

# INVL Technology

## CONFIRMATION OF RESPONSIBLE PERSONS

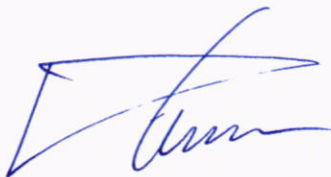
25 August 2014

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 22) of the Republic of Lithuania, management of INVL Technology, AB hereby confirms that, to the best of our knowledge, the attached Interim Condensed Unaudited Financial Statements for the 6 months of 2014 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss of INVL Technology. Present Interim Report includes a fair review of the development and performance of the business.

### ENCLOSURE:

1. INVL Technology, AB Interim Condensed Unaudited Financial Statements for 6 months of 2014.
2. INVL Technology, AB Interim Report for 6 months of 2014.

Director



Darius Šulnis

Person authorised to conduct accounting



Raimondas Rajeckas

### INVL Technology, AB

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Code 303299817. Registered at Centre of Registers. Account LT814010051001989572, AB DNB bank.

# INVL Technology

## INVL Technology, AB Interim Report for 6 months\* of 2014

Prepared in accordance with The Rules for the Preparation and the Submission of the Periodic and Additional Information. Approved by the decision No. 03-48 of the Board of the Bank of Lithuania passed on 28 February 2013.

Approved by the Board of INVL Technology, AB on 25 August 2014.

\* The report covers the first interim financial period of INVL Technology, AB, starting from the Company's establishment date on 29 April 2014 and ending on 30 June 2014.

**Translation note:**

**This version of the Interim Report for 6 months of 2014 is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.**

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## I. GENERAL INFORMATION

### 1. Reporting period for which the report is prepared

The report covers the first interim financial period of INVL Technology, starting from the Company's establishment date on 29 April 2014 and ending on 30 June 2014. The report is unaudited.

### 2. General information about the Issuer and other companies comprising the Issuer's group

#### 2.1. Information about the Issuer

Name of the Issuer	The public joint-stock INVL Technology, hereinafter INVL Technology, AB
Code	303299817
Registered address	Kalvariju str. 11A-20, LT-09310, Vilnius, Lithuania
Address	Seimyniskiu str. 1A, LT-09312, Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	<a href="mailto:technology@invalidalt.com">technology@invalidalt.com</a>
Website	<a href="http://www.invltechnology.com">www.invltechnology.com</a>
Legal form	public joint-stock company
Date and place of registration	29 April 2014. Register of Legal Entities
Register in which data about the Company are accumulated and stored	Register of Legal Entities

#### 2.2. Information on company's goals, philosophy and strategy

The public joint-stock company INVL Technology was established on 29 April 2014 on the basis of a part of assets split-off from Invalda LT, AB (code 121304349). The split-off terms are published on website [http://www.invalidalt.com/en/main/news/Material\\_events?ID=929](http://www.invalidalt.com/en/main/news/Material_events?ID=929). Following the split-off, 2.6% of assets, equity and liabilities of Invalda LT, AB were transferred to INVL Technology, AB.

INVL Technology – company investing in IT services and industries. The first investment – 80 percent of shares in BAIP group, UAB company investing into IT services companies<sup>1</sup>. At the moment INVL Technology is seeking for opportunities to invest into other IT companies.

INVL Technology intends to be strategic-financial investor and, together with the managers of IT companies, to seek the growth of investments value.

Shares of INVL Technology are listed on NASDAQ OMX Vilnius stock exchange since 4 June 2014.

INVL Technology, AB later will apply to the Bank of Lithuania for closed-end investment company license and in its essence will become similar to investment fund.

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<sup>1</sup> Block of shares can reduce after completion of BAIP group's commitments to issue new shares.

## 2.3. Information about the Issuer's group of companies

Table 2.3.1. Group companies of INVL Technology, AB.

	<p><b>BAIP group, UAB</b> is the first portfolio investment of INVL Technology, AB. BAIP group, UAB is a group of specialized companies, working in the field of IT and legal informatics. Group's companies specialize in the field of business climate improvement reforms, integrated national informatikon system design, critical IT infrastructure resilience, national cyber security and cyber defence. The group was established in 2007. Currently BAIP group has companies in Lithuania, Norway and Tanzania and has implemented projects in more than 50 countries around the world.</p> <p>More information about the group: <a href="http://www.baipgrupe.lt">www.baipgrupe.lt</a></p>
	<p><b>BAIP, UAB</b> is a critical IT infrastructure services company, having much experience in its activity field, since 2007 belongs to BAIP group. Company provides: IT infrastructure strategy and architecture, IT security and on-site critical IT infrastructure maintenance services 24x7, anywhere in the world, super computer design, and assistance in complex migrations, system implementation. Services and consultations form more than 60% of company's activities. BAIP works and implements projects in the Baltic countries, Eastern Europe, supports BAIP group initiatives in other parts of the world.</p> <p>More information – <a href="http://www.baip.lt/cms/index">www.baip.lt/cms/index</a></p>
	<p><b>Acena, UAB</b> - specialized Microsoft licensing and solutions company, a part of BAIP group since 2008. Company provides: IT infrastructure development and maintenance services based on Microsoft technologies as well as Microsoft software licensing, software asset management, collaboration and messaging solutions, cloud services.</p> <p>More information – <a href="http://www.acena.lt">www.acena.lt</a></p>
	<p><b>Norway Registers Development AS</b> – consulting company, helping governments and institutions in Eastern Africa and Asia to build vital economy facilitating infrastructure and achieving relevant, measurable results, a part of BAIP group since 2011.</p> <p>Services and business model: legal, organizational reforms and their implementation, modernization of legal and organizational base (business, property, mortgage, licenses and citizen's registries), modernization of public and centralized procurement, judiciary systems, tax collection with eFilling, transformation of business inspections and simplifications of business regulations, reforms of state owned enterprises.</p> <p>More information – <a href="http://www.nrd.no">www.nrd.no</a></p>
	<p><b>NRD, UAB</b> – was incorporated in October 1998. NRD is a subsidiary company and information system design and development excellence center of Norway Registers Development AS. NRD specializes in business, property, mortgage, licenses, citizen's registry and tax information systems creation and development. NRD AS acts as expertise centre for development of information systems.</p> <p>More information – <a href="http://www.nrd.lt">www.nrd.lt</a></p>
	<p><b>Norway Registers Development East Africa Limited</b> - subsidiary company in East Africa, established in April 2013.</p> <p>Provides on-site delivery of Norway Registers Development AS services supports to the companies in East Africa in the delivery of information security technologies as a value added distributor and assists other organizations investing in East Africa in the creation, development, maintenance and security of their information technology infrastructure.</p> <p>Together with NRD CS is responsible for cyber-defence strategy design and implementation services for government and corporate institutions in East Africa. Performs information system audits, provides IT management consultations and trainings</p> <p>More information – <a href="http://www.nrd.co.tz">www.nrd.co.tz</a></p>
	<p><b>UAB NRD CS</b> - specialized cyber security company and a cyber security center of excellence for other group companies. Spin-off from BAIP, UAB in January 2014.</p> <p>Assists in creating a secure digital environment for states, governments, corporations and citizens via technology platforms, workflows and processes. Main clients: cyberpolice, national security services, enterprises, government, courts, forensic science center, banks.</p> <p>More information – <a href="http://www.nrdcs.lt">www.nrdcs.lt</a></p>

