9 April, 2013

CONFIRMATION OF RESPONSIBLE PERSONS

Following the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission and the Law on Securities (article 21) of the Republic of Lithuania, management of *Invalda AB* hereby confirms that, to the best of our knowledge, the attached consolidated and parent Company's financial statements for the year 2012 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss, cash flow of *Invalda AB* and the Consolidated Group. Presented Consolidated annual report includes a fair review of the development and performance of the business and the position of the Company and the consolidated group in relation to the description of the main risks and contingencies faced thereby.

ENCLOSURE. Consolidated and parent Company's financial statements for the year 2012 and Consolidated annual report.

President Dalius Kaziunas

Chief financier Raimondas Rajeckas

AB „Invalda", Šeimyniškių g. 1A, LT-09312 Vilnius.
Tel. (8 5) 279 0601, faks. (8 5) 279 0530, info@invalda.lt, www.invalda.lt
Įmonės kodas 121304349, PVM mokėtojo kodas LT1213043414, a. s. LT25 4010 0424 0124 2013, AB DnB NORD bankas, banko kodas 40100
Duomenys apie įmonę kaupiami ir saugomi VĮ „Registrų centras" Juridinių asmenų registre.

AB INVALDA

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Translation note:

This version of the accompanying documents 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 of the accompanying documents takes precedence over this translation.

CONTENTS

Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of Invalda AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Invalda AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 100, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2012 and the stand-alone and consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated Annual Report is published separately from the financial statements due to the size of these documents, therefore the report on other legal and regulatory requirements is published as a separate document to the consolidated Annual Report.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
9 April 2013

GENERAL INFORMATION

Board of Directors

Mr. Vytautas Bučas (Chairman of the Board)
Mr. Darius Šulnis
Mrs. Indrė Mišeikytė (from 30th April 2012)
Mr. Dalius Kaziūnas (until 30th April 2012)

Management

Mr. Dalius Kaziūnas (President)
Mr. Raimondas Rajeckas (Chief Financial Officer)

Principal place of business and company code

Šeimyniškių Str. 1A,
Vilnius,
Lithuania
Company code 121304349

Bankers

Nordea Bank Finland Plc Lithuania Branch
AB DNB Bankas
AB SEB Bankas
Danske Bank A/S Lithuania Branch
Bankas Finasta AB
Šiaulių Bankas AB
AS "UniCredit Bank" Lithuania Branch
"Swedbank", AB
Citadele bankas AB
UAB Medicinos Bankas
Bank DnB NORD Polska S. A.
ING Luxembourg S.A.

Auditor

UAB PricewaterhouseCoopers
J. Jasinskio Str. 16B,
Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 9 April 2013.

Management:

Mr. Dalius Kaziūnas
President

Mr. Raimondas Rajeckas
Chief Financial Officer

According to the Law of Stock Companies of the Republic of Lithuania, the annual financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

Consolidated and Company's income statements

	Notes	Group 2012	Group 2011	Company 2012	Company 2011
Continuing operations					
Revenue	4	326,324	317,367	-	-
Other income	5.3	4,537	10,110	40,795	24,220
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	3	1,282	-	(1,052)	318,438
Net gains (losses) from fair value adjustments on investment property	11	(8,709)	(14,727)	-	-
Net changes in fair value of financial instruments at fair value through profit loss	5.1.	3,567	(83,876)	836	(37,951)
Changes in inventories of finished goods, work in progress and residential real estate		2,515	(3,806)	-	-
Raw materials and consumables used	4	(184,701)	(184,285)	(22)	(22)
Employee benefits expenses	4	(52,449)	(43,804)	(2,858)	(2,623)
Impairment, write-down and provisions	5.2	866	(18,712)	(13,156)	(30,427)
Premises rent and utilities		(18,826)	(17,472)	(171)	(166)
Depreciation and amortisation	10, 12	(9,715)	(10,261)	(72)	(83)
Repairs and maintenance cost of premises		(10,249)	(10,748)	-	-
Other expenses		(24,051)	(21,500)	(1,212)	(2,898)
Operating profit (loss)		**30,391**	**(81,714)**	**23,088**	**268,488**
Finance costs	5.4.	(3,888)	(13,720)	(906)	(9,221)
Share of profit of associates and joint ventures	3	8,665	247	-	-
Profit (loss) before income tax		**35,168**	**(95,187)**	**22,182**	**259,267**
Income tax credit (expense)	6	(3,184)	13,750	(1,235)	15,603
Profit (loss) for the year from continuing operations		**31,984**	**(81,437)**	**20,947**	**274,870**
Discontinued operations					
Profit after tax for the year from discontinued operations	7	-	297,980	-	-
PROFIT FOR THE YEAR		**31,984**	**216,543**	**20,947**	**274,870**
Attributable to:					
Equity holders of the parent					
Profit (loss) for the period from continuing		24,655	(88,934)	20,947	274,870
Profit for the period from discontinued operations		-	297,980	-	-
Profit for the period attributable to equity holders of the parent		24,655	209,046	20,947	274,870
Non - controlling interest					
Profit for the period from continuing operations		7,329	7,497	-	-
Profit for the period from discontinued operations		-	-	-	-
Profit for the period attributable to non – controlling interests		7,329	7,497	-	-
		31,984	**216,543**	**20,947**	**274,870**
Basic earnings per share (in LTL)	8	0.47	4.05	0.40	5.32
Basic earnings (deficit) per share (in LTL) from continuing operations		0.47	(1.72)	0.40	5.32
Diluted earnings per share (in LTL)	8	0.47	3.69	0.40	4.83
Diluted earnings (deficit) per share (in LTL) from continuing operations		0.47	(1.72)	0.40	4.83

Consolidated and Company's statements of comprehensive income

		Group		Company	
		2012	2011	2012	2011
Profit (loss) for the year		**31,984**	**216,543**	**20,947**	**274,870**
Continuing operations					
Net gain on cash flow hedges		-	164	-	-
Income tax		-	(25)	-	-
		-	139	-	-
Exchange differences on translation of foreign operations		43	-	-	-
Share of other comprehensive income (loss) of associates	3	(6)	(31)	-	-
Other comprehensive income for the period from continuing operations		**37**	**108**	**-**	**-**
Discontinued operations					
Reclassification adjustment of other comprehensive income (losses) to profit (loss) due to sale of associates		-	2,162	**-**	**-**
Share of other comprehensive income (losses) of associates	3	-	(284)	**-**	**-**
Other comprehensive income for the period from discontinued operations		**-**	**1,878**	**-**	**-**
Other comprehensive income for the period, net of tax		**37**	**1,986**	**-**	**-**
Total comprehensive income for the period, net of tax		**32,021**	**218,529**	**20,947**	**274.870**
Attributable to:					
Equity holders of the parent					
Income (loss) for the period from continuing operations		24,683	(88,826)	20,947	274,870
Income for the period from discontinued operations		-	299,858	-	-
Income for the period attributable to equity holders of the parent		24,683	211,032	20,947	274,870
Non - controlling interest					
Income for the period from continuing operations		7,338	7,497	-	-
Income for the period from discontinued operations		-	-	-	-
Income for the period attributable to non – controlling interests		7,338	7,497	-	-
		32,021	**218,529**	**20,947**	**274,870**

Consolidated and Company's statements of financial position

		Group		Company	
	Notes	**As at 31 December 2012**	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
ASSETS					
Non-current assets					
Property, plant and equipment	10	47,471	38,259	127	184
Investment properties	11	225,587	248,957	-	-
Intangible assets	12	11,390	13,074	13	7
Investments into subsidiaries	1	-	-	98,119	99,607
Investments into associates and joint ventures	1	48,799	39,269	685	724
Investments available-for-sale	14	2,859	2,859	1,817	1,817
Loans granted	15	-	12,041	82,862	4,143
Trade and other receivables long term	17	5,156	-	-	-
Other non-current assets	28	2,848	2,848	-	-
Deferred income tax asset	6	19,624	22,372	17,401	19,941
Total non-current assets		**363,734**	**379,679**	**201,024**	**126,423**
Current assets					
Inventories	16	39,564	25,819	-	-
Trade and other receivables	17	35,833	33,437	273	218
Current loans granted	15	31,730	31,233	104,193	174,648
Prepaid income tax		1,521	973	3	-
Prepayments and deferred charges		3,441	2,587	155	123
Deposits	18	21,418	99,137	41	48,621
Financial assets at fair value through profit loss	14	32,974	47,599	32,974	33,298
Restricted cash	19	3,602	2,915	-	-
Cash and cash equivalents	18	56,092	21,346	33,530	11,888
Total current assets		**226,175**	**265,046**	**171,169**	**268,796**
Assets of disposal group classified as held-for-sale	7	**-**	**1,708**	**-**	**3,745**
TOTAL ASSETS		**589,909**	**646,433**	**372,193**	**398,964**

(cont'd on the next page)

Consolidated and Company's statements of financial position (cont'd)

	Notes	Group		Company	
		As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the parent					
Share capital	1, 20	51,802	51,660	51,802	51,660
Share premium		60,747	34,205	60,747	34,205
Reserves	21	241,523	20,299	220,967	-
Retained earnings (accumulated deficit)		38,883	280,046	27,045	274,870
		392,955	**386,210**	**360,561**	**360,735**
Non - controlling interest		23,241	29,151	-	-
Total equity		**416,196**	**415,361**	**360,561**	**360,735**
Liabilities					
Non-current liabilities					
Non-current borrowings	22	98,737	119,478	-	-
Finance lease liabilities	23	423	391	-	-
Government grants		152	283	-	-
Provisions	25	396	396	-	-
Deferred income tax liability	6	15,116	15,178	-	-
Other non-current liabilities	26	4,831	3,345	-	-
Total non-current liabilities		**119,655**	**139,071**	**-**	**-**
Current liabilities					
Current portion of non-current borrowings	22	6,071	6,254	-	6
Current portion of financial lease liabilities	23	206	257	-	-
Current borrowings	22	549	572	9,125	353
Trade payables	24	28,373	34,485	55	630
Income tax payable		114	379	-	-
Provisions	25	227	300	-	-
Advances received	16	4,272	3,262	-	-
Convertible bonds	20	-	34,059	-	34,059
Other current liabilities	26	14,246	12,433	2,452	3,181
Total current liabilities		**54,058**	**92,001**	**11,632**	**38,229**
Total liabilities		**173,713**	**231,072**	**11,632**	**38,229**
TOTAL EQUITY AND LIABILITIES		**589,909**	**646,433**	**372,193**	**398,964**

(the end)

