except investments)	(30 475)
The net change in loans granted	(11 016 589)
Interest received	395 008
Other cash flow increase from investing activities	61 421
<b>Net cash flows from (to) investing activities</b>	<b>(10 590 635)</b>
<b>Cash flows from (to) financing activities</b>	
The net change in credit lines	7 783 328
Interest paid	(428 743)
<b>Net cash flow from (to) financing activities</b>	<b>7 354 585</b>
Impact of currency exchange on the balance of cash and cash equivalents	(107 965)
<b>NET INCREASE (DECREASE) IN CASH FLOWS</b>	<b>605 447</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>852 863</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>1 458 310</b>

The accompanying explanatory notes are an integral part of these special purpose financial statements.

These consolidated financial statements were approved on 30 April 2018 and signed by:



**Edvardas Liachovičius**

General Director



**Milda Mikalauskienė**

Chief accountant

## EXPLANATORY NOTES

### 1. Basis of preparation

These special purpose financial statements of Girteka Logistics, UAB (hereinafter – the Company) for the year ended 31 December 2017 are prepared solely based on the decision of the Management of the Company to assist the Company in presenting certain financial information in the annual report of the parent company. As a result, the financial statements may not be suitable for another purpose. The special purpose financial statements comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flows statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. Comparatives are not presented.

These special purpose financial statements are prepared in accordance with the accounting principles described in Note 2 below.

### 2. Accounting principles

#### Non-current tangible and intangible assets

Non-current tangible and intangible assets are such assets, which are under the Company's ownership and control; which are reasonably expected to generate economic benefits in future periods; which are going to be used longer than one year; which acquisition cost can be reliably measured; and which acquisition value is exceeding the minimum requirements for the assets group.

Non-current tangible and intangible assets are stated at historical cost, less accumulated depreciation (amortization) and impairment losses, if any.

Depreciation (amortization) is computed using the straight-line method over the estimated useful lives of the related asset. Liquidation value is equal to EUR 0.29. Depreciation (amortization) costs are allocated to operating expenses.

Assets with an acquisition value of over EUR 500 and useful life with more than one year are considered as non-current assets.

Non-current tangible and intangible assets depreciation (amortization) periods:

Group of non - current intangible assets	Useful lives
Software	3 years

Group of non - current tangible assets	Useful lives
Other tangible assets	4 years
Vehicles	10 years

At the end of every year the Company reviews the estimated useful life, carrying amount and depreciation (amortization) method of the non-current tangible and intangible assets and the changes in accounting estimates and judgments, if any, is recognized on a prospective basis.

Subsequent repair costs are included in the non-current tangible and intangible asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

Assets held under finance leases are depreciated (amortized) over their expected useful lives on the same basis as owned assets.

Gains and losses on disposal of non-current tangible and intangible assets are recognized in the income statement during the year of disposal.

## EXPLANATORY NOTES

### Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price, less the estimated costs of completion and selling expenses. The cost of the inventories is based on FIFO principle. Inventories, illiquid and not to be encashed are dismissed.

### Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

#### Loans granted and accounts receivable

Loans and receivables are measured at initial recognition at cost, and subsequently measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit and cash in banks and other short-term with a maturity less than three months (from the inception of agreement) highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## EXPLANATORY NOTES

### Financial liabilities

Contractual obligations to pay cash or deliver other financial assets are classified as financial liabilities.

When valuing financial liabilities the Company classifies them into the following specified categories: Financial liabilities linked to market prices and Financial liabilities not linked to market prices.

#### Financial liabilities linked to market prices

Financial liabilities are classified as linked to market prices if a change in their value is linked to fluctuations in the fair value of certain securities or in a market quoted rate that determines the fair value of these securities.

Financial liabilities linked to market prices are initially measured at acquisition cost, net of transaction costs and subsequently measured at fair value.

#### Financial liabilities not linked to market price

Financial liabilities not linked to market prices usually comprise: loans and trade payables.