# INVL Technology

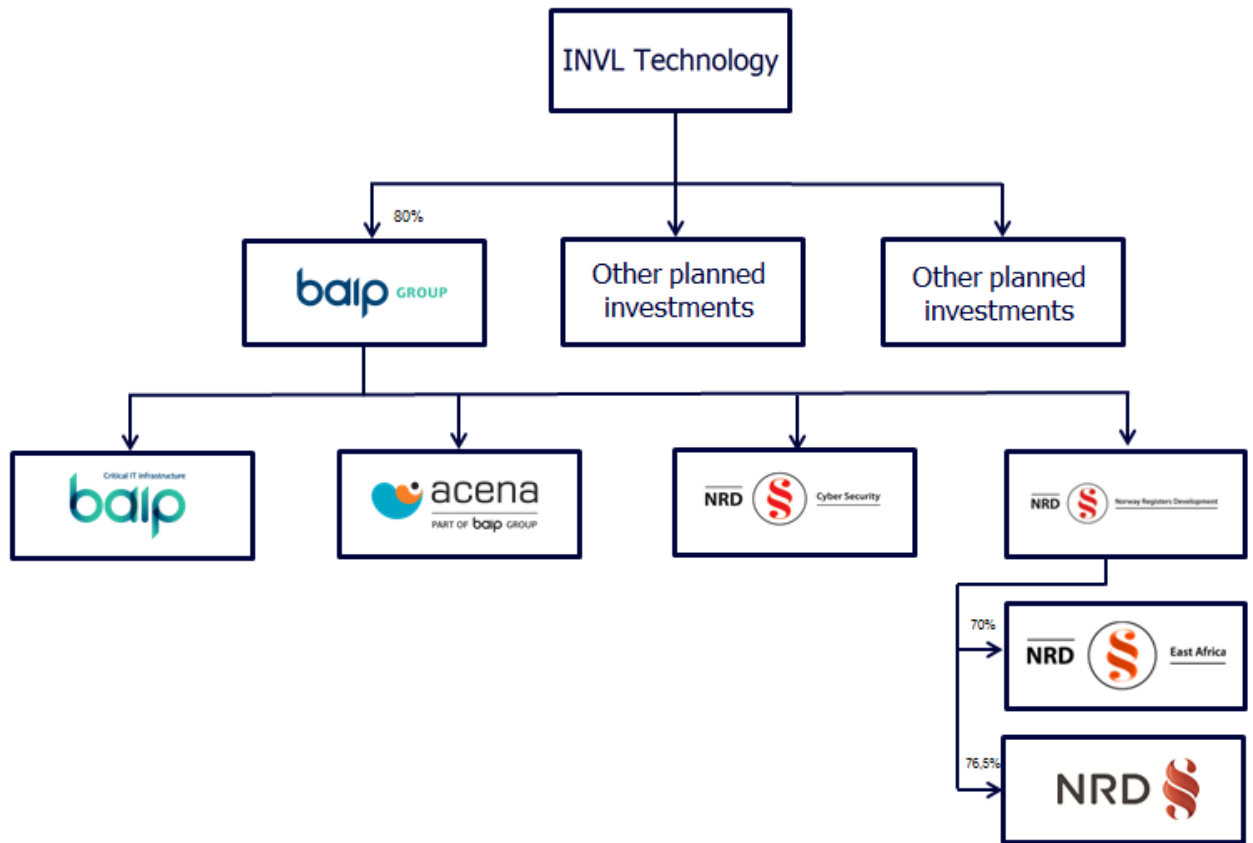


Fig. 2.3.2. Group structure of INVL Technology, AB, as of 30 June 2014



Fig. 2.3.3. Scope of activity of BAIP group, UAB

### 3. Agreements with intermediaries on public trading in securities

INVL Technology has signed the agreement with this intermediary:

- Finasta, AB FMI (Maironio str. 11, Vilnius, Lithuania. tel. +370 5 203 2233) – the agreement on management of securities accounting.

### 4. Information on Issuer's branches and representative offices

INVL Technology, AB has no branches or representative offices.

## II. INFORMATION ABOUT SECURITIES

### 5. The order of amendment of Issuer's Articles of Association

The Articles of Association of INVL Technology, AB may be amended by resolution of the General Shareholders' Meeting, passed by more than 2/3 of votes (except in cases provided for by the Law on Companies of the Republic of Lithuania).

Actual wording of the Articles of Association is dated as of 29 April 2014.

### 6. Structure of the authorized capital

Table 6.1. Structure of INVL Technology, AB authorised capital as of 30 June 2014.

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, LTL	Total nominal value, LTL	Portion of the authorised capital, %
Ordinary registered shares	592,730	592,730	1	592,730	100

All shares are fully paid-up and no restrictions apply on their transfer.

#### 6.1. Information about the Issuer's treasury shares

INVL Technology or its subsidiary has not implemented acquisition of shares in INVL Technology directly or indirectly under the order of subsidiary by persons acting by their name.

### 7. Trading in Issuer's securities as well as securities, which are deemed to be a significant financial investment to the Issuer on a regulated market

Table 7.1. Main characteristics of INVL Technology, AB shares admitted to trading

Shares issued, units	592,730
Shares with voting rights, units	592,730
Nominal value, LTL	1
Total nominal value, LTL	592,730
ISIN code	LT0000128738
Name	INC1L
Exchange	NASDAQ OMX Vilnius
List	Baltic Secondary List
Listing date	4 June 2014

Company uses no services of liquidity providers.



# INVL Technology

Table 7.2. Trading in INVL Technology, AB shares.

	6 months of 2014*
Share price, EUR	
- open	10.000
- high	10.000
- low	8.350
- medium	9.325
- last	9.100
Turnover, units	252
Turnover, EUR	2,316.22
Traded volume, units	34

\* Data as of 4 June 2014, since the beginning of the listing of the company in the Stock Exchange.

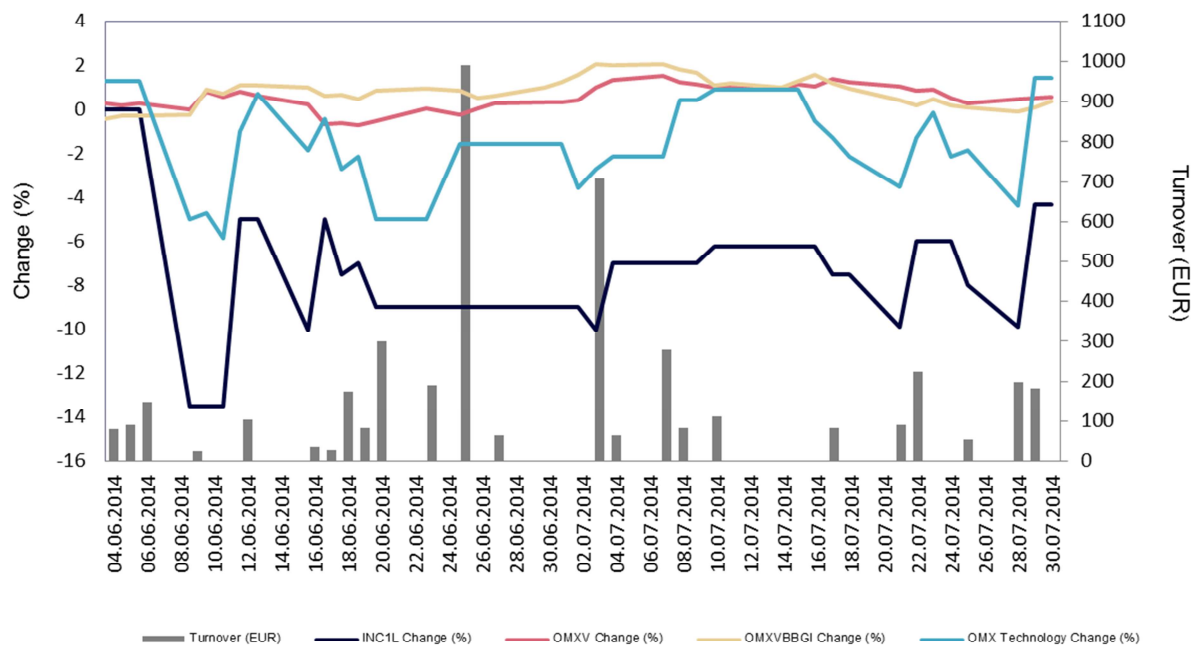


Fig. 7.3. Turnover of INVL Technology, AB shares, change of share price and indexes<sup>2</sup>

<sup>2</sup> OMX index is an all-share index which includes all the shares listed on the Main and Secondary lists on the NASDAQ OMX Vilnius with exception of the shares of the companies where a single shareholder controls at least 90% of the outstanding shares.



## 8. Shareholders

Table 8.1. Shareholders who held title to more than 5% of INVL Technology, AB authorised capital and/or votes as of 30 June 2014.