Consolidated and Company's statements of changes in equity

Group	Notes	Equity attributable to equity holders of the parent								
				Reserves						
		Share capital	Share premium	Fair value reserve	Legal and other reserves	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Subtotal	Non - controlling interest	Total equity
Balance as at 31 December 2010		**51,660**	**44,676**	**(139)**	**20,241**	**-**	**58,694**	**175,132**	**24,919**	**200,051**
Net gain on cash flow hedge		-	-	139	-	-	-	139	-	**139**
Share of other comprehensive income of associates		-	-	-	-	-	1,847	1,847	-	**1,847**
Net profit for the year 2011	8	-	-	-	-	-	209,046	209,046	7,497	**216,543**
Total comprehensive income for the year		**-**	**-**	**139**	**-**	**-**	**210,893**	**211,032**	**7,497**	**218,529**
Value of employee services		-	-	-	-	-	-	-	770	**770**
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(4,351)	**(4,351)**
Changes in reserves	20, 21	-	(10,471)	-	58	-	10,413	-	-	**-**
Total contributions by and distributions to owners of the Company		**-**	**(10,471)**	**-**	**58**	**-**	**10,413**	**-**	**(3,581)**	**(3,581)**
Non-controlling interest arising on business combination	3	-	-	-	-	-	-	-	1,407	**1,407**
Acquisition of the non-controlling interest	3	-	-	-	-	-	46	46	(1,091)	**(1,045)**
Total transactions with owners of the Company, recognised directly in equity		**-**	**(10,471)**	**-**	**58**	**-**	**10,459**	**46**	**(3,265)**	**(3,219)**
Balance as at 31 December 2011		**51,660**	**34,205**	**-**	**20,299**	**-**	**280,046**	**386,210**	**29,151**	**415,361**

(cont'd on the next page)

Consolidated and Company's statements of changes in equity (cont'd)

Group	Notes	Share capital	Share premium	Own shares	Legal and other reserves	Foreign currency translation reserve	Retained earnings (accumulated deficit)	Subtotal	Non - controlling interest	Total equity
		Equity attributable to equity holders of the parent			Reserves					
Balance as at 31 December 2011		**51,660**	**34,205**	**-**	**20,299**	**-**	**280,046**	**386,210**	**29,151**	**415,361**
Currency translation differences		-	-	-	-	34	-	34	9	**43**
Share of other comprehensive income (loss) of associates		-	-	-	-	-	(6)	(6)	-	**(6)**
Net profit for the year 2012	8	-	-	-	-	-	24,655	24,655	7,329	**31,984**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**34**	**24,649**	**24,683**	**7,338**	**32,021**
Share of movements in equity of associates		-	-	-	-	-	871	871	-	**871**
Value of employee services		-	-	-	-	-	-	-	(93)	**(93)**
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(10,829)	**(10,829)**
Conversion of convertible bonds into share capital	20	5,898	26,542	-	-	-	6,098	38,538	-	**38,538**
Changes in reserves	21	-	-	-	275,093	-	(275,093)	-	-	**-**
Acquired own shares	20	-	-	(59,659)	-	-	-	(59,659)	-	**(59,659)**
Decrease of share capital	20	(5,756)	-	59,659	(53,903)	-	-	-	-	**-**
Total contributions by and distributions to owners of the Company		**142**	**26,542**	**-**	**221,190**	**-**	**(268,124)**	**(20,250)**	**(10,922)**	**(31,172)**
Non-controlling interest arising on business combination	3	-	-	-	-	-	-	-	-	**-**
Acquisition of the non-controlling interest	3	**-**	**-**	**-**	**-**	**-**	2,312	2,312	(2,326)	**(14)**
Total transactions with owners of the Company, recognised directly in equity		**142**	**26,542**	**-**	**221,190**	**-**	**(265,812)**	**(17,938)**	**(13,248)**	**(31,186)**
Balance as at 31 December 2012		**51,802**	**60,747**	**-**	**241,489**	**34**	**38,883**	**392,955**	**23,241**	**416,196**

(cont'd on the next page)

Consolidated and Company's statements of changes in equity (cont'd)

					Reserves			
Company	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal reserve**	**Reserve for acquisition of own shares**	**Retained earnings (accumulated deficit)**	**Total**
Balance as at 31 December 2010		**51,660**	**-**	**44,676**	**-**	**-**	**(10,471)**	**85,865**
Changes in reserves	20	-	-	(10,471)	-	-	10,471	**-**
Total comprehensive income for the year		-	**-**	-	-	-	274,870	**274,870**
Balance as at 31 December 2011		**51,660**	**-**	**34,205**	**-**	**-**	**274,870**	**360,735**
Conversion of convertible bonds into share capital	20	5,898	-	26,542		-	6,098	**38,538**
Acquired own shares	20	-	(59,659)	-	-	-	-	**(59,659)**
Decrease of share capital	20	(5,756)	59,659	-	-	(53,903)	-	**-**
Changes in reserves	21	-	-	-	5,756	269,114	(274,870)	**-**
Total comprehensive income for the year		-	-	-	-	-	20,947	**20,947**
Balance as at 31 December 2012		**51,802**	**-**	**60,747**	**5,756**	**215,211**	**27,045**	**360,561**

(the end)

Consolidated and Company's statements of cash flows

		Group		Company	
		2012	**2011**	**2012**	**2011**
Cash flows from (to) operating activities					
Profit (loss) after tax from continuing operations		31,984	(81,437)	20,947	274,870
Profit after tax from discontinued operations		-	297,980	-	-
Net profit for the year		31,984	216,543	20,947	274,870
Adjustment to reconcile result before tax to net cash flows:					
Non-cash:					
Valuation (gain) loss, net	11	8,709	14,727	-	-
Depreciation and amortisation	10, 12	9,715	10,261	72	83
Loss (gain) on disposal of property, plant and equipment		(159)	(4)	-	-
Realized and unrealized loss (gain) on investments	5.1	(3,567)	83,876	(836)	37,951
Loss (gain) on disposal of subsidiaries and associates	3, 7	(1,282)	(296,363)	1,052	(318,438)
Share of net loss (profit) of associates and joint ventures	3	(8,665)	(1,865)	-	-
Interest income	5.3	(3,656)	(6,749)	(12,025)	(12,883)
Interest expenses	5.4	3,716	12,375	906	8,216
Deferred taxes	6	1,597	(15,906)	1,235	(15,773)
Current income tax expenses	6	1,587	2,156	-	170
Allowances	5.2	(793)	18,841	13,156	30,677
Change in provisions	25	(73)	(129)	-	(250)
Share based payment	21	(93)	770	-	-
Dividend income	5.3	(18)	-	(28,758)	(11,314)
Profit (loss) from bargain purchase	3	-	(1,484)	-	-
Loss (gain) from other financial activities		140	(123)	140	1,224
		39,142	36,926	(4,111)	(5,467)
Working capital adjustments:					
Decrease (increase) in inventories		(1,613)	3,333	-	-
Decrease (increase) in trade and other receivables		(2,824)	(5,949)	172	967
Decrease (increase) in other current assets		(804)	712	(32)	(97)
Increase (decrease) in trade payables		(6,104)	3,254	(563)	(683)
Increase (decrease) in other current liabilities		3,437	778	(553)	802
Cash flows from (to) operating activities		**31,234**	**39,054**	**(5,087)**	**(4,478)**
Income tax paid		(554)	(1)	**-**	**(1)**
Net cash flows from (to) operating activities		**30,680**	**39,053**	**(5,087)**	**(4,479)**

(cont'd on the next page)

Consolidated and Company's statements of cash flows (cont'd)

		Group		Company	
		2012	2011	2012	2011
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(17,506)	(8,122)	(21)	(24)
Proceeds from sale of non-current assets (except for investment properties)		383	183	-	-
Acquisition of investment properties	11	(3,427)	(6,902)	-	-
Proceeds from sale of investment properties	11	6,129	990	-	-
Acquisition and establishment of subsidiaries, net of cash acquired	3	-	(7,557)	-	(109)
Proceeds from sales of subsidiaries, net of cash disposed	3	-	-	-	-
Acquisition of associates and joint ventures	3	-	(1,489)	-	(6)
Proceeds from sales of associates and joint ventures	7	3,797	369,282	3,797	369,282
Expenses related to sell of associates	7	-	(20,510)	-	(20,510)
Loans granted		(30,825)	(80,399)	(65,081)	(169,677)
Repayment of granted loans		41,711	13,673	58,684	46,310
Transfer to/from term deposits		77,171	(118,505)	48,339	(68,339)
Dividends received	5.3	15	-	28,756	-
Interest received		4,928	5,815	3,329	4,547
Sale of financial assets designated at fair value through profit and loss on initial recognition	14	6,503	-	6,503	-
(Acquisition) of held-for-trading financial assets	14	(25,361)	(28,095)	(28,234)	(17,536)
Sale of held-for-trading financial assets	14	30,413	55,182	26,989	53,932
(Acquisition) of available-for-sale financial assets	14	-	(1,042)	-	-
Net cash flows from (to) investing activities		**93,931**	**172,504**	**83,061**	**197,870**
Cash flows from (to) financing activities					
Cash flows related to company shareholders:					
Dividends paid to equity holders of the parent		(99)	(59)	(99)	(59)
Payments from bondholders upon conversion of bonds into share capital	20	4,788	-	4,788	-
(Acquisition) of own shares		(59,659)	-	(59,659)	-
(Acquisition) of non – controlling interest	3	(14)	(1,045)	(155)	(173)
Dividends paid to non – controlling interest		(9,817)	(3,884)	-	-
		(64,801)	(4,988)	(55,125)	(232)
Cash flows related to other sources of financing:					
Proceeds from loans		4,060	12,582	150	18,403
Repayment of loans		(25,009)	(187,119)	(1,217)	(185,801)
Interest paid		(2,929)	(17,178)	-	(13,856)
Finance lease payments		(388)	(342)	-	-
Transfer to/from restricted cash		(681)	2,361	-	-
		(24,947)	(189,696)	(1,067)	(181,254)
Net cash flows to financial activities		**(89,748)**	**(194,684)**	**(56,192)**	**(181,486)**
Impact of currency exchange on cash and cash equivalents		**(117)**	**(219)**	**(140)**	**(219)**
Net increase (decrease) in cash and cash equivalents		**34,746**	**16,654**	**21,642**	**11,686**
Cash and cash equivalents at the beginning of the year	18	**21,346**	**4,692**	**11,888**	**202**
Cash and cash equivalents at the end of the year	18	**56,092**	**21,346**	**33,530**	**11,888**

(the end)

Notes to the financial statements

1 General information

AB Invalda (hereinafter the Company) is a public limited liability company registered in the Republic of Lithuania on 20 March 1992. The address of its registered office is:

Šeimyniškių str. 1A,
Vilnius,
Lithuania.

The Company is incorporated and domiciled in Lithuania. AB Invalda is one of the major Lithuanian investment companies with primary objective to steadily increase the investor equity value. For the purpose of achieving this objective the Company actively manages its investments, exercising control or significant influence over target businesses. The Company gives the priority to furniture manufacturing, real estate, facilities management, agriculture and IT infrastructure segments.

In respect of each business the Company defines its performance objectives, sets up the management team, participates in the development of the business strategy and monitors its implementation. The Company plays an active role in making the decisions on strategic and other important issues that have an effect on the value of the Group companies.