Financial liabilities not linked to market prices are initially measured at costs with transactions expenses recognized as expenses in the profit (loss) statement. Subsequently these liabilities are measured at amortised cost using the effective interest rate method. Short term liabilities are subsequently measured at cost as the recognition of interest using the effective interest rate method would be immaterial.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

### Revenue recognition

Revenue is recognised on the basis of the accrual principle of accounting, i.e. it is registered when it is earned, irrespective of when the cash is received.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by value-added tax and/or discounts.

#### Rendering of services

Revenues of services are recognized as services are rendered.

#### Interest revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Accrual and deferred amounts

Deferred expenses/income – paid/received amounts during the reporting and prior reporting periods, which are going to be equally recognized as expenses/income in the future accounting periods, when they are incurred/earned.

Accrued income/expenses – it is earned income/incurred expenses amounts during reporting and prior reporting periods, which will be received/paid in the future reporting periods.

### Expenses recognition

Expenses are recognized on an accrual basis and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was paid.

## EXPLANATORY NOTES

### Foreign currencies

Transactions denominated in foreign currency other than Euro (EUR) are translated into EUR at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from translation at year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Gains and losses arising on exchange are included in net profit or loss for the period.

### Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In 2017 the income tax applied to the Company is 15%.

#### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

In Lithuania tax losses can be carried forward for an unlimited period except for the losses incurred from transfer of securities. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Starting from 1 January 2014 tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%.

#### Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity.

## EXPLANATORY NOTES

### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## EXPLANATORY NOTES

### 3. Intangible assets

	Software	Concessions, patents, licenses, trademarks and similar rights	Total
<b>ACQUISITION COST</b>			
<b>AS OF 31 DECEMBER, 2016</b>	<b>96 758</b>	<b>152 250</b>	<b>249 008</b>
- ADDITIONS	-	25 000	25 000
<b>AS OF 31 DECEMBER, 2017</b>	<b>96 758</b>	<b>177 250</b>	<b>274 008</b>
<b>ACCUMULATED AMORTIZATION</b>			
<b>AS OF 31 DECEMBER, 2016</b>	<b>8 063</b>	<b>12 687</b>	<b>20 750</b>
- AMORTIZATION	32 253	55 558	87 811
<b>AS OF 31 DECEMBER, 2017</b>	<b>40 316</b>	<b>68 245</b>	<b>108 561</b>
<b>CARRYING AMOUNT:</b>			
<b>AS OF 31 DECEMBER, 2016</b>	<b>88 695</b>	<b>139 563</b>	<b>228 258</b>
<b>AS OF 31 DECEMBER, 2017</b>	<b>56 442</b>	<b>109 005</b>	<b>165 447</b>

### 4. Tangible assets

	Vehicles	Other fixtures, fittings, tools and equipment	Total
<b>ACQUISITION COST</b>			
<b>AS OF 31 DECEMBER, 2016</b>	<b>6 500</b>	<b>166 345</b>	<b>172 845</b>
- ADDITIONS	-	5 475	5 475
<b>AS OF 31 DECEMBER, 2017</b>	<b>6 500</b>	<b>171 820</b>	<b>178 320</b>
<b>ACCUMULATED DEPRECIATION</b>			
<b>AS OF 31 DECEMBER, 2016</b>	<b>1892</b>	<b>82 738</b>	<b>84 630</b>
- DEPRECIATION	649	38 180	38 829
<b>AS OF 31 DECEMBER, 2017</b>	<b>2 541</b>	<b>120 918</b>	<b>123 459</b>
<b>CARRYING AMOUNT:</b>			
<b>AS OF 31 DECEMBER, 2016</b>	<b>4 608</b>	<b>83 607</b>	<b>88 215</b>
<b>AS OF 31 DECEMBER, 2017</b>	<b>3 959</b>	<b>50 902</b>	<b>54 861</b>

### 5. Trade receivables

As of 31 December, trade receivables consisted of the following:

	2017
Trade amounts receivables	110 242 206
Less: Impairment of trade receivables	(1 332 742)
	<b>108 909 464</b>

## EXPLANATORY NOTES

### 6. Other amounts receivable

	<b>2017</b>
VAT receivable	6 005 121
Short-term loans	80 110
Other amounts receivable	1 102
	<b>6 086 333</b>

### 7. Cash and cash equivalents

As of 31 December 2017, Company's cash and cash equivalents consisted of the cash in banks and cash on hand.