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total, %
LJB Investments, UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	180,419	30.4	30.4	0	30.4
Irena Ona Mišeikienė	171,307	28.9	28.9	0	28.9
Invalda LT, AB code 121304349, Seimyniskiu str. 1A, Vilnius	73,628	12.4	12.4	0	12.4
Lucrum Investicija, UAB code 300806471, Šeimyniškių str. 3, Vilnius	48,327	8.2	8.2	2.0 <sup>3</sup>	10.2
Alvydas Banys	45,500	7.7	7.7	42.6 <sup>4</sup>	50.3
Darius Šulnis	0	0	0	50.3 <sup>5</sup>	50.3
Indrė Mišeikytė	11,832	2.0	2.0	48.3 <sup>6</sup>	50.3

The total number of shareholders in INVL Technology exceed 3800.

There are no shareholders entitled to special rights of control.

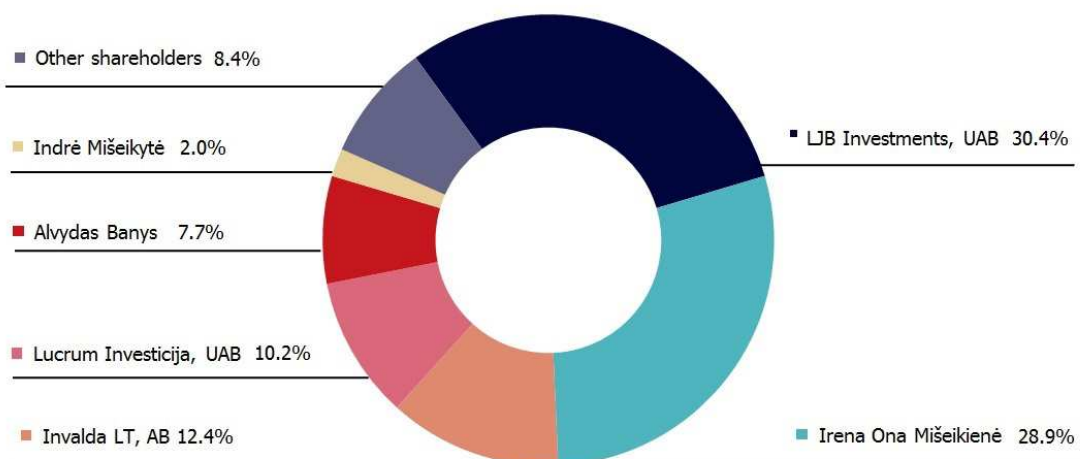


Fig. 8.2. Votes as of 30 June 2014

<sup>3</sup> Lucrum Investicija, UAB has 2% of votes according to a repurchase agreement.

<sup>4</sup> According to Part 6 of Paragraph 1 of Article 24 and Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Alvydas Banys has votes of LJB Investments, a company controlled by him, and also votes of Darius Sulnis and Indre Miseikyte, managers of INVL Technology.

<sup>5</sup> According to Part 6 of Paragraph 1 of Article 24 and Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Darius Sulnis has votes of Lucrum Investicija, a company controlled by him, and also votes of Alvydas Banys and Indre Miseikyte, managers of INVL Technology.

<sup>6</sup> According to Paragraph 2 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Indre Miseikyte has votes of Alvydas Banys and Darius Sulnis, managers of INVL Technology.

## III. ISSUER'S MANAGING BODIES

### 9. The managing bodies of the Issuer



The governing bodies of INVL Technology, AB are: the General Shareholders' Meeting, sole governing body – the director and a collegial governing body – the Board. The Supervisory Board is not formed.

Information about Members of the Board and director of the company:

The Board of INVL Technology, AB was elected during the General Shareholders' Meeting of INVL Technology, AB the company split-off from Invalda LT, AB on 28 April 2014. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. Mr. Šulnis was appointed as the director of the company on 28 April 2014.



Alvydas Banys – Chairman of the Board

The term of office	From 2014 untill 2017
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic's Institute of Lithuania's Science Academy.
Work experience	Since 1 July 2013 Invalda LT, AB - Advisor Since 2007 LJB Investments, UAB - Director Since 2007 LJB Property, UAB - Director 1996 – 2006 Invalda, AB - Vice President 1996 – 2007 Nenuorama, UAB - President
Owned amount of shares in INVL Technology, AB	Personally: 45,500 units of shares, 7.7 % of authorised capital, 7.7 % of votes. Together with controlled company LJB Investments: 225,919 units of shares, 38.1 % of authorized capital, 38.1 % of votes. Total votes together with other Board members of INVL Technology - 50.3 %.
Participation in other companies	Invalda LT, AB – Chairman of the Board BAIP Grupe, UAB – Member of the Board Invalda LT Investments, UAB – Chairman of the Board INVL Baltic Farmland, AB – Chairman of the Board INVL Baltic Real Estate, AB – Chairman of the Board Litagra, UAB – Member of the Board
Owned shares and votes of other companies	Invalda LT, AB – 91.59 % (together with persons acting in concert) INVL Baltic Farmland, AB – 62.7 % (together with persons acting in concert) INVL Baltic Real Estate, AB – 50.3 % (together with persons acting in concert) LJB Property, UAB – 99.99 %. LJB Investments, UAB – 82.26 %. Gulbinu Turizmas, UAB – 7.7 %.

# INVL Technology



Indrė Mišeikytė – Member of the Board

The term of office	From 2014 untill 2017
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture
Work experience	Since May 2012 Invalda LT, AB - Advisor Since June 2013 Invalda Privatus Kapitalas, AB – Advisor Since 2002 Inreal Valdymas, UAB - Architect Since 2002 Gildeta, UAB - Architect
Owned amount of shares in INVL Technology, AB	Personally: 11,832 units of shares, 2 % of authorised capital - 2 % of votes Total votes together with other Board members of INVL Technology - 50.3 %.
Participation in other companies	Invalda LT, AB – Member of the Board Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board INVL Baltic Real Estate, AB – Member of the Board
Owned shares and votes of other companies	Invalda LT, AB – 91.59 % (together with persons acting in concert) INVL Baltic Farmland – 62.7 % (together with persons acting in concert) INVL Baltic Real Estate, AB – 50.3 % (together with persons acting in concert) DIM Investment, UAB – 25 %. Tuta, UAB – 5.25 %.



Darius Šulnis – Member of the Board, director

The term of office	From 2014 untill 2017
Educational background and qualifications	Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker's license (General) No. A109.
Work experience	2006 – 2011 Invalda, AB – President. 2011 – 2013 Invalda, AB – Advisor. Since May 2013 Invalda LT, AB – President. 2002 – 2006 Invalda Real Estate, UAB (current name Inreal Valdymas) – Director 1994 – 2002 FBC Finasta, AB – Director
Owned amount of shares in INVL Technology, AB	Personally: 0 units of shares, 0,00 % of authorised capital and votes Together with controlled company Lucrum Investicija: 48,327 units of shares, 8.2 % of authorised capital, 10.2 % of votes (including votes granted by the shares transferred by the repurchase agreement). Total votes together with other Board members of INVL Technology - 50.3 %.

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Participation in other companies	Invalda LT, AB – Member of the Board, the president Invaldos Nekilnojamiojo Turto Fondas, AB – Chairman of the Board Litagra, UAB – Member of the Board BAIP Grupe, UAB – Chairman of the Board Invalda LT Investments, UAB – director, Member of the Board INVL Baltic Farmland, AB – director, Member of the Board INVL Baltic Real Estate, AB – director, Member of the Board
Owned shares and votes of other companies	Invalda LT, AB – 91.59 % (together with persons acting in concert) INVL Baltic Farmland, AB – 62.7 % (together with persons acting in concert) INVL Baltic Real Estate, AB – 50.3 % (together with persons acting in concert) Lucrum Investicija, UAB – 100 %. Golfas, UAB – 31 %.

Invalda LT, AB provides accounting services and preparation of the documents related with bookkeeping for INVL Technology, AB according to an agreement signed on 30 April 2014 No. 20140430/02.

## **10. Information on the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Members of the Board, director and company providing accounting services**

Members of Board of INVL Technology, AB did not receive annual benefit (bonus) since the start of activity of the company until the end of the reporting period.