The Company's shares are traded on the Baltic Main List of NASDAQ OMX Vilnius.

As at 31 December 2012 and 2011 the shareholders of the Company were (by votes)*:

	2012		2011	
	Number of votes held	**Percentage**	**Number of votes held**	**Percentage**
Mrs. Irena Ona Mišeikiene	12,434,159	24.00%	13,185,706	25.52%
Mr. Vytautas Bučas	8,198,367	15.83%	9,585,803	18.56%
Mr. Algirdas Bučas	4,234,709	8.18%	3,424,119	6.63%
Mr. Darius Šulnis	3,984,762	7.69%	4,071,762	7.88%
UAB Lucrum Investicija	3,836,621	7.41%	5,363,865	10.38%
UAB RB finansai	3,279,972	6.33%	-	-
Mr. Alvydas Banys	2,029,624	3.92%	2,029,624	3.93%
Mrs. Daiva Banienė	1,836,234	3.54%	1,836,234	3.55%
Other minor shareholders	11,967,698	23.10%	12,162,645	23.55%
Total	51,802,146	100.00%	51,659,758	100.00%

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

All the shares of the Company are ordinary shares with the par value of LTL 1 each and were fully paid as at 31 December 2012 and 2011. Subsidiaries, joint ventures and associates did not hold any shares of the Company as at 31 December 2012 and 2011.

As at 31 December 2012 the number of employees of the Group was 1,051 (as at 31 December 2011 – 994). As at 31 December 2012 the number of employees of the Company was 15 (as at 31 December 2011 – 13).

The financial statements were approved and signed by the Management and the Board of Directors on 9 April 2013.

According to the Law on Companies of Republic of Lithuania, the annual financial statements prepared by the Management are authorised by the General Shareholders' meeting. The shareholders hold the power not to approve the annual financial statements and the right to request new financial statements to be prepared.

1 General information (cont'd)

The Group consists of the Company and the following directly and indirectly owned subsidiaries (hereinafter the Group):

Company	Registration country	As at 31 December 2012		As at 31 December 2011		Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
Furniture production segment:						
AB Vilniaus Baldai	Lithuania	72.14	13,900	72.14	13,900	Furniture manufacturing
UAB Ari-Lux**	Lithuania	72.14	17	72.14	17	Fitting packing
Real estate segment:						
AB Invaldos Nekilnojamojo Turto Fondas	Lithuania	100.00	116,908	100.00	116,908	Real estate investor
UAB Naujoji Švara	Lithuania	100.00	26,528	100.00	13,828	Real estate investor
UAB INTF Investicija**	Lithuania	100.00	4,282	100.00	4,282	Real estate investor
UAB Sago	Lithuania	100.00	6,972	100.00	6,972	Real estate investor
UAB Ineturas	Lithuania	100.00	10,200	100.00	8,500	Real estate investor
UAB Elniakampio Namai	Lithuania	100.00	725	100.00	725	Real estate investor
UAB IBC Logistika	Lithuania	100.00	15,000	100.00	12,500	Real estate investor
UAB Saistas	Lithuania	100.00	3,648	100.00	2,898	Real estate investor
UAB Dizaino Institutas	Lithuania	100.00	2,677	100.00	2,677	Real estate investor
UAB Riešės Investicija	Lithuania	100.00	6,500	100.00	6,500	Real estate investor
UAB Minijos Valda	Lithuania	100.00	1,050	100.00	600	Real estate investor
UAB Rovelija	Lithuania	100.00	600	100.00	200	Real estate investor
UAB BNN	Lithuania	100.00	3,090	100.00	3,090	Real estate investor
UAB Justiniškių valda*,**	Lithuania	100.00	960	-	-	Real estate investor
UAB Justiniškių Aikštelė*,**	Lithuania	100.00	405	-	-	Real estate investor
UAB Trakų Kelias	Lithuania	100.00	512	100.00	512	Real estate investor
UAB Perspektyvi Veikla**	Lithuania	100.00	180	100.00	180	Real estate investor
UAB Kopų Vėtrungės*,**	Lithuania	100.00	4,000	-	-	Real estate investor
UAB Danės Gildija*,**	Lithuania	100.00	7,980	-	-	Real estate investor
UAB Aikstentis	Lithuania	100.00	108	76.00	108	Dormant
UAB Wembley Neringa**,****	Lithuania	-	-	64.24	400	Dormant
UAB Ekotra	Lithuania	100.00	1,750	100.00	1,750	Agricultural land investor
UAB Šimtamargis	Lithuania	100.00	300	100.00	300	Agricultural land investor
UAB Žemvesta	Lithuania	100.00	950	100.00	800	Agricultural land investor
UAB Agrobitė**	Lithuania	100.00	700	100.00	700	Agricultural land investor
UAB Puškaitis**	Lithuania	100.00	340	100.00	-	Agricultural land investor
UAB Žemynėlė**	Lithuania	100.00	900	100.00	900	Agricultural land investor
UAB Žemėpatis**	Lithuania	100.00	610	100.00	610	Agricultural land investor
UAB IŽB 1**	Lithuania	100.00	930	100.00	430	Agricultural land investor
UAB Lauksėja*,**	Lithuania	100.00	300	-	-	Agricultural land investor
UAB Inreal	Lithuania	100.00	3,801	100.00	3,801	Intermediation in operation with real estate, property valuation
UAB Inreal Valdymas	Lithuania	100.00	10,049	100.00	10,049	Real estate management and administration
UAB Inreal Geo	Lithuania	100.00	10	100.00	10	Geodesy, cadastral measurements and territory planning

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2012 Share of the stock held by the Group (%)	31 December 2012 Size of investment (acquisition cost)	31 December 2011 Share of the stock held by the Group (%)	31 December 2011 Size of investment (acquisition cost)	Main activities
Facilities management segment:						
UAB Inreal Pastatų Priežiūra	Lithuania	100.00	500	100.00	500	Facilities management
UAB IPP Integracijos Projektai**	Lithuania	100.00	10	-	-	Facilities management
UAB Cmanagement	Lithuania	100.00	367	100.00	367	Maintenance services
UAB Priemiestis**	Lithuania	100.00	2,157	100.00	2,157	Facilities management
UAB Jurita**	Lithuania	100.00	1,154	100.00	2,519	Facilities management
UAB Naujosios Vilnios Turgavietė**	Lithuania	100.00	94	100.00	94	Market place management
Information technology segment:						
UAB BAIP Grupė	Lithuania	80.00	4,003	80.00	4,003	Information technology solutions
UAB Informatikos Pasaulis**	Lithuania	80.00	939	80.00	699	Information technology solutions
UAB Vitma**	Lithuania	80.00	8,357	80.00	7,607	Information technology solutions
UAB BAIP**	Lithuania	80.00	3,942	80.00	3,942	Information technology solutions
UAB Acena**	Lithuania	80.00	137	80.00	137	Information technology solutions
Norway Registers Development AS**	Norway	80.00	4,298	80.00	4,298	Information technology solutions
UAB NRD**	Lithuania	56.95	859	56.58	846	Information technology solutions
Other production and services segment:						
UAB Kelio Ženklai	Lithuania	100.00	6,554	100.00	6,554	Road signs production, wood manufacturing
UAB Lauko Gėlininkystės Bandymų Stotis**	Lithuania	100.00	1,411	100.00	1,411	Cultivation and trade of ornamental plants, flowers
VšĮ Iniciatyvos Fondas	Lithuania	100.00	10	100.00	10	Social initiatives activities
UAB Finansų Rizikos Valdymas	Lithuania	100.00	3,357	100.00	3,357	Investment activities
UAB Fortina***	Lithuania	100.00	4,350	100.00	4,350	Investment activities
UAB Ente	Lithuania	100.00	320	100.00	320	Investment activities
UAB Aktyvo	Lithuania	100.00	940	100.00	940	Management of bad debt
UAB Investicijų Tinklas	Lithuania	100.00	1,850	100.00	1,850	Investment activities
UAB Aktyvus Valdymas	Lithuania	100.00	1,500	100.00	1,500	Investment activities
UAB Inreal Pastatų Priežiūros Grupė	Lithuania	100.00	1,350	100.00	1,350	Investment activities
UAB Cedus Invest	Lithuania	100.00	10,000	100.00	10,000	Investment activities
AB Invetex**	Lithuania	83.90	5,624	83.90	5,624	Investment activities

(cont'd in the next page)

1 General information (cont'd)

Company	Registration country	31 December 2012 Share of the stock held by the Group (%)	31 December 2012 Size of investment (acquisition cost)	31 December 2011 Share of the stock held by the Group (%)	31 December 2011 Size of investment (acquisition cost)	Main activities
Other production and services segment (cont'd):						
UAB MGK Invest	Lithuania	100.00	10	100.00	10	Dormant
UAB MBGK**	Lithuania	100.00	4,720	100.00	4,720	Dormant
UAB RPNG	Lithuania	100.00	10	100.00	10	Dormant
UAB Regenus	Lithuania	100.00	10	100.00	10	Dormant
UAB Consult Invalda	Lithuania	100.00	10	100.00	10	Dormant
UAB Cedus	Lithuania	100.00	10	100.00	10	Dormant
UAB Via Solutions	Lithuania	100.00	10	100.00	10	Dormant
Invalda Lux S.A.R.L	Luxembourg	100.00	224	100.00	69	Dormant
			315,969		283,431	
Less indirect ownership			(58,556)		(44,824)	
Less impairment			(159,294)		(139,000)	
Investments into subsidiaries (Company)			98,119		99,607	

(the end)

*These companies were newly established in 2012.
**These companies are owned indirectly by the Company as at 31 December 2012 and 2011.
***The Company has invested LTL 1,100 thousand directly and LTL 3,250 thousand indirectly.
****The entity was liquidated in 2012.

As of 31 December 2012 and 2011 investments into real estate segment subsidiaries were impaired by LTL 150,743 thousand and LTL 130,625 thousand, into other segments' companies by LTL 8,551 thousand and LTL 8,375 thousand, respectively.

The subsidiaries UAB Dizaino Institutas, UAB Invaldos Nekilnojamojo Turto Fondas, UAB Sago, UAB INTF Investicija have no right to repay loans granted by the Group without bank consent according to borrowings agreements. UAB Dizaino Institutas and UAB BAIP have no right to pay dividends without bank consent. UAB Sago and UAB INTF Investicija are allowed to distribute up to 50 % of net profit as dividends without bank consent. UAB Invaldos Nekilnojamojo Turto Fondas is allowed to pay dividends only if covenants would be met after repayment.