### 8. Deferred expenses and accrued income

	<b>2017</b>
Accrued income	1 865 891
Deferred expenses	1 995 091
Deferred insurance expenses	8 051
	<b>3 869 033</b>

### 9. Share capital, legal and other reserves

#### a) Share capital

As of 31 December 2017, the authorised capital of the Company consisted of 10 136 ordinary shares, with a par value of 1 EUR each. All of the shares were fully paid.

During 2017 the Company did not acquire or held own shares.

#### b) Legal reserve

The legal reserve is a compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the net profit are required until the legal reserve reach 10% of the statutory capital. The appropriation is restricted to reduction of the accumulated deficit.

As of 31 December 2017, the legal reserve was fully formed and amounted to EUR 1 014.

### 10. Borrowings from credit institutions

The company's borrowings from credit institutions consisted of bank overdrafts amounted to 16 727 thousand EUR as of 31 December 2017. Used overdraft limit was subject to variable interest rate, which fluctuated in the range of 1 - 2 percent.

### 11. Accrued expenses and deferred income

	<b>2017</b>
Accrued expenses	3 288 500
Deferred income	1 158 382
<b>TOTAL</b>	<b>4 446 882</b>

## EXPLANATORY NOTES

### 12. Income (expenses) from other activity

For the year ended 31 December other activity consisted of the following:

	<b>2017</b>
<b>OTHER ACTIVITY INCOME</b>	
Income from penalties and claims	3 949 016
Other income	1 682 062
	<b>5 631 078</b>
<b>OTHER ACTIVITY (EXPENSES)</b>	
Penalties and claims expenses	(409 178)
Fines and charges	(101 875)
Other expenses	(1 436 606)
	<b>(1 947 659)</b>
<b>NET RESULT FROM OTHER ACTIVITY</b>	<b>3 683 419</b>

### 13. Interest and similar activity net income (expenses)

	<b>2017</b>
<b>INTEREST AND SIMILAR INCOME</b>	
Interest income	453 611
Other financial activity	61 422
	<b>515 033</b>
<b>INTEREST AND SIMILAR (EXPENSES)</b>	
Interest expenses	(433 072)
Foreign currency exchange loss	(465 400)
Fines and penalties	(2)
	<b>(898 474)</b>
<b>RESULT FROM INTEREST AND OTHER SIMILAR ACTIVITY</b>	<b>(383 441)</b>

### 14. Income tax

Components of income tax expenses are the following:

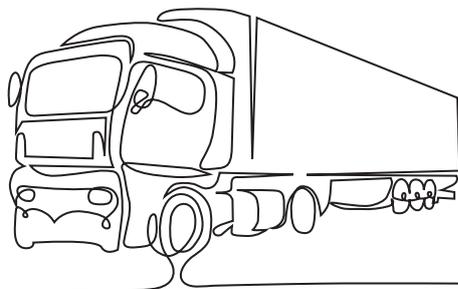
	<b>2017</b>
Current income tax expenses	1 902 382
Change of deferred tax	(16 097)
Income tax adjustments of prior periods	3 583
	<b>1 889 868</b>

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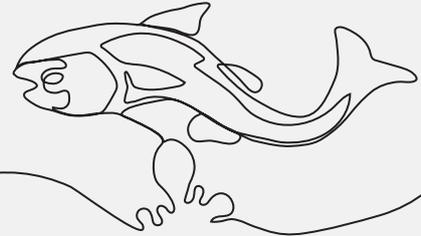
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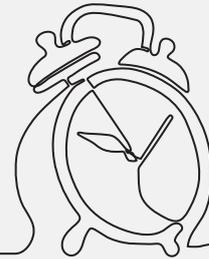
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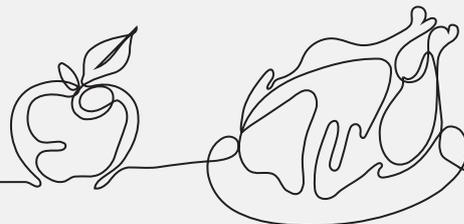
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