The calculated remuneration to the director of the Company totalled to 2048 litas, on the average 1000 litas per month.

The payment for the company providing accounting services amounted to 400 litas since the beginning of company's activity until the end of the reporting period.

During the reporting period the Issuer transferred no assets, granted no guarantees, paid no bonuses or dividends and made no special payouts for the Company's manager and Members of the Board.

## **IV. INFORMATION ABOUT THE ISSUER'S AND ITS GROUP COMPANIES' ACTIVITY**

### **11. Overview of the Issuer and its group activity**

#### **11.1. Significant Issuer's and its group events during the reporting period and since the end of it, effect on the financial statement**

##### **The Company**

- On 20 May 2014, the company informed that the Supervisory Authority of the Bank of Lithuania on 20 May 2014 decided to treat the information submitted in the split-off terms of Invalda LT, AB, in other related documentation, in the list of references related to INVL Technology, AB, in the description of the risk factors as information equivalent to the information that is required to be disclosed in the prospectus of INVL Technology, AB. The Board of INVL Technology decided to present a requisition for NASDAQ OMX Vilnius stock exchange for registering company's shares into the Secondary list from 4 June 2014.
- On 3 of June 2014, INVL Technology, AB presented company's portfolio. BAIP group, UAB is the first portfolio investment of INVL Technology. INVL Technology has a stake of 80% in BAIP Group. The audited revenue of BAIP group, UAB in 2013 grew 25.3 percent to LTL 50,752 million (EUR 14.7 million). The EBITDA of BAIP group grew 65.6 percent to LTL 4.45 million (EUR 1.3 million).
- On 29 of July 2014, INVL Technology, AB portfolio company BAIP group announced unaudited consolidated results. INVL Technology has a stake of 80% in BAIP Group, which operates in information technology and legal informatics sector. Compared to the first half of 2013, BAIP group consolidated revenue in the first half of 2014 increased by 30 percent and reached LTL 24.82 million (EUR 7.188 million). In the same period last year it was LTL 19.101 million (EUR 5.532 million). EBITDA increased by 58 percent and reached LTL 2.257 million (EUR 0.654 million EUR). In the same period last year EBITDA amounted to LTL 1.429 million (EUR 0.414 million). In the second quarter of 2014 consolidated revenue of BAIP group according to preliminary data reached LTL 14.698 million (EUR 4.257 million) - 41 percent increase, compared to the same period last year – LTL 10.409 million (EUR 3.015 million). BAIP group EBITDA (earnings before interest, taxes, depreciation and amortization) also increased by 41 percent and reached LTL 1.168 million (EUR 0.338 million). In the same period last year EBITDA amounted to LTL 0.829 million (EUR 0.24 million).

## The group

- On 19 January 2014 BAIP, UAB announced that Police Department under the Ministry of the Interior of the Republic of Lithuania will be getting printing and copying services from the company, which proposed an integrated service CopyPrint. The tender was announced in order to optimize document printing, copying and scanning processes and their management, to ensure security of printed and copied documents, and implement "FollowMe" functionality.
- On 30 January 2014 BAIP group has spun-off its cyber defence services into an independent, specialized cyber security company NRD CS, managed by Dr. Vilius Benetis. The company is also a cyber security centre of excellence for Norway Registers Development AS, BAIP and Norway Registers Development East Africa Ltd. NRD AS acts as expertise centre for development of information systems for BAIP group companies: Norway Registers Development AS, BAIP and Norway Registers Development East Africa.
- On 5 February 2014, BAIP group announced, that Norway Registers Development AS (NRD) assisting governments and institutions in building vital economy facilitating infrastructure has a new Managing Director - Mr Rimantas Zylus, appointed by NRD Board of Directors on the 30 December 2013. NRD previous Managing Director Jon Birger Fjalestad will continue to support the company by consult on global strategy, holding a position of NRD AS Director.
- On 11 February 2014 BAIP group announced a conference "Technology and Protection 2014", which were held in Vilnius by BAIP, UAB and IBM Lietuva. The conference focused on tendencies of new technologies, importance of systems' protection and risk management.
- On 12 February 2014 BAIP group announced the results for 2013. The groups consolidated revenue, according to preliminary data, increased by 25 percent in 2013 and reached LTL 50.3 million. Meanwhile EBITDA (earnings before interest, taxes, depreciation and amortization), as compared to last year, increased by 63 percent and reached LTL 4.4 million.
- On 14 February 2014 BAIP group announced that it will support the fourth annual cyber security conference „Security Summit 2014“, which were held in Prague on 9-10 April 2014. The conference is organized by European Business Conferences Group (EBCG) together with non-profit international information security organizations - The Open Web Application Security Project (OWASP) and The Information Systems Security Association (ISSA).
- On 26 February 2014 BAIP group announced that the group was the main event initiator and sponsor of INFOBALT student grant ceremony, which was held on 25 February 2014. During the event scholarships were granted for laureates of fourth annual LMA young scientist conference (physics and technology science students), for research work.
- On 17 March 2014 BAIP group announced that NRD CS, a specialized cybersecurity company based in Europe, has joined the Council on CyberSecurity as a Provider Member, focused on competencies and supporting the work of the Council. As a member, NRD CS will partner with the Council to promote and encourage the implementation of best practices to reduce vulnerabilities in cyberspace, as well as benefit from close affiliation with the Council's community of experts, bodies of knowledge, tools and programs.
- On 2 April 2014 BAIP group announced that Forensic Science Centre of Lithuania (FSCL) in cooperation with BAIP cyber security competence centre (since the beginning of this year - NRD CS) and Estonian Forensic Science Institute (EFSI), is currently modernising digital forensics laboratory which will allow reducing the queues for IT examinations, increasing the rate of investigated crimes and, therefore, elevating the overall level of justice in the country.
- On 25 April 2014 BAIP group announced that on the 6-7th of February 2014, BAIP - as a lead partner in a joint venture agreement with other BAIP group companies Norway Registers Development AS and Norway Registers Development East Africa Ltd - signed 2 contracts with Burundi Central Bank (BRB) and The Financial and Private Sector Development Project of Burundi (PSD) for BRB Data Center, required to run and support National Payment Systems and Bank Supervision applications, implementation and maintenance. The project is funded by the World Bank via the Financial and Private Sector Development Project (PSD), serving as the implementing agency. The contract, signed with PSD, is worth 2.45 million USD and will be executed in 11 months. After that, 5 year maintenance contract (1 year warranty and 4 years post-warranty), signed with Burundi Central Bank, will begin, with grand total amount of post-warranty maintenance services worth almost 0.25 million USD for 4 years.
- 2 May 2014, the BAIP group announced that its company Norway Registers Development AS (NRD AS), a management consulting company, and its local Tanzania branch Norway Registers Development East Africa Ltd (NRD EA) will participate in Fredskorpset Norway (FK) financed young employee Exchange Program. During 21 month period a total of 17 young professionals from Tanzania and Europe will intern at NRD and NRD EA respectively. The project is divided into three rounds and the first round of exchange will take place from the 11th of August, 2014 to the 10th of March, 2015.
- On 8 May 2014 BAIP group announced in the first quarter of 2014 consolidated revenue of group. According to preliminary data increased by 16 percent as compared to the same period last year and reached LTL 10.122 million. Meanwhile EBITDA (earnings before interest, taxes, depreciation and amortization) increased by 82 percent and reached LTL 1.089 million.