Associates of the Group as at 31 December 2012 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting Year	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
UAB Litagra*	36.88	38,575	19,341	344,648	145,591	199,057	429,221	Agriculture
UAB ŽVF Projektai	21.46	2	127	126	-	126	-	Investment property
		38,577						
Less indirect ownership		(38,575)						
Less impairment		(2)						
Investment into associates (Company)		-						

1 General information (cont'd)

Associates of the Group as at 31 December 2011 were as follows (amounts stated relate to 100 % of these entities):

Company	Share of the stock held by the Group (%)	Size of investment (acquisition cost)	Profit (loss) for the reporting Year	Assets	Share-holders' equity	Liabilities	Revenue	Main activities
AB Umega	29.27	4,042	(1,303)	45,892	5,630	40,262	69,075	Production and services
UAB Litagra*	36.88	38,575	494	291,288	125,116	166,172	318,076	Agriculture
UAB ŽVF Projektai	21.46	2	(77)	444	(127)	571	3	Investment property
		42,619						
Less indirect ownership		(38,575)						
Less impairment		(297)						
Less assets held for sale		(3,745)						
Investment into associates (Company)		2						

*The associate is owned indirectly by the Company as at 31 December 2012 and 2011.

The Group has a 50 % interest in the jointly controlling entity UAB Dommo Nerija as at 31 December 2012 and 2011 (owned directly by the Company).

The Company's interest in joint ventures as at 31 December 2012 and 2011 amounted to LTL 685 thousand (after impairment of LTL 365 thousand) and LTL 722 thousand (after impairment of LTL 328 thousand), respectively.

The share of the assets, liabilities, income and expenses of the jointly controlled entity as at 31 December 2012 and 2011 and for the years then ended are as follows (amounts stated relate to 100 % of the entity):

	2012	2011
Current assets	60	95
Non-current assets	7,270	6,947
Total assets	**7,330**	**7,042**
Current liabilities	5,947	5,571
Non-current liabilities	14	27
Total liabilities	**5,961**	**5,598**
Revenue	452	1,782
Expenses	(540)	(860)
Profit (loss) before income tax	(88)	922
Income tax	13	(27)
Net profit (loss)	**(75)**	**895**

2 Summary of significant accounting policies

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year ended 31 December 2012 are as follows:

2.1. Basis of preparation

Statement of compliance

The financial statements of the Company and the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

These financial statements have been prepared on a historical cost basis, except for investment properties, financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss and available-for-sale investments 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.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2012:

– IFRS 7 *Disclosures - Transfers of Financial Assets* effective 1 July 2011

The principal effects of these changes are as follows:

IFRS 7 *Disclosures - Transfers of Financial Assets*

The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's statement of financial position. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment has no impact on the Group's financial statements for the year ended 31 December 2012.

Standards adopted by the EU but not yet effective

Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012),

The amendments change the disclosure of items presented in other comprehensive income. It require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on the Group's financial position or performance.

IAS 19 *Employee Benefits (Amendment)* (effective for annual periods beginning on or after 1 January 2013)

The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group has to recognise all actuarial gains and losses in other comprehensive income, not in the profit or loss as currently, and to present service cost and net interest in separate line in the income statement. The Group is currently assessing the full impact of the remaining amendments.

Amendments to IAS 12 *Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2013)

The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The amendment would have no impact on the Group's financial position or performance.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective (cont'd)

IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2014)

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. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)

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. The Group has used equity accounting for the interests in joint ventures already. The Group is currently assessing the full impact of the other changes regarding of the new standard on its financial statements.

IFRS 12 *Disclosure of Interest in Other Entities* (effective for annual periods beginning on or after 1 January 2014)

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. The Group is currently assessing the impact of the new standard on its financial statements.

IFRS 13 *Fair value measurement* (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

IAS 27 *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)

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 Group is currently assessing the impact of the amended standard on its financial statements.

IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)

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 Group is currently assessing the impact of the amended standard on its financial statements.

Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014)

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 Group is currently assessing the impact of the amended standard on its financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2013).

The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on measurement and recognition of financial instruments.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective (cont'd)

Improvements to IFRS (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013).

The improvements consist of changes to five standards.
- IFRS 1 *First–time adoption of International Financial Reporting Standards* was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, *Borrowing costs*, retrospectively by first-time adopters.
- IAS 1 *Presentation of Financial Statements* was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements.
- IAS 16 *Property, Plant and Equipment* was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory.
- IAS 32 *Financial Instruments: Presentation* was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12.
- IAS 34 *Interim Financial Reporting* was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements.

The Group is currently assessing the impact of the Improvements on its financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2014).

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 Group is currently assessing the impact of the amendments on its financial statements.

The following amendments of the standards and interpretations are not relevant for the Group:

– Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (effective for annual periods beginning on or after 1 July 2013)
– IFRIC 20 *Striping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013)
– Amendments to IFRS 1 *Government Loans* (effective for annual periods beginning on or after 1 January 2013)

Standards not yet adopted by the EU

IFRS 9 *Financial Instruments Part 1: Classification and Measurement* (effective for financial years beginning on or after 1 January 2015 once adopted by the EU)

IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards not yet adopted by the EU (cont'd)

IFRS 9 *Financial Instruments Part 1: Classification and Measurement (cont'd)*

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

In subsequent phases, the IASB will address classification and measurement of hedge accounting and impairment of financial assets. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment entities* (effective for annual periods beginning on or after 1 January 2014 once adopted by the EU).

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. The Group is currently assessing the impact of the amendments on its financial statements, analyzing whether it could apply investment entity definition itself.

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent and is presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Total comprehensive income (losses) within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance from 1 January 2010. Losses absorbed by the parent company prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or retained earnings, as appropriate.

2 Summary of significant accounting policies (cont'd)

2.3. Functional and presentation currency

The consolidated 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 the Group's and the Company's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency year-end exchange rate. All differences are taken to profit or loss. Non monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

At the end of each reporting period the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Group (LTL) at the year-end exchange rate and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the gain or loss on sale.

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. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met. Replaced parts are written off.

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

Depreciation is calculated using the straight-line method over the following estimated useful lives.

Buildings	10–66 years
Machinery and equipment	4–10 years
Vehicles	4–10 years
Other non-current assets	2–8 years

The asset residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement within "other income" in the year the asset is derecognised.

Construction in progress represents plant and properties under construction and is stated at cost. This includes the cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until the relevant assets are completed and are available for its intended use.

2 Summary of significant accounting policies (cont'd)

2.5. Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the companies in the consolidated Group, are classified as investment properties. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. Land is not presented separately from the buildings as these assets cannot be acquired or sold separately.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement within "Net gains (losses) from fair value adjustments on investment property" in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy adopted for property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any differences between fair value of the property at that date and its previous carrying amount are recognised in the income statement.

2 Summary of significant accounting policies (cont'd)

2.6. Intangible assets other than goodwill

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets other than goodwill are assessed to be finite. Intangible assets are amortised using the straight-line method over the best estimate of their useful lives.

Contracts and customer relationship

Contracts include information technology solution service contracts acquired during information technology solutions entities acquisition and the dwelling-houses facilities management and the market management contracts acquired during dwelling-houses facilities management's entity acquisition. Customer relationship was acquired during information technology solutions entities acquisition.

Contracts and customer relationship assured on the acquisition of subsidiaries are capitalised at the fair value established on acquisition and treated as an intangible asset. Following initial recognition, contracts are carried at cost less any accumulated impairment losses. The information technology solution service contracts and customer relationship are amortised during 2 - 10 years, the dwelling-houses facilities management contracts are amortised during 2.5 - 5 years, the market management contract – 11 years.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 3-4 years.

Costs incurred in order to restore or maintain the future economic benefits that the Group and the Company expect from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Other intangible assets are amortised during 3 - 4 years.

2.7. Business combinations and goodwill

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred from 1 January 2010 (until that they were included in the acquisition cost). Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. In the business combinations, which was incurred prior to 1 January 2010, subsequent adjustments to the contingent consideration were recognised as part of goodwill.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

2 Summary of significant accounting policies (cont'd)

2.7 Business combinations and goodwill (cont'd)

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

2.8. Investments in associates (the Group)

The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, generally accompanying a shareholding of between 20 % and 50 % of the voting rights.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the other comprehensive income. Group's share in the changes in the net assets of the associate that are not recognised in profit or loss or other comprehensive income (OCI) of the associate, are recognised in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

2.9. Investments in joint ventures (the Group)

The Group has an interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in the joint venture using the equity method in the consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

Upon loss of joint control the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

2 Summary of significant accounting policies (cont'd)

2.10. Investments in subsidiaries, associates and joint ventures (the Company)

Investments in subsidiaries, associates and joint ventures in the Company's stand-alone financial statements are carried at cost, less impairment. The Company assesses at each reporting date whether there is an indication that investments in subsidiaries, associates and joint ventures may be impaired. If any such indication exists, the Company makes an estimate of the investment's recoverable amount. The impairment test is performed as outlined in Note 2.12, and in addition the market value of debt is deducted from the recoverable amount.

2.11. Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities as a single amount as profit or loss after tax from discontinued operations in the income statement, even when the Group retains a non-controlling interest in the subsidiary after the sale.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

2.12. Impairment of non-financial assets

The Group 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 Group 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 Group 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.

The following criteria are also applied in assessing impairment of specific assets:

<u>Goodwill</u>

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

2 Summary of significant accounting policies (cont'd)

2.13. Biological assets

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated cost to sell, except for the case where the fair value cannot be measured reliably on initial recognition. Agricultural produce harvested from the Group's biological assets is measured at its fair value less estimated cost to sell at the point of harvest and subsequently recorded as inventories.

Biological assets of associate of the Group consist of livestock and crops.

Livestock is measured at fair value less estimated cost to sell. Fair value is determined using current market value of livestock groups or market values of similar groups of livestock by age, breed and adjusting them accordingly, if necessary.

Crops are measured at their fair value less estimated cost to sell. At initial recognition the crops are measured at the cost as the market-determined values are not available for such biological assets. At year-end the crops are measured at the cost as little biological transformation has taken place since the costs were originally incurred. In the subsequent periods when major biological transformation has taken place since the costs were originally incurred, the fair value of crops is measured using the comparable market prices of agricultural produce harvested from crops, adjusted by expected productivity and estimate of expenses which would be incurred from reporting date until the harvest.

2.14. 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 The Group determines the classification of its financial assets at initial recognition. 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 Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group 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.

<u>Financial assets at fair value through profit or loss</u>

The Group 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 Group's documented investment strategy. The Group'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.

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 instruments at fair value through profit or loss". Interest on debt securities at fair value through profit or loss is recognized within other income based on the effective interest rate. Dividends earned on investments are recognised in the income statement as other 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.

2 Summary of significant accounting policies (cont'd)

2.14 Financial assets (cont'd)

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 group's loans and receivables comprise 'loans granted', 'trade and other receivables', 'deposits', 'restricted cash' and 'cash and cash equivalents' in the statement of financial position (see Notes 15, 17, 18, 19).