# INVL Technology

- On 9 July 2014 Information technologies and infrastructure services provider BAIP announced that it completed the migration of workplaces from Windows XP to Windows 7 platform in SEB - the largest bank of Lithuania. Migration was performed in all branches of the bank and SEB bank group companies' offices. Two thousand workplaces were upgraded in total. The project was executed according to the plan and without any interruption of employees work.
- On 15 July 2014 BAIP group announced that it has successfully implemented and configured its first interstate project - cloud computing infrastructure in Lithuania and Belarus. The project was financed by European Neighbourhood and Partnership Instrument, Cross Border Cooperation programme between Latvia, Lithuania and Belarus. The value of the Project – LTL 2.247 million.
- On 21 July 2014 BAIP group announced that it has renewed magnetic tape libraries at the Bank of Lithuania. The company has won an open public tender and completed the project with the value of EUR 0.5 million.
- On 29 July 2014 BAIP group announced results on second quarter of 2014. The consolidated revenue of BAIP group, according to unaudited data, reached LTL 14.698 million - 41 percent increase, compared to the same period last year – LTL 10.409 million. BAIP group EBITDA (earnings before interest, taxes, depreciation and amortization) also increased by 41 percent and reached LTL 1.168 million. In the same period last year EBITDA amounted to LTL 0.829 million.
- On 1 August 2014 BAIP group announced that Critical IT infrastructure services company BAIP successfully migrated Mokilizingas data from centralized data centre to virtual servers. Complex migration took only 12 hours.
- On 4 August 2014 first commercial cyber security company in Baltics NRD CIRT announced that it became part of international organization's FIRST (Forum of Incident Response and Security Teams) full member. This organization unites national, commercial and academic computer emergency response teams (CERT) from all over the world. By becoming organization's FIRST full member, NRD CIRT will be able to collaborate with other computer emergency response teams by sharing information on security and by attracting extra resource for incident clearing. NRD CIRT membership was approved after audit by two association's FIRST members.

## Key financial ratios of INVL Technology, AB\*

LTL million	30-06-2014
Change in the true value of financial assets	2.79
Profit before tax	2.75
Net profit	2.75
Value of financial assets	19.73
Other assets	0.13
<b>ASSETS</b>	<b>19.86</b>
Equity	19.86
Liabilities	0.0
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19.86</b>

\* INVL Technology, AB was established on 29 April 2014.



# INVL Technology

Key financial information about BAIP group, UAB, the first investment of INVL Technology, AB, is presented below. INVL Technology holds 80 percent of shares in BAIP group, UAB<sup>7</sup>.

## **Balance sheet of BAIP group, UAB**

<b>LTL million</b>	<b>30-06-2014</b>
Non-current assets	16.1
Current assets	27
<b>ASSETS</b>	<b>43.1</b>
Equity	9.2
Non-current liabilities	1.4
Current liabilities	32.5
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>43.1</b>

## **Key financial ratios of BAIP group, UAB**

<b>LTL million</b>	<b>30-06-2013</b>	<b>30-06-2014</b>
Revenue	19.1	24.8
EBITDA	1.4	2.3
Profit before tax	0.0	1.3
Net profit	0.0	1.1
Profit attributable to equity holders of the parent	0.0	1.1

## **Key historical financial ratios of BAIP group, UAB**

<b>LTL million</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Revenue	35.1	40.5	50.8
EBITDA	3.1	2.6	4.3
Profit before tax	1.6	0.4	1.7
Net profit	1.3	0.5	1.4
Profit attributable to equity holders of the parent	1.2	0.4	1.4

## **12. A description of the principal risks and uncertainties**

Information, provided in this document, should not be considered complete and covering all aspects of the risk factors associated with public company's INVL Technology activity and securities.

### **Risk factors, associated with activities of INVL Technology**

#### *Rapid changes in technologies and market*

Changes in the IT and related markets take place rapidly therefore failure to adapt to these changes can lead to impairment of profitability and reduction of value of the investment.

<sup>7</sup> Block of shares can reduce after completion of BAIP group's commitments to issue new shares.



# INVL Technology

## *Dependence on managing bodies and human resources*

Information technology services companies highly depend on human resources. Profit and value can reduce significantly if the key persons leave the company INVL Technology, AB. The risk can be reduced using implementation of the right motivation system, which should tally with the conditions in the market.

## *Agreement of shareholders of BAIP Group, UAB*

Owned portfolio of 80 percent of shares in BAIP Group, UAB is the main asset of the public joint-stock company INVL Technology. Shareholders of the public joint-stock company INVL Technology has signed an agreement, which includes decision making as well as trading in share and options motivation system for the management of the company. Implementation of provisions of an agreement may result in situation that owned amount of votes in the public joint-stock company INVL Technology will no longer last in majority right in making essential decisions among the shareholders (the amount of shares in BAIP Group, UAB owned by the public joint-stock company INVL Technology may reduce from 80 to 68.735 percent after implementing options motivation system). Moreover, an order on trading of shares settled in the agreement may prevent to achieve maximum value of the investment.

## *The total investment risk*

The value of the investment in IT services companies can vary in the short term, depending on the market situation. Investment in IT services companies should be carried out in the long term, so that investor can avoid the short-term price fluctuations. Investing in IT services companies is connected with the risk bigger than medium. After failure of investments or under other ill-affected circumstances (having been unable to pay for the creditors) the bankruptcy proceedings may be initiated.

## *Investments illiquidity risk*

Investments in IT services companies under certain market conditions are relatively illiquid, thus finding buyers for these companies can take time. Investors may consider the investment in IT services companies only if they do not have needs for the sudden liquidity.

## *Risk of legislative and regulatory changes*

Law system change and other changing legislative in Lithuania as well as in other countries, where the public joint-stock company INVL Technology participates in the market, may affect the activity, income and value of IT services companies.

## *Tax increase risk*

Tax laws change may lead to a greater taxation of the public joint-stock company INVL Technology and its group companies (directly and indirectly), which in turn may reduce the profits and assets of the company.

## *Inflation and deflation risk*

It is likely that during its operational period the public joint-stock company INVL Technology will face both inflation and deflation risks. If the profit from the investments will be less than the inflation rate, it will result in loss of purchasing power.

## *Credit risk*

There is a risk that buyers of the production and services of companies owned by the public joint-stock company INVL Technology will not fulfil their obligations - it would adversely affect the profit of the public joint-stock company INVL Technology. Large parts of liabilities not fulfilled in time may cause disturbances in activities of companies owned by the public joint-stock company INVL Technology, there might be a need to seek additional sources of financing, which may not always be available.

The public joint-stock company INVL Technology also bears the risk of holding funds in bank accounts or investing in short-term financial instruments.

## *Liquidity risk*

The consolidated short-term assets of companies owned by the public joint-stock company INVL Technology is smaller than the short-term liabilities. Therefore, the companies owned by the public joint-stock company INVL Technology may be faced with a situation where it will not be able to settle with suppliers and other creditors in time. The companies owned by the public joint-stock company INVL Technology will seek to maintain adequate liquidity levels or secure funding in order to reduce this risk.

# INVL Technology

## *Currency risk*

The companies owned by the public joint-stock company INVL Technology bear the currency risk of USA dollar and other currencies.

Lithuania plans to adopt the Euro since 2015. Changes in the currency (Litas turning into Euros) affect the recalculation of the authorised capital as well as amount of shares in the company, therefore the part of the authorised capital owned by the shareholders after the recalculation may change slightly due to the rounding.

## *Interest rate risk*

Interest rate risk mainly includes loans with a variable interest rate. Since the larger part of the loans received by the companies owned by the public joint-stock company INVL Technology is granted with the fixed interest rate, the risk of change in the interest rate is minimal.

## *Large shareholders risk*

Three shareholders of the public joint-stock company INVL Technology together with related parties together holding more than 60 percent of shares in company and shares and their voting will influence the election of the Members of the Board of the company as well as the essential decision making regarding management of the public joint-stock company INVL Technology, operations and financial position. There is no guarantee that the decisions of the major shareholders' will always coincide with the opinion and interest of the minority shareholders. Large shareholders have the right to block the proposed solutions of other shareholders.

## *The Split-Off from the public joint-stock company Invalda LT risk*

The public joint-stock company INVL Technology established in the process of Split-Off of the public joint-stock company Invalda LT and took over 2.6 percent of assets, equity and liabilities of the public joint-stock company Invalda LT. If certain public joint-stock company's Invalda LT obligations will not be distributed to all companies operating after the separation, then all post-split-off-based companies will be jointly liable for it. Each of the companies' responsibility will be limited by the size of equity, attributable under the Split-Off conditions.

When any obligation of the public joint-stock company Invalda LT under the terms of the Split-Off will be assigned to one of the companies, established after the split-off, that company will be liable to answer the obligation. If this company does not meet the whole or part of the obligation, and there is no additional guarantee provided to creditors under the Company Law, all post-split-off companies will be jointly liable for that obligation (or part of it). Each of the companies' responsibility will be limited by the size of equity, attributable under the split-off conditions.