Available-for-sale financial instruments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised as other comprehensive income in the fair value reserve. When the investment is disposed of, the cumulative gain or loss previously accumulated in equity is recognised in the income statement. Interest earned on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as other income when the right of payment has been established. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Unquoted ordinary shares, which fair value cannot be measured reliably, are measured at cost.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; and discounted cash flow analysis.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.15. Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

As at 31 December 2012 and 2011 the Group has not use any derivatives to hedge risks.

2 Summary of significant accounting policies (cont'd)

2.15 Derivative financial instruments and hedge accounting (cont'd)

Current versus non-current classification

Derivative instruments that are not a designated and effective hedging instrument are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting), for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current or separated into current and non-current portions) consistent with the classification of the underlying item;
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

2.16. Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each reporting date whether 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 group 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 group 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 amount of the loss is recognised in profit or loss within "impairment, write-down, allowances and provisions".

The Group 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 Group 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 Group 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 Summary of significant accounting policies (cont'd)

2.16 Impairment of financial assets (cont'd)

Available-for-sale financial investments

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the same criteria as financial assets carried at amortised cost. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

2.17. Inventories

Raw materials, finished goods and work in progress

Inventories are initially recorded at acquisition cost. Cost is determined using the first-in, first-out (FIFO) method. Subsequent to initial recognition, inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are estimated as follows:

- raw materials - purchase cost using FIFO method;
- finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity and including borrowing costs, where applicable.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Residential real estate

Properties initially acquired for development and subsequent resale are initially recognised at the cost of purchase. The cost of residential real estate comprises construction costs and other direct cost related to property development, including borrowing costs. Investment properties that are started developed for future sale are reclassified as inventories at their cost, which is the carrying amount at the date of reclassification. Inventories are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses. Residential real estate include assets that are sold as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting date.

2.18. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19. 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.

The cash or short-term deposits, which use is restricted, are presented in caption 'restricted cash' in the statement of financial position (see Note 19).

2 Summary of significant accounting policies (cont'd)

2.20. 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 Group 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21. 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 Group and 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 Group 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 Group's continuing involvement in the asset.

In that case, the Group 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 Group 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 Group 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 Summary of significant accounting policies (cont'd)

2.22. Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.23. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or
d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

<u>Financial lease</u>

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

If the result of sales and lease back transactions is financial lease, any profit from sales exceeding the book value is not recognised as income immediately. It is postponed and amortised over the lease term.

<u>Operating lease</u>

Group as a lessee

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognised as an expense in the income statement on a straight-line basis over the lease term.

If the result of sales and lease back transactions is operating lease and it is obvious that the transaction has been carried out at fair value, any profit or loss is recognised immediately. If the sales price is lower than the fair value, any profit or loss is recognised immediately, except for the cases when the loss is compensated by lower than market prices for lease payments in the future. The profit is then deferred and it is amortised in proportion to the lease payments over a period, during which the assets are expected to be operated. If the sales price exceeds the fair value, a deferral is made for the amount by which the fair value is exceeded and it is amortised over a period, during which the assets are expected to be operated.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 Summary of significant accounting policies (cont'd)

2.24. Revenue recognition

The group 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 group's activities as described below. The group 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.

<u>Sale of goods</u>

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

<u>Disposal of investments</u>

Gain (loss) from sale of investment is recognised when the significant risk and rewards of ownership of the investment have passed to the buyer and are recognised within operating activity, as the parent company treats the securities trading as its main activity.

<u>Sales of services and long-term contracts</u>

The Group sells information technology infrastructure and facility management services to the customers. For sales of services, revenue is recognised in the accounting period in which the services rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

<u>Rental income</u>

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. When the Group provides incentives to its tenants, the cost of incentives is recognised over lease term, on a straight-line basis, as a reduction of rental income.

<u>Interest income</u>

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).

<u>Dividends income</u>

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

2.25. Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved.

2.26. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2 Summary of significant accounting policies (cont'd)

2.27. 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 2012 and in 2011. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15 % income tax rate has been established for indefinite period starting 1 January 2010. Starting from 2010, tax losses can be transferred at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

The standard income tax rate in Norway is 28 %. In Luxembourg the standard income tax rate is 28.80 % with a minimum flat corporate income tax of LTL 5 thousand.

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.

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 Summary of significant accounting policies (cont'd)

2.28. Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The amount of the grants related to assets is recognized as deferred income and released to income on a linear basis over the expected useful life of related asset. In the income statement, depreciation expense account is decreased by the amount of grant amortisation.

2.29. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities recognised in a business combination (applicable as of 1 January 2010)
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:
- the amount that would be recognised in accordance with the general guidance for provisions above (IAS 37) or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (IAS 18).

2.30. Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Board of Directors that makes strategic decisions.

2.31. 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 group company 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 Summary of significant accounting policies (cont'd)

2.32. Employee benefits

Social security contributions

The Company and the Group 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.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group recognise termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Bonus plans

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

Pension and anniversary obligations

The Group's company AB Vilniaus Baldai has collective labour agreement. According to the agreement each employee has right to receive age and seniority anniversary benefit and 2 – 3 month an amount on retirement subject to years of service. This is the unfunded defined benefit pension plan. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. The cost of providing benefits under this plan is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the income statement. Past-service costs are recognised immediately as expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. All expenses related to the pension and anniversary obligations are recognised within "employee benefits expenses".

2.33. Share - based payments

The group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee benefits expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 Summary of significant accounting policies (cont'd)

2.33 Share - based payments (cont'd)

Share - based payments – modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.34. 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.

2.35. Events after the reporting period

Events after the reporting period that provide additional information about the Group'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.

2.36. Significant accounting judgements and estimates

The preparation of financial statements requires management of the Group and the Company to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities, at the end of reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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.

Judgements

In the process of applying the Group accounting policies, management has made the following judgement, which has most significant effect on the amounts recognised in the consolidated financial statements:

Financial assets designated at fair value through profit and loss on initial recognition

The shares of Trakcja S.A. were designated at fair value through profit or loss on initial recognition because the Management believes that this presentation represents best the way this investment is managed and its performance is evaluated and provides more relevant information to the users of financial statements.

The impact of planned split-off

Management has assessed what impact planned split-off has on the financial statements for the year ended 31 December 2012. In the management view, due to reasons described in Note 30, the assets and liabilities to be split off did not meet the definition of "held for distribution" under IFRS 5 as of 31 December 2012. Therefore, it was concluded that no changes have to be made in the current measurement or presentation, but the information should be disclosed in sufficient details (Note 30).

2 Summary of significant accounting policies (cont'd)

2.36 Significant accounting judgements and estimates (cont'd)

Judgements (cont'd)

Investment in AB Vernitas

Management has assessed the level of influence that the group has on AB Vernitas and determined that it has no significant influence even though the share holding is above 20% because the entity is controlled by a group interrelated persons. The entity has Management Board and Supervisory Council and the Group has only one representative at the Supervisory Council and none at the Management Board. The Board manages the entity. Consequently, this investment has been classified as available-for-sale (Note 14).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The significant areas of estimation used in the preparation of these financial statements are discussed below.

Fair value of investment properties

Investment properties have been valued either based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics (income approach) or using the sales comparison approach which refers to the prices of the analogues transactions in the market. Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The future rental rates were estimated depending on the actual location, type and quality of the properties, and taking into account market data and projections at the valuation date. The sales comparison approach compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence, or degree of characteristics which influence value, such as available use, floor area, location, age of the property and condition of property.

The fair value of the investment properties as at 31 December 2012 was LTL 225,587 thousand (as at 31 December 2011 – LTL 248,957 thousand), from which the fair value of the investment properties valued using the sales comparison approach was LTL 61,885 thousand and fair value of the investment properties valued using income approach was LTL 163,702 thousand (2011: LTL 83,324 thousand and LTL 165,633 thousand, respectively) (described in more details in Note 11).

Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is an indication that investments in subsidiaries, associates and joint ventures may be impaired. Each investment is considered individually. If any such indication exists, the Company makes an estimate of the recoverable amount of investment. The recoverable amounts of investments have been determined based on value in use calculations. The value in use was based on the estimated future net cash flows of the underlying entities that are attributable to the Company's interest. These calculations require the use of estimates (Note 3).

Impairment of loans granted and trade receivables

The impairment loss of trade receivables and loans granted was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables and loans. These accounting estimates require significant judgement. Judgement is exercised based on net assets value of subsidiaries, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments. If there is objective evidence that an impairment loss on loans granted and trade receivables 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. The expected cash flows exclude future credit losses that have not been incurred and are discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition). Carrying amounts of loans and receivables are disclosed in Notes 15 and 17.

2 Summary of significant accounting policies (cont'd)

2.36 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions (cont'd)

Impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 12).

Useful lives of contracts and customer relationship

The useful lives of contracts and customer relationship acquired through business combinations are disclosed in Note 2.6 and amortisation charge for the year is disclosed in Note 12. The useful lives are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life. If the estimated useful lives of contracts and customer relationship have been one year shorter, the annual amortisation charge would have increased by LTL 489 thousand for the year ended 31 December 2012.

Deferred income tax assets

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and amount of future taxable profits together with future tax planning strategies.

Deferred income tax asset is recognized on individual company basis taking into account future performance plans of those companies. For the loss making Group entities other than the Company, deferred tax asset is recognized only to the extent deferred tax liability was available and the realization period allows offsetting. No deferred tax asset is recognized from tax losses carry forward of LTL 23,162 thousand as 31 December 2012 (as at 31 December 2011 – LTL 20,900 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2012 in the total deferred tax asset balance of the Group the amount of LTL 6,894 thousand (as at 31 December 2011 – LTL 4,805 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and only LTL 2,643 thousand (as at 31 December 2011 – LTL 3,104 thousand) was recognized from the taxable losses of other group entities, net of transferred tax losses within the Group (Note 6).

Other areas involving estimates include useful lives of property, plant and equipment and allowances for accounts receivable. According to the management, these estimates do not have significant risk of causing a material adjustment.

3 Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals

The movement of investments in associates and joint ventures was as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
At 1 January	**39,269**	**125,512**	**724**	**110,916**
Share of profit (loss) of associates	7,160	1,417	-	-
Profit from bargain purchases of associates	1,542	-	-	-
Share of profit (loss) of joint ventures	(37)	448	-	-
Share of exchange differences	(6)	(992)	-	-
Share of cash flow hedge reserves	-	677	-	-
Acquisition of non-controlling interest in subsidiary held by associate	871	-	-	-
Increase of share capital	-	1,450	-	1,450
Acquisition	-	38,581	-	6
Disposals (Note 7)	-	(126,116)	-	(109,558)
Reversal of impairment due to disposals	-	-	-	1,655
Impairment	-	-	(39)	-
Reclassification to assets held for sale (Note 7)	-	(1,708)	-	(3,745)
At 31 December	**48,799**	**39,269**	**685**	**724**
Associates	48,114	38,547	-	2
Joint ventures	685	722	685	722

The movement of investments in subsidiaries in the Company was as follows:

	Company	
	2012	**2011**
At 1 January	**99,607**	**87,398**
Acquisition	-	10
Acquisition of non-controlling interest	-	173
Establishment of subsidiaries and increase of share capital (mainly nominal amount of loans capitalised)	18,805	21,839
Reclassification of allowance on loans capitalized within share capital of subsidiaries	(6,620)	(16)
Reversal of impairment due to increase of recoverable amount of the investments	2,808	2,889
Additional impairment charge for the year	(16,481)	(12,686)
At 31 December	**98,119**	**99,607**

In 2012 the Company recognised impairment losses of investments to subsidiaries of LTL 16,306 thousand that operate in real estate segment because of decreased carrying amount of net assets of these subsidiaries. The recoverable amounts of these investments have been determined based on value in use calculations. The value in use of investments is mainly dependant on the fair value of investment properties (Note 11) and the amount of borrowings each subsidiary has. If liabilities of a subsidiary exceed the fair value of its property, such an investment is impaired to nil. Where the net assets of an entity are positive, value in use was based on the estimated future net cash flows of the underlying entities that are attributable to the Company. The key estimates used in valuing investment property are disclosed in Note 11. For the purposes of impairment testing the borrowings are measured discounting all future payments using current market rate. The fair value of financial liabilities is disclosed in Note 27.2.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2012

There were no business combinations in 2012.

Acquisitions in 2011

Analysis of cash flows on acquisition:

	2011
Consideration paid in cash	(8,688)
Cash acquired with the subsidiary	1,131
Acquisition of subsidiaries, net of cash acquired	**(7,557)**

If the acquisition of the subsidiaries in 2011 had occurred on 1 January 2011, the consolidated revenue of the Group would have been LTL 323,435 thousand and consolidated net profit of the Group would have been LTL 215,403 thousand for the year ended 31 December 2011.

UAB Lauko Gėlininkystės Bandymų Stotis

On 4 January 2011, the Group acquired 51 % of shares of UAB Lauko Gėlininkystės Bandymų Stotis for LTL 911 thousand (all amount paid in cash) from Valstybės Turto Fondas (the State Property Fund). Acquisition-related cost was equal to nil.

The acquiree operates in field of growing and trading of ornamental trees and shrubs. Future operations of the company acquired will also include the development the owned real estate.

The fair values of the identifiable assets and liabilities of UAB Lauko Gėlininkystės Bandymų Stotis were:

	Fair values recognised on acquisition
Property, plant and equipment	1,437
Inventories	597
Trade and other receivables	11
Other current assets	29
Cash and cash equivalents	275
Total assets	**2,349**
Deferred tax liabilities	(158)
Other current liabilities	(63)
Total liabilities	**(221)**
Total identifiable net assets	**2,128**
Non-controlling interests measured at fair value	(500)
Acquired net assets	1,628
Profit from bargain purchase	(717)
Total consideration transferred	**911**

On 22 July 2011, the Group acquired remaining 49 % of shares of UAB Lauko Gėlininkystės Bandymų Stotis for LTL 500 thousand. Now the Group owns 100 % of the shares of UAB Lauko Gėlininkystės Bandymų Stotis. The fair value of the additional interest acquired was LTL 542 thousand. The positive difference equal to LTL 42 thousand between the consideration and the value of the interest acquired has been recognised directly in the shareholders equity.

Acquired business contributed revenues of LTL 1,448 thousand and incurred the net loss of LTL 59 thousand to the Group during the year ended 31 December 2011.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2011 (cont'd)

UAB Jurita

On 4 August 2011 the Group acquired 100 % of the shares of UAB Jurita from Vilnius municipality for LTL 2,519 thousand (the total acquisition price paid in cash). The acquiree manages dwelling-houses in Vilnius district Justiniškės. The acquisition is expected to increase the Group's market share in a facility management and reduce cost through a synergy. Acquisition-related cost was equal to nil.

The fair values of the identifiable assets and liabilities of UAB Jurita were:

	Fair values recognised on acquisition
Intangible assets (were not recognised in the financial statements of the acquiree)	150
Investment property	2,578
Property, plant and equipment	33
Inventories	32
Trade and other receivables	294
Other current assets	11
Term deposits and restricted cash	1,103
Cash and cash equivalents	586
Total assets	**4,787**
Deferred tax liabilities	(184)
Non - current liabilities	(955)
Other current liabilities	(361)
Total liabilities	**(1,500)**
Total identifiable net assets	**3,287**
Profit from bargain purchases	(768)
Total consideration transferred	**2,519**

Acquired business contributed revenues of LTL 1,142 thousand and net profit of LTL 319 thousand to the Group for the period from 1 August 2011 to 31 December 2011.

The fair value of acquired trade receivables is LTL 294 thousand. The gross contractual amount for the acquired trade receivables due is LTL 542 thousand, of which LTL 248 thousand are expected to be uncollectible.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2011 (cont'd)

Acquisition of Norway Registers Development, AS

On 28 November 2011, UAB BAIP Grupė (the Group owns 80 % of the shares of this company) acquired 100 % of the shares of Norwegian company Norway Registers Development, AS, owning 70.73 % of the shares of UAB NRD in Lithuania. The total consideration was LTL 4,298 thousand. Acquisition-related costs were LTL 181 thousand and were included in other operating expenses. The contract for acquiring 100% of shares of Norway Registers Development, AS was signed by the Group on 20 October 2011.

The acquired company specializes in the programming of register systems including legislation development, project implementation and support. As a result of the acquisition, the Group is expected to enter into new international markets and to expand the portfolio of services in the critical infrastructure field. The goodwill of LTL 1,600 thousand arising from acquisition is attributable to assembled workforce and economies of scale expected from combining the operations of the companies of the information technology segment and Norway Registers Development, AS. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Norway Registers Development, AS, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date:

Consideration:

Cash	4,143
Contingent consideration	155
Total consideration	**4,298**

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Fair value recognised on acquisition
Intangible assets (assets with fair value of LTL 2,026 thousand were not recognised in the financial statements of acquiree)	2,052
Property, plant and equipment	977
Deferred income tax asset	130
Trade and other receivables	576
Prepaid income tax	32
Prepayments and deferred charges	1,656
Financial assets held for trading	261
Cash and cash equivalents	175
Total assets	**5,859**
Deferred tax liabilities	(344)
Non current bank borrowings and lease liabilities	(724)
Income tax liabilities	(73)
Other current liabilities	(1,113)
Total liabilities	**(2,254)**
Total identifiable net assets	**3,605**
Non-controlling interest, measured as a proportion of net assets acquired	(907)
Acquired net assets	2,698
Goodwill arising on acquisition	1,600
Total consideration transferred	**4,298**

The contingent consideration arrangement requires the Group to pay the former owners of Norway Registers Development, AS 50% of the positive difference between the total EBITDA for the years 2011–2013 and EUR 900 thousand (LTL 3,108 thousand). The maximum undiscounted amount of the payment is unlimited. The fair value of the contingent consideration arrangement of LTL 155 thousand was estimated by applying the income approach at the date of acquisition. The fair value estimates were based on a discount rate of 7 % and assumed probability-adjusted profit in the acquiree of LTL 967 thousand to LTL 1,554 thousand and the maximum undiscounted amount of the payment of LTL 452 thousand.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisitions in 2011 (cont'd)

Acquisition of Norway Registers Development, AS (cont'd)

As at 31 December 2012, there was a decrease of LTL 42 thousand recognised in the income statement for the contingent consideration arrangement. The maximum undiscounted amount of the payment was decreased to LTL 236 thousand as the actual EBITDA for 2011 – 2012 was below the forecasted EBITDA.

The fair value of trade and other receivables is LTL 576 thousand and is equal to gross contractual amount.

Acquired business contributed revenues of LTL 1,462 thousand and net profit of LTL 417 thousand to the Group for the period from 1 December 2011 to 31 December 2011.

UAB Puškaitis, UAB Žemynėlė and UAB IŽB 1

On 30 September 2011, the Group acquired 100 % of the shares of UAB Puškaitis and UAB Žemynėlė. On 22 December 2011, the Group acquired 100 % of the shares of UAB IŽB 1. The total consideration was LTL 1,115 thousand (the total acquisition price paid in cash). The companies are investing in agricultural land. Acquisition-related cost was equal to nil.

The fair value of assets and liabilities of UAB Puškaitis, UAB Žemynėlė and UAB IŽB 1 were:

	Fair values recognised on acquisition
Investment properties	9,627
Trade receivables	397
Deferred tax assets	38
Other current assets	11
Cash and cash equivalents	95
Total assets	**10,168**
Deferred tax liabilities	(78)
Non current bank borrowings	(2,509)
Short-term borrowings and other liabilities refinanced by the Group	(6,654)
Other current liabilities	(31)
Total liabilities	**(9,272)**
Total identifiable net assets	**896**
Fair value adjustment on investment properties	219
Total consideration transferred	**1,115**

3 Business combinations and acquisition of non-controlling interests (cont'd)

Establishment of companies (increase of share capital) in 2012 and 2011

In March 2012 the Company has invested LTL 155 thousand to increase share capital of Invalda Lux S.a.r.l. by cash. In July and December 2012 the Company has invested additional LTL 18,650 thousand to increase share capital of UAB Naujoji Švara, UAB Žemvesta, UAB Rovelija, UAB Saistas, UAB Ineturas, UAB Minijos valda, UAB IBC logistika by converting loans granted to shares. No cash consideration was transferred.

In January 2012 UAB Justiniškių Valda and UAB Justiniškių Aikštelė, which own investment property previously owned by UAB Jurita, were separated from UAB Jurita. The new separated entities are allocated to real estate segment.

The Group has established three real estate investment companies by investing by cash of LTL 30 thousand: UAB Lauksėja (investment in the agricultural land, in May 2012), UAB Danės Gildija (project of apartments building in Klaipėda, in May 2012) and UAB Kopų Vėtrungės (project of apartments building in Nida, in August 2012). Also investment properties with carrying value of LTL 7,970 thousand, located in Klaipėda, were invested into share capital of UAB Danės Gildija (in June 2012), and investment properties with carrying value of LTL 3,990 thousand, located in Nida, were invested into share capital of UAB Kopų Vėtrungės (in September 2012).

During 4th Quarter of 2012 the Group has invested LTL 10 thousand by establishing UAB IPP Integracijos Projektai and in addition invested LTL 2,120 thousand to increase share capital of UAB Informatikos pasaulis, UAB Vitma, UAB IŽB 1, UAB Lauksėja, UAB Puškaitis mainly by converting loans granted to shares.

During 2011 the Group has established these new companies: UAB Inreal GEO, Invalda Lux S.a.r.l, UAB Perspektyvi Veikla, UAB Via Solutions, UAB Minijos Valda. UAB Naujosios Vilnios Turgavietė was separated from UAB Priemiestis. Also a dormant company UAB Cedus was acquired. The total amount of these investments is LTL 289 thousand (from this amount the Company has directly invested LTL 109 thousand).