## *The legal status change risk*

The public joint-stock company INVL Technology intends to apply for closed-end investment company license, issued by the bank of Lithuania. This will lead to changes in the protection of company's shareholders' and certain operating restrictions. Shareholders of closed-end investment company are under no obligation to publish an official tender offer; the company has a limited duration of operating and is a subject to certain diversification requirements. Becoming a closed-end investment company will influence only certain restrictions on the activities and supervision, which may increase the company's operating costs.

## **Market-related risks**

### *Market risk*

Shareholders of the public joint-stock company INVL Technology bear the risk of incurring losses due to adverse changes in the market price of the shares. The stock price drop may be caused by negative changes in company's assets value and profitability, general stock market trends in the region and the world. Trading in shares of the public joint-stock company INVL Technology may depend on the comments of brokers and analysts as well as published independent analyses of the company and its activities. The unfavourable analysts outlook of the public joint-stock company's INVL Technology shares may adversely affect the market price of the shares. Non-professional investors assessing the shares are advised to seek the assistance of intermediaries of public trading or other experts in this field.

### *Liquidity risk*

If demand for shares decreases or they are unlisted from the stock exchange, investors will face the problem of realization of shares. If the financial situation of the public joint-stock company INVL Technology deteriorates, the demand for company's shares may drop, which will lead to fall in share price.

# INVL Technology

## *Dividend payment risk*

Dividend payment to shareholders of the public joint-stock company INVL Technology is not guaranteed and will depend on the profitability, investment plans and the overall financial situation of the company.

## *Tax and legal risk*

Changes in the equity-related legislation or state tax policy can effect attractiveness of shares of the public joint-stock company INVL Technology. This may reduce the liquidity of the shares of the company and/or price.

## *Inflation risk*

When inflation increases, the risk, that the stock price change may not offset the current rate of inflation, appears. In this case, the real returns from capital gain on market shares for traders may be less than expected.

## *The initial stock price risk*

Shares in the public joint-stock company INVL Technology, prior to inclusion in the stock market, have not been publicly traded. As a result, their stock price, having added them to the trading list, will be determined on the basis of the purchase and sale orders, which may depend on subjective factors, such as the market and the economic situation, performance evaluation of the company as well as the interest of investors. As a result, the initial share price may not reflect accurately the true value and have high fluctuations.

## **13. Significant investments made during the reporting period**

During the reporting period INVL Technology, AB has not made any acquisitions.

## **14. Information on the related parties' transactions**

Information on the related parties' transactions is disclosed in interim condensed unaudited financial statements' explanatory notes for 6 months of 2014.

## **15. Activity plans and forecast of the Issuer and it's group**

INVL Technology intends to apply for a closed-end investment company licence and in its essence will become similar to fund.

Management of INVL Technology, AB, will be transferred to Invalda LT Investments, company owned by Invalda LT. Company does not plan to finance its activities with considerable amount of borrowed capital. Generated cash flow should be used for dividend payments or buying up of own shares.

After closed-end investment company license is granted, the company plans to evaluate the investment environment and attract additional capital.

Director



Darius Šulnis

# AB INVL TECHNOLOGY

INTERIM CONDENSED NOT-AUDITED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014 PREPARED ACCORDING TO INTERNATIONAL  
FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

## GENERAL INFORMATION

### Board of Directors

Mr. Alvydas Banys (chairman of the Board)  
Ms. Indrė Mišeikytė  
Mr. Darius Šulnis

### Management

Mr. Darius Šulnis (director)

### Address and company code

Registration address  
Kalvarijų Str. 11A-20,  
Vilnius,  
Lithuania

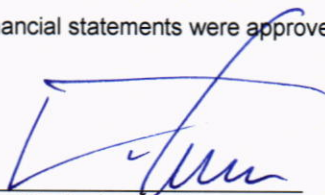
Office address  
Šeimyniškių Str. 1A,  
Vilnius,  
Lithuania

Company code 303299817

### Banks

AB DNB Bankas  
AB Šiaulių Bankas

The financial statements were approved and signed by the Management and the Board of Directors on 25<sup>th</sup> August 2014.



Mr. Darius Šulnis  
Director



Mr. Raimondas Rajeckas  
Authorized person according to the  
agreement to conduct accounting

**AB INV L TECHNOLOGY****INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Interim consolidated income statement**

		<b>I Half Year 2014</b>
		Unaudited
<b>Income</b>		
Net change in fair value of financial assets	5	2,785
Other income		-
<b>Total net income</b>		<b>2,785</b>
<b>Expenses</b>		
Employee benefits expenses		(3)
Exchange's, depository's and brokers' fees for securities	6	(29)
Other taxes		(6)
Other expenses		-
<b>Total operating expenses</b>		<b>(38)</b>
<b>Operating profit (loss)</b>		<b>2,747</b>
Finance costs		-
<b>Profit (loss) before income tax</b>		<b>2,747</b>
Income tax credit (expenses)		-
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>2,747</b>
Basic and diluted earnings (deficit) per share (in LTL)		4.63

**AB INVL TECHNOLOGY****INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**Interim consolidated statement of comprehensive income**

	<u>I Half Year 2014</u>
	Unaudited
<b>Profit (loss) for the year</b>	<b><u>2,747</u></b>
Net other comprehensive income (loss) that may be subsequently reclassified to profit or loss subsequent periods	-
Net other comprehensive income (loss) not to be reclassified to profit or loss	-
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b><u>-</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>2,747</u></b>



**AB INVL TECHNOLOGY****INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Interim consolidated statement of financial position**

	<b>As at 30 June 2014</b>	
	Unaudited	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment and intangible assets		-
Financial assets at fair value through profit or loss	5	19,732
<b>Total non-current assets</b>		<b>19,732</b>
<b>Current assets</b>		
Trade and other receivables		11
Cash and cash equivalents		115
<b>Total current assets</b>		<b>126</b>
<b>Total assets</b>		<b>19,858</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	4	593
Share premium	4	862
Reserves	4	1,999
Retained earnings		16,400
<b>Total equity</b>		<b>19,854</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred income tax liability		-
Other non-current liabilities		-
<b>Total non-current liabilities</b>		<b>-</b>
<b>Current liabilities</b>		
Current borrowings		-
Trade payables		2
Other current liabilities		2
<b>Total current liabilities</b>		<b>4</b>
<b>Total liabilities</b>		<b>4</b>
<b>Total equity and liabilities</b>		<b>19,858</b>

**AB INVL TECHNOLOGY****INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Consolidated statement of changes in equity<sup>1</sup>**

	Reserves						Total
	Share capital	Own shares	Share premium	Legal reserve	Reserve of purchase of own shares	Retained earnings (accumulated deficit)	
<b>The Company</b>							
<b>Balance as at 29 April 2014</b>	<b>593</b>	<b>-</b>	<b>862</b>	<b>81</b>	<b>1,918</b>	<b>13,563</b>	<b>17,107</b>
Profit (loss) for the I half year of 2014	-	-	-	-	-	2,747	2,747
Other comprehensive income (loss) for the I half year of 2014	-	-	-	-	-	-	-
<b>Total comprehensive income (loss) for the I half year of 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,747</b>	<b>2,747</b>
Changes in reserves	-	-	-	-	-	-	-
<b>Balance as at 30 June 2014 (unaudited)</b>	<b>593</b>	<b>-</b>	<b>862</b>	<b>81</b>	<b>1,918</b>	<b>16,400</b>	<b>19,854</b>

**AB INVL TECHNOLOGY****INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

(all amounts are in LTL thousand unless otherwise stated)