In December 2011 the Company and the Group invested additional LTL 21,740 thousand and LTL 22,810 thousand respectively to increase share capital of subsidiaries, mainly by converting loans granted to shares.

Other acquisitions in 2011

In 2011 the Group has acquired back the real estate company UAB BNN, which owns the investment property with carrying amount of LTL 1,400 thousand, when the debt owed by UAB BNN was obtained from UAB Nerijos Būstas as collateral of trade receivables of the Group. The obtained debt was capitalized into share capital of UAB BNN. The Group has recognised profit of LTL 173 thousand in other income in the profit (loss) statement from the acquisition.

Non – controlling interest acquisition in 2012

In April 2012 the Company has acquired 24% of shares of UAB Aikstentis (currently a dormant entity attributed to the real estate segment) for LTL 3. Amount of LTL 2,309 thousand was attributed to the non-controlling interest, so it was reduced by this amount, and, respectively, retained earnings attributable to equity holders of the parent were increased. The reason for a large attribution was that in 2010 prospectively applying the new requirement of IAS 27 net losses of prior periods equal to LTL 2,343 thousand were not attributed to the non-controlling interest of UAB Aikstentis, but due to the sale of UAB Broner (previous subsidiary of UAB Aikstentis) the net profit of LTL 2,316 thousand was attributed to the non-controlling interest.

In August 2012 the Group has acquired 0.65 % of shares of UAB NRD for LTL 13 thousand. The value of the additional interest acquired was LTL 17 thousand. The positive difference equal to LTL 4 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

Non – controlling interest acquisition in 2011

The Group acquired 0.13 % of the shares of AB Vilniaus baldai and 6.41 % of the shares of AB Invetex for LTL 544 thousand. The value of the additional interest acquired was LTL 548 thousand. The positive difference equal to LTL 4 thousand between the consideration and the value of the interest acquired has been recognised directly to the shareholders equity.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Acquisition of associates and joint ventures in 2012

There were no acquisitions of associates and joint ventures in 2012.

Acquisition of associates and joint ventures in 2011

In August 2011 the Group acquired additional shares of AB Umega for LTL 6 thousand. Also in September 2011 the Company invested LTL 1,350 thousand to increase share capital of AB Umega by converting loans granted to shares. As consequence the share of stock held by the Group was increased from 19.42 until 29.27 percent. The value of the additional interest acquired was LTL 1,418 thousand and the profit of LTL 62 thousand has been recognised in the income statements. In 2012 the shares of AB Umega were sold.

In December 2011 the Group invested additional LTL 100 thousand to share capital of UAB Dommo Nerija by converting loan granted to shares.

Investment to UAB Litagra

On 7 November 2011, the Group signed an agreement to invest into UAB Litagra shares. The share capital increase of UAB Litagra was completed on 15 December 2011, when a permission of the Competition Council was received. The Group invested a total of LTL 38,575 thousand into shares of UAB Litagra: LTL 37,092 thousand was invested into new share issue by converting loans that were granted to UAB Litagra during 2011 and existing shares were acquired from the current shareholders for LTL 1,483 thousand for cash. After the transaction the Group owns 36.88% shares of UAB Litagra, the chairman of the board of UAB Litagra Mr. Gintaras Kateiva owns 37%, investment fund Amber Trust II – 18%, Mr. Dziugas Grigaliunas and Mr. Adomas Grigaitis, the managers of Litagra Group, - 6.4% and 1.7% respectively.

The companies of Litagra Group are engaged in the primary crop and livestock (milk) production, grain processing and agricultural services. Group companies trade in plant protection products, fertilizers, seeds, compound feed, feed supplements, veterinary products. Moreover, companies trade grain, provide grain and other raw materials drying, cleaning, loading and storage services. Group companies provide agricultural services in Lithuania, Latvia and Estonia.

UAB Litagra is accounted as an associate in the financial statements of the Group using equity method. The acquisition of UAB Litagra is reflected in the financial statements of the Group from 31 December 2011. The fair value of identifiable net assets of UAB Litagra amounted to LTL 40,117 thousand at the date of acquisition. The Group has recognised profit from bargain purchases of LTL 1,542 thousand in the income statement for the year ended 31 December 2012, after the fair value measurement was completed.

3 Business combinations and acquisition of non-controlling interests (cont'd)

Disposals

There were no disposals of subsidiaries in 2012 and 2011.

Net gains (losses) on disposal of subsidiaries, associates and joint ventures are as follows:

	Group		Company	
	2012	2011	2012	2011
Net gain (loss) on sale of subsidiaries	-	-	-	-
Net gain (loss) on sale of associates and joint ventures	1,282	-	(1,052)	338,948
Direct costs of disposal of subsidiaries, associates and joint ventures	-	-	-	(20,510)
	1,282	-	(1.052)	318,438

Disposals of associates and joint ventures in 2012

AB Umega

On 12 January 2012, the sale of 29.27% of shares of AB Umega according to the agreement signed on 30 November 2011 was completed. Consideration for the shares sold was LTL 3,745 thousand. The Group has earned a profit of LTL 2,037 thousand, as the associate was incurring losses. In the financial statements of the Company, the price for the shares sold was equal to the carrying amount of the investment. The loss of LTL 298 thousand (the price of the shares was less as initial acquisition cost) is included under the caption "Net gains (losses) on disposal of subsidiaries, associates and joint ventures" in the Company's income statement and the impairment reversal of the same amount - LTL 298 thousand – is presented under the caption "Impairment, write-down and provisions" in the Company's income statement.

SIA Uran

In June 2012 the loans with nominal amount of LTL 807 thousand granted to real estate entity SIA Uran, operating in Latvia, were converted into 42.86 % shares of the entity. The carrying amount of these converted loans was LTL 237 thousand. These shares were sold in June 2012 for LTL 52 thousand. In the profit (loss) statement of the Group and the Company a loss of LTL 755 thousand was recognised within Net gains (losses) on disposal of subsidiaries, associates and joint ventures and the allowance for loans granted of LTL 570 thousand was reversed.

Disposals of associates and joint ventures in 2011

See Note 7 for detailed information of sale of shares of AB Kauno Tiltai, Tiltra Group AB and AB Sanitas.

4 Segment information

The Board of Directors monitors the operating results of the business units of the Group separately for the purpose of making decisions about resource allocations and performance assessment. Segment performance is evaluated based on net profit or loss and it is measured on the same basis as net profit or loss in the financial statements. Group financing (including finance costs and finance revenue) and income taxes are allocated between segments as they are identified on basis of separate legal entities. Consolidation adjustments and eliminations are not allocated on a segment basis. Segment assets are measured in a manner consistent with that of the financial statements. All assets are allocated between segments, because segments are identified on a basis of separate legal entities.

For management purposes, the Group is organised into following operating segments based on their products and services:

<u>Furniture production</u>

The furniture segment includes flat-pack furniture mass production and sale.

<u>Real estate</u>

The real estate segment includes investment in real estate, real estate management and administration, intermediation in buying, selling and valuation of real estate, and the geodesic measurement of land.

<u>Facilities management</u>

The facilities management segment includes facilities management of dwelling-houses, commercial and public real estate properties, as well as construction management.

<u>Agriculture</u>

Agricultural activities include the primary crop and livestock (milk) production, grain processing and agricultural services. The segment's companies sell plant protection products, fertilizers, seeds, compound feed, feed supplements, veterinary products, buy grain, provide grain and other raw materials drying, cleaning, handling and storage services.

<u>Information technology infrastructure</u>

The information technology infrastructure segment is involved in offering IT infrastructure strategy, security and maintenance solutions and supplies of all hardware and software needed for IT infrastructure solutions of any size.

<u>Other production and service segment</u>

The other production and service segment is involved in hardware articles production, road signs production, wood manufacturing, growing and trading of ornamental trees and shrubs. The Group also presents investment, financing and management activities of the holding company in this segment, as these are not analysed separately by the Board of Directors.

Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in column 'Inter-segment transactions and consolidation adjustments'. Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment properties including assets from the acquisition of subsidiaries.

The loans granted by the Company are allocated to other production and services segment. The impairment losses of these loans are allocated to a segment to which the loan was granted initially.

4 Segment information (cont'd)

The following table presents revenues, profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2012:

	Furniture production	Real estate	Facility management	Agriculture	Information technology infrastructure	Other production and service	Inter-segment transactions and consolidation adjustments	Total continuing operations
Year ended 31 December 2012								
Revenue								
Sales to external customers	230,142	32,236	11,675	-	40,598	11,673	-	326,324
Inter-segment sales	-	1,133	1,459	-	171	2	(2,765)	-
Total revenue	**230,142**	**33,369**	**13,134**	**-**	**40,769**	**11,675**	**(2,765)**	**326,324**
Results								
Interest income	496	158	91	-	3	10,071	(7,163)	3,656
Other income	1,491	202	156	-	56	57	(1,081)	881
Net loss from fair value adjustment on investment property	-	(8,709)	-	-	-	-	-	(8,709)
Net gains (loss) on disposal of subsidiaries, associates and joint ventures	-	(755)	-	-	-	2,037	-	1,282
Net changes in fair value of financial assets	-	-	-	-	-	3,567	-	3,567
Impairment, write-down, allowances and provisions	(1)	815	73	-	(88)	67	-	866
Employee benefits expense	(27,543)	(3,582)	(6,123)	-	(9,129)	(6,072)	-	(52,449)
Raw materials and consumables used	(157,986)	(92)	(783)	-	(19,660)	(6,197)	17	(184,701)
Changes in residential real estate	-	(4,973)	-	-	-	-	-	(4,973)
Depreciation and amortization	(5,388)	(205)	(666)	-	(2,601)	(855)	-	(9,715)
Interest expenses	(23)	(8,475)	(158)	-	(1,292)	(931)	7,163	(3,716)
Other expenses	(11,533)	(19,686)	(6,077)	-	(9,186)	(3,157)	3,829	(45,810)
Share of profit (loss) of the associates and joint ventures	-	(37)	-	8,675	-	27	-	8,665
Profit (loss) before income tax	29,655	(11,970)	(353)	8,675	(1,128)	10,289	-	35,168
Income tax credit (expenses)	(2,819)	937	59	-	9	(1,370)	-	(3,184)
Net profit for the year	**26,836**	**(11,033)**	**(294)**	**8,675**	**(1,119)**	**8,919**	**-**	**31,984**
Attributable to:								
Equity holders of the parent	19,359	(11,032)	(294)	8,675	(942)	8,889	-	24,655
Non-controlling interest	7,477	(1)	-	-	(177)	30	-	7,329
As at 31 December 2012								
Assets and liabilities								
Segment assets	98,504	275,269	9,853	-	27,236	249,236*	(118,988)	541,110
Investment in associates and joint ventures	-	685	-	48,114	-	-	-	48,799
Total assets	**98,504**	**275,954**	**9,853**	**48,114**	**27,236**	**249,236**	**(118,988)**	**589,909**
Segment liabilities	**26,495**	**219,277**	**7,654**	**-**	**25,453**	**13,822**	**(118,988)**	**173,713**
Other segment information								
Capital expenditure:								
• Property, plant and equipment	14,588	87	673	-	1,195	365	-	16,908
• Investment properties	-	3,427	-	-	-	-	-	3,427
• Intangible assets	703	-	74	-	66	10	-	853

* LTL 222,008 thousand from this amount are attributable to the Company.