**Consolidated statement of cash flows**

		<b>I Half Year 2014</b>
		Unaudited
<b>Cash flows from (to) operating activities</b>		
Net profit (loss) for the period		2,747
<b>Adjustments for non-cash items and non-operating activities:</b>		
Net change in fair value of financial assets	5	(2,785)
Interest (income)		-
Interest expenses		-
Deferred taxes		-
Current income tax expenses		-
		<b>(38)</b>
<b>Changes in working capital:</b>		
Decrease (increase) in trade and other receivables		-
(Decrease) increase in trade payables		2
(Decrease) increase in other current liabilities		2
<b>Cash flows (to) from operating activities</b>		<b>(34)</b>
Income tax (paid)		-
<b>Net cash flows (to) from operating activities</b>		<b>(34)</b>
<b>Cash flows from (to) investing activities</b>		
Loans (granted)		-
Repayment of granted loans		414
Interest received		-
<b>Net cash flows (to) investing activities</b>		<b>414</b>
<b>Cash flows from (to) financing activities</b>		
Cash flows related to owners		
(Acquisition) of own shares		-
Dividends (paid)		-
Cash flows related to other sources of financing		
Cash received according to split-off terms	5	143
Proceeds from loans		-
(Repayment) of loans	5	(408)
Interest (paid)		-
		<b>(265)</b>
<b>Net cash flows (to) from financial activities</b>		<b>(265)</b>
<b>Impact of currency exchange on cash and cash equivalents</b>		<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>115</b>
<b>Cash and cash equivalents at the beginning of the period</b>	5	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>115</b>

## AB INVL TECHNOLOGY

### INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts are in LTL thousand unless otherwise stated)

## Notes to the interim condensed financial statements

### 1 General information

AB INVL Technology (hereinafter the Company) is a joint stock company registered in the Republic of Lithuania. It was established on 29 April 2014, following the split-off of 2.60 % assets, equity and liabilities from AB Invalda LT (code 121304349). A group of specialized information technologies (IT) entities was transferred to the Company (hereinafter the split-off). More details about the split-off are disclosed in Note 4.

The registration address is as follows:

Kalvarijų str. 11A-20,  
Vilnius,  
Lithuania.

The address of the office is as follows:

Šeimyniškių str. 1A,  
Vilnius,  
Lithuania.

These financial statements cover the first interim financial period of the Company, starting from the Company's establishment date 29 April 2014 and ending on 30 June 2014.

The Company has a stake of 80% in UAB BAIP grupė, which invests into IT companies, and a stake of 100% in dormant UAB Inventio. BAIP Group is a group of specialized entities, working in the field of IT and legal informatics, and specialises in the field of business climate improvement reforms, integrated national information system design, critical IT infrastructure resilience, national cyber security and cyber defence. Currently BAIP group has companies in Lithuania, Norway and Tanzania and has implemented projects in more than 50 countries around the world.

The Company intends to be strategic-financial investor and, together with the managers of IT companies, to seek the growth of investments value through mergers, development and sale of businesses.

The Company's share capital is divided into 592,730 ordinary registered shares with the nominal value of LTL 1 each. All the shares of the Company were fully paid. Subsidiaries did not hold any shares of the Company. As at 30 June 2014 the shareholders of the Company were (by votes)\*:

	Number of votes held	Percentage
UAB LJB Investments	180,419	30.44
Mrs. Irena Ona Mišeikiene	171,307	28.90
AB Invalda LT	73,628	12.42
UAB Lucrum Investicija	60,159	10.15
Mr. Alvydas Banyš	45,500	7.68
Mrs. Indrė Mišeikytė	11,832	2.00
Other minor shareholders	49,885	8.41
Total	592,730	100.00%

\* Some shareholders have sold part of their shares under repo agreement (so did not hold the legal ownership title of shares), but they retained the voting rights of transferred shares.

The Company's shares are traded on the Baltic Secondary List of NASDAQ OMX Vilnius from 4 June 2014.

## **2 Basis of preparation and accounting policies**

The principal accounting policies applied in preparing the Company's financial statements for the six months ended 30 June 2014 are as follows:

### **2.1. Basis of preparation**

The interim condensed financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Company has been deemed to meet the definition of an investment entity as per IFRS 10. The Company does not consolidate its subsidiaries, nor prepares the consolidated financial statements.

These financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value. The financial statements are presented in thousands of Litas (LTL) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. Although these estimates are based on management's best knowledge of current circumstances, events or actions, actual results may ultimately differ from these estimates.

## **2 Basis of preparation and accounting policies (cont'd)**

Adoption of new Standards and Interpretations, which are mandatory from 1 January 2014, is noted below.

### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and separate financial statements* and SIC-12 *Consolidation - special purpose entities*. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. This standard had no impact on the financial statements since the Company meets the definition of an investment entity and it does not prepare the consolidated financial statements. Investments in subsidiaries are carried at fair value through profit or loss.

### *IFRS 11 Joint Arrangements*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Ventures*. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. This standard had no impact on the financial statements since the Company meets the definition of an investment entity and it does not prepare the consolidated financial statements.

### *IFRS 12 Disclosure of Interest in Other Entities*

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, *Consolidated financial statements*, and IFRS 11, *Joint arrangements*, and replaces the disclosure requirements currently found in IAS 28, *Investments in associates*. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements. Accordingly, the Company has not made such disclosures.

### *IAS 27 Separate Financial Statements*

IAS 27 was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 *Consolidated Financial Statements*. The amendment had no impact on the Company's financial statements for six months ended 30 June of 2014.

### *IAS 28 Investments in Associates and Joint Ventures*

The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The amendment had no impact on the Company's financial statements for six months ended 30 June of 2014.

### *Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The amendment had no impact on the Company's financial statements for six months ended 30 June of 2014.

## **2 Basis of preparation and accounting policies (cont'd)**

### Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12

The amendments clarify the transition guidance in IFRS 10 *Consolidated Financial Statements*. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2013 for a calendar year-end entity that adopts IFRS 10 in 2014) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11, *Joint Arrangements*, and IFRS 12, *Disclosure of Interests in Other Entities*, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The amendment had no impact on the Company's financial statements for six months ended 30 June of 2014.

### Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment entities*

The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. This amendment had significant impact on the financial statements since the Company meets the definition of an investment entity and it does not prepare the consolidated financial statements.

### Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting*

The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendments are not relevant to the Company currently, because it has not recognised any hedging instrument.

## **2.2. Investment entity and consolidated financial statements**

### Investment entity

The Company has multiple unrelated investors and holds multiple investments. Ownership interests in the Company are in the form of equity securities issued by the Company – ordinary registered shares. In the management's opinion, the Company meets the definition of an investment entity as the following conditions exist:

- (i) The Company obtains funds from investors for the purpose of providing them with investment management services.
- (ii) The Company commits to investors that its business purpose is to invest funds solely for capital appreciation, investment income, or both. And
- (iii) The management measures and evaluates its investments and makes investment decisions on a fair value as a key criterion.

### Subsidiaries

The Company has no subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and not consolidated, in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in the Fair Value estimation notes below.

Where the Company is deemed to control an underlying portfolio company, whereby the control is exercised via voting rights or indirectly through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the underlying portfolio company and its results are also not consolidated and are instead reflected at fair value through profit or loss.



## **2 Basis of preparation and accounting policies (cont'd)**

### **2.3. Functional and presentation currency**

The financial statements are prepared in local currency of the Republic of Lithuania, Litas (LTL), and presented in LTL thousand. Litas is the Company's functional and presentation currency. Starting from 2 February 2002 Lithuanian Litas is pegged to euro at the rate of 3.4528 Litas for 1 euro. The exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

As these financial statements are presented in LTL thousand, individual amounts were rounded. Due to the rounding, totals in the tables may not add up.

### **2.4. Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement within "impairment, write-down and provisions".

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

### **2.5. Fair value estimation**

The fair value of investments traded in active markets is based on quoted market prices at the close of trading, which is the date closest to the reporting date. The fair value of investments that are not traded in active markets is determined by using valuation techniques. Such valuation techniques may include the most recent transactions in the market, the market price for similar transactions, discounted cash flow analysis or any other valuation models.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.6. Financial assets**

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset or financial liability not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Financial assets at fair value through profit or loss

The Company classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception.

- (i) Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separable embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.
- (ii) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy requires the Management Board to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information. This sub-category includes subsidiaries that are part of the Company's investment portfolio.

Gains or losses on financial assets at fair value through profit or loss are recognized in profit and loss within "Net change in fair value of financial assets". Interest on debt securities at fair value through profit or loss is recognized within "interest income" based on the effective interest rate. Dividends earned on investments are recognised in the income statement as "dividend income" when the right of payment has been established. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through amortisation process. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'loans granted', 'trade and other receivables', 'cash and cash equivalents' in the statement of financial position.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.7. Impairment of financial assets**

#### Assets carried at amortised cost

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through use of an allowance account.

The Company assesses whether objective evidence of impairment exists individually for financial assets. When financial asset is assessed as uncollectible and all collateral has been realised or has been transferred to the Company the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to pay to creditors, the debtor could not be found.

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. Any subsequent reversal of an impairment loss is recognised in profit or loss within "impairment, write-down, allowances and provisions", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

### **2.8. Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank account as well as deposit in bank with an original maturity of three months or less.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.9. Financial liabilities**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The measurement of financial liabilities depends on their classification as follows:

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### **2.10. Derecognition of financial assets and liabilities**

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### Financial liabilities

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

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.11. Revenue recognition**

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

#### Disposal of investments

Gain (loss) from sale of investment is recognised when the significant risk and rewards of ownership of the investment have passed to the buyer.

#### Interest income

Income is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

#### Dividends income

Income is recognised when the Company's right to receive the payment is established.

### **2.12. Cash and non-cash distribution to equity holders of the parent**

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. In Lithuania a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. The liability for non-cash distributions is measured at the fair value of the assets to be distributed with subsequent fair value re-measurement recognised directly in equity as adjustment to the amount of the distribution.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

## **2 Basis of preparation and accounting policies (cont'd)**

### **2.13. Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The standard income tax rate in Lithuania was 15 % in 2014. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the Company's entities if certain conditions are met.

Deferred income taxes are calculated using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income 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 reverse based on tax rates enacted or substantially enacted at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

By Lithuanian Income Tax Law shall be not taxed sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person where the entity transferring the shares held more than 25% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or will be met by judgement of the management of the Company, there are not recognised any deferred tax liabilities or assets in respect of temporary differences associated with this investments.

Deferred income tax asset has been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred income tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Deferred tax asset are not recognised:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 incurred except when the Company 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 only be used to reduce the taxable income earned from the transactions of the same nature. From 1 January 2014 current year taxable profit could be decreased by previous year tax losses only up to 70%.

## **2 Basis of preparation and accounting policies (cont'd)**

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **2.14. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds. Where any Company's entities purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

### **2.15. Employee benefits**

#### Social security contributions

The Company pay social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

#### Bonus plans

The Company recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### **2.16. Contingencies**

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

### **2.17. Events after the reporting period**

Events after the reporting period that provide additional information about the Company's position as at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.



### **3 Critical accounting estimates and judgements**

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

#### **3.1. Fair value of investments not quoted in an active market**

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability.

Details of the inputs and valuation models used to determine Level 3 fair value, is provided in Note 5.

#### **3.2. Investment entity status**

The management periodically reviews whether the Company meets all the defining criteria of an investment entity referred to in Note 2.2. In addition, the management assesses the Company's operation objective (Note 1), investment strategy, origin of income and fair value models. According to the management, the Company met all the defining criteria of an investment entity throughout the period from its establishment to the financial reporting date.

**AB INVL TECHNOLOGY****INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

(all amounts are in LTL thousand unless otherwise stated)

**4 Split-off**

On 21 March 2014 the split-off terms of AB Invalda LT (code 121304349) were announced. The General Shareholders Meeting approved the terms of the Company's split-off on 28 April 2014. The Split-off was completed on 29 April 2014. According to the terms, three entities AB INVL Baltic Farmland, AB INVL Baltic Real Estate and AB INVL Technology, comprising 47.95% of AB Invalda LT assets calculated at carrying amounts, were split-off from AB Invalda LT. Following the split-off, 2.60% of the assets, equity and liabilities were transferred to the Company.

The Company's equity was formed in accordance with procedure set forth in the terms of the split-off, whereas assets received and liabilities assumed were estimated at fair values at the date of Split-off. The subsidiary UAB Inventio was estimated according to its equity, subsidiary UAB BAIP grupė was estimated by using earnings multiple technique (3 level, Note 5).

Below the starting statement of financial position of the Company is presented:

	<u>As at 29 April 2014</u>
Financial assets at fair value through profit or loss	16,947
Loans granted	414
Trade and other receivables	154
Cash and cash equivalents	-
<b>Total assets</b>	<b>17,515</b>
Share capital	593
Share premium	862
Reserves	1,999
Retained earnings	13,653
<i>Total equity</i>	<i>17,107</i>
Deferred income tax liability	-
Current borrowings	408
<i>Total liabilities</i>	<i>408</i>
<b>Total equity and liabilities</b>	<b>17,515</b>

During the split-off part of liability rising from credit agreement with Šiaulių bankas was transferred to the Company. The credit was fully repaid in the beginning of May 2014.

## AB INVL TECHNOLOGY

### INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts are in LTL thousand unless otherwise stated)

#### 5 Financial assets at fair value through profit or loss

The Company's financial assets at fair value through profit or loss comprised subsidiaries UAB BAIP grupė and UAB Inventio. These assets are non-current assets and are Level 3 instruments by valuation. The main assets of UAB Inventio is cash at the bank, therefore the entity are measured according to its equities. UAB BAIP grupė owns specialized information technology entities. Consolidated group financials were used for the valuation which was performed using EBITDA (earnings before interest, taxes, depreciation and amortization) multiple technique. 12 months trailing EBITDA was used and value after multiplication was corrected by:

- deducting difference between total liabilities and short-term assets increased by the amount of 4 months moving average of working capital,
- deducting non-controlling interest value, measured as its book value.

Performing the valuation, possible obligation to issue new shares of UAB BAIP grupė was taken into account. Model was built in a way that newly issued shares reduce the part of UAB BAIP grupė owned by the Company.

EBITDA multiple used in calculations is 7.6 representing average Central and Eastern Europe IT sector companies' EV/EBITDA ratio (Equity Value-to-EBITDA) according to these entities (source Bloomberg; 30 June 2014):

Name of the entity	EBITDA multiple
ACTION S.A.	8.9
ATEA ASA	9.0
SYGNITY S.A.	4.0
ASSECO POLAND S.A.	6.3
ERICSSON NIKOLA TESLA d.d.	12.5
COMARCH S.A.	6.2
AB S.A.	6.6

If EBITDA multiple goes by 1 to either direction, correspondingly the value of shares of UAB BAIP grupė would move to the same direction by LTL 3,513 thousand as at 30 June 2014 (29 April 2014 – LTL 3,067 thousand).

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2014.

	Total
Opening balance	16,947
Gains and losses recognised in profit or loss	2,785
Closing balance	19,732
<b>Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period</b>	<b>2,785</b>

The main indicators of the statements of the financial position of UAB BAIP grupė are presented below:

Non-current assets	16,084
Current assets	26,966
<b>Total assets</b>	<b>43,050</b>
<i>Total equity</i>	<i>9,167</i>
Non-current liabilities	1,375
Current liabilities	32,508
<i>Total liabilities</i>	<i>33,883</i>
<b>Total equity and liabilities</b>	<b>43,050</b>

**AB INVL TECHNOLOGY****INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

(all amounts are in LTL thousand unless otherwise stated)

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**6 Exchange's, depository's and brokers' fees for securities**

The Company had suffered one-off expenses for admission of securities into exchange trading lists of LTL 24 thousand.

**7 Related party transactions**

The related parties of the Company were the shareholders of the Company (note 1) and the entities of the group of AB Invalda LT. The Company was established after the split-off from Invalda LT (transactions were with AB Invalda LT, UAB Cedus Invest).

The Company's transactions with related parties during the 1<sup>st</sup> half year of 2014 and related half year-end balances were as follows:

<b>I Half Year 2014 Company</b>	<b>Amounts in LTL</b>			
	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
AB Invalda LT (accounting services)	-	400	-	484
AB Invalda LT (split-off)	-	-	10,663	-
UAB Cedus invest (loan)	307	-	-	-
	<u>307</u>	<u>400</u>	<u>10,663</u>	<u>484</u>
Liabilities to shareholders and management	-	-	-	-