4 Segment information (cont'd)

The following table presents revenues, profit and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2011:

	Furniture production	Real estate	Facility management	Agriculture	Information technology infrastructure	Other production and service	Inter-segment transactions and consolidation adjustments	Total continuing operations
Year ended 31 December 2011								
Revenue								
Sales to external customers	238,368	25,106	8,390	-	34,400	11,103	-	317,367
Inter-segment sales	-	1,577	2,320	-	130	5	(4,032)	-
Total revenue	**238,368**	**26,683**	**10,710**	**-**	**34,530**	**11,108**	**(4,032)**	**317,367**
Results								
Interest income	1,450	10	158	-	-	12,502	(7,371)	6,749
Other income	1,425	213	1,642	-	355	808	(1,082)	3,361
Net gain (loss) from fair value adjustment on investment property	-	(15,647)	160	-	-	760	-	(14,727)
Net gains on disposal of subsidiaries, associates and joint ventures	-	-	-	-	-	-	-	-
Net changes in fair value of financial assets	-	-	-	-	8	(83,884)	-	(83,876)
Impairment, write-down, allowances and provisions	113	1,497	(128)	-	(7)	(20,187)	-	(18,712)
Employee benefits expense	(24,453)	(3,013)	(4,290)	-	(6,523)	(5,525)	-	(43,804)
Raw materials and consumables used	(155,917)	(91)	(1,033)	-	(20,416)	(6,833)	5	(184,285)
Changes in residential real estate	-	(1,323)	-	-	-	-	-	(1,323)
Depreciation and amortization	(6,390)	(262)	(558)	-	(2,012)	(1,039)	-	(10,261)
Interest expenses	(181)	(9,366)	(239)	-	(778)	(9,182)	7,371	(12,375)
Other expenses	(23,484)	(19,020)	(5,342)	-	(5,645)	(5,166)	5,109	(53,548)
Share of profit (loss) of the associates and joint ventures	-	448	-	-	-	(201)	-	247
Profit (loss) before income tax	30,931	(19,871)	1,080	-	(488)	(106,839)	-	(95,187)
Income tax credit (expenses)	(4,119)	2,021	(50)	-	(217)	16,115	-	13,750
Net profit for the year	**26,812**	**(17,850)**	**1,030**	**-**	**(705)**	**(90,724)**	**-**	**(81,437)**
Attributable to:								
Equity holders of the parent	19,314	(17,846)	1,030	-	(661)	(90,771)	-	(88,934)
Non-controlling interest	7,498	(4)	-	-	(44)	47	-	7,497
As at 31 December 2011								
Assets and liabilities								
Segment assets	116,061	271,516	12,152	-	26,951	305,965*	(127,189)	605,456
Investment in associates and joint ventures	-	722	-	38,575	-	1,680	-	40,977
Total assets	**116,061**	**272,238**	**12,152**	**38,575**	**26,951**	**307,645**	**(127,189)**	**646,433**
Segment liabilities	**32,025**	**226,196**	**6,736**	**-**	**24,034**	**69,270**	**(127,189)**	**231,072**
Other segment information								
Capital expenditure:								
• Property, plant and equipment	5,921	366	181	-	1,428	2,197	-	10,093
• Investment properties	-	20,648	2,578	-	-	-	-	23,226
• Intangible assets	10	224	91	-	4,109	-	-	4,434

* LTL 267,201 thousand from this amount are attributable to the Company.

4 Segment information (cont'd)

In 2012 employee benefits expense included LTL 11,698 thousand social security contribution paid by employer (2011: LTL 9,294 thousand) and LTL 3,394 thousand social security contribution paid by employee (2011: 2,698 LTL thousand)

Analysis of revenue by category:

	Group	
	2012	**2011**
Sales of goods		
Furniture production	230,142	238,366
Sales of residential real estate	6,968	1,433
IT sector revenue	21,287	21,328
Sales of other production	11,072	10,967
Total	**269,469**	**272,094**
Revenue from services		
Rent and other real estate income	25,268	23,673
IT sector revenue	19,311	13,072
Facilities management revenue	11,675	8,390
Furniture sector revenue	-	2
Other services revenue	601	136
Total	**56,855**	**45,273**
Total revenue	**326,324**	**317,367**

The entity is domiciled in the Lithuania. The result of its revenue from external customers in the Lithuania is LTL 88,301 thousand (2011: LTL 79,184 thousand), and the total of revenue from external customers from other countries is LTL 238,023 thousand (2011: LTL 238,183 thousand).

Analysis of revenue from external customers by group of countries other than Lithuania:

	Group	
	2012	**2011**
Germany	84,773	33,489
Netherlands	24,627	82,388
United Kingdom	13,903	28,893
France	22,278	3,365
Other European Union countries	50,930	62,881
Other than European Union countries	41,512	27,167
Total	**238,023**	**238,183**

The following table presents non-current assets other than financial instruments and deferred tax assets regarding Group's geographical distribution for the years ended 31 December 2012 and 2011:

	Lithuania	**Foreign countries**	**Total continuing operations**
Year ended 31 December 2012	284,250	198	284,448
Year ended 31 December 2011	299,967	323	300,290

Revenues of LTL 225,587 thousand (2011: LTL 232,379 thousand) are derived from a single external customer and these revenues are attributable to the furniture production segment.

5 Other income and expenses

5.1. Net changes in fair value on financial instruments

	Note	Group 2012	Group 2011	Company 2012	Company 2011
Gain (loss) from shares of Trakcja S.A.		970	(76,564)	970	(76,564)
Net gain (loss) from financial assets designated upon initial recognition at fair value through profit or loss, total		*970*	*(76,564)*	*970*	*(76,564)*
Gain (loss) from bonds of Trakcja S.A.		-	(5,507)	-	(5,507)
Gain from derivative representing AB Sanitas share sale price adjustment according to the agreement (included within the discontinued operations in the Group)	7	-	-	-	43,715
Other gains (losses)		2,555	(1,805)	(134)	405
Net gain (loss) from financial assets held for trading, total		*2,555*	*(7,312)*	*(134)*	*38,613*
Net gain (loss) from financial assets at fair value through profit or loss, total		*3,525*	*(83,876)*	*836*	*(37,951)*
Net gain from financial liabilities at fair value through profit or loss (contingent consideration from the acquisition of NRD AS)		*42*	-	-	-
		3,567	(83,876)	836	(37,951)

5.2. Impairment, write-down and provisions

	Group 2012	Group 2011	Company 2012	Company 2011
Change in provision for impairment of loans granted	939	2,303	258	(2,435)
Change in provision for impairment of trade receivables	(76)	(786)	-	-
Impairment as consequence of AB Bankas Snoras insolvency (Note 18)	-	(20,100)	-	(20,100)
Impairment on financial assets, total	*863*	*(18,583)*	*258*	*(22,535)*
Impairment of investments in subsidiaries, associates and joint ventures	-	-	(16,520)	(8,142)
Reversal of impairment due to increase of recoverable amount of the investments in subsidiaries, associates and joint ventures	-	-	3,106	-
Change in write-down of inventories	(70)	125	-	-
Provisions	73	129	-	250
Other impairment losses on non-financial assets	-	(383)	-	-
Impairment on non-financial assets and provisions, total	*3*	*(129)*	*(13,414)*	*(7,892)*
	866	(18,712)	(13,156)	(30,427)

In 2012 and in 2011 the Company recognised additional impairment losses of investments to subsidiaries that operate in real estate segment due to the decrease in value of net assets of these subsidiaries (see Note 3). In 2011 the Company recognised allowance for impairment of the deposit certificate of AB Bankas Snoras due insolvency of the bank (see Note 18).

5.3. Other income

	Group		Company	
	2012	**2011**	**2012**	**2011**
Interest income from loans, receivables, term deposit and cash	2,663	3,486	11,032	9,620
Interest income from held to maturity financial assets	187	-	187	-
Interest income from held-for-trading financial assets	806	3,263	806	3,263
Dividend income	18	-	28,758	11,314
Profit from bargain purchases (Note 3)	-	1,484	-	-
Other income	863	1,877	12	23
	4,537	10,110	40,795	24,220

In 2012 the Company recognised LTL 2,667 thousand interest income on impaired loans (2011: LTL 2,325 thousand). In 2012 the Group recognised LTL 5 thousand interest income on impaired loans (2011: LTL 446 thousand).

5.4. Finance costs

	Group		Company	
	2012	**2011**	**2012**	**2011**
Interest expenses of convertible bonds	(768)	(3,212)	(768)	(3,212)
Other interest expenses	(2,948)	(9,163)	(138)	(5,004)
Other finance costs	(172)	(1,345)	-	(1,005)
	(3,888)	(13,720)	(906)	(9,221)

6 Income tax

	Group		Company	
	2012	**2011**	**2012**	**2011**
Components of the income tax credit (expenses)				
Current year income tax	(1,639)	(2,289)	-	(170)
Prior year current income tax correction	52	133	-	-
Deferred income tax credit (expenses)	(1,597)	15,906	(1,235)	15,773
Income tax credit (expenses) charged to the income statement	(3,184)	13,750	(1,235)	15,603

	Group	
	2012	**2011**
Consolidated statement of comprehensive income		
Deferred income tax on cash flow hedge	-	(25)
Deferred tax effect of net gains (loss) on available-for-sale investments	-	-
Income tax credit (expenses) recognised in statement of comprehensive income	-	(25)

	Group		Company	
	2012	**2011**	**2012**	**2011**
Consolidated statement of changes in equity				
Current year income tax (conversion of bonds)	(1,076)	-	(1,076)	-
Income tax credit (expenses) recognised in statement of changes in equity	(1,076)	-	(1,076)	-

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2012, except for temporary differences arising from entities operating in Luxembourg and Norway (28.80 % and 28 %, respectively).

The movement in deferred income tax assets and liabilities during 2012 is as follows:

	Balance as at 31 December 2011	Recognised in the income statement	Recognised in equity	Correction of transfer of tax losses within group	Currency transla-tion	Balance as at 31 December 2012
Deferred tax asset						
Tax loss carry forward for indefinite period of time	9,654	(989)	(1,076)	(11)	-	7,578
Tax loss carry forward till 2014 – 2017	1,398	4,055	-	-	-	5,453
Property, plant and equipment	109	4	-	-	-	113
Investment properties	2,267	480	-	-	-	2,747
Receivables	601	(16)	-	-	-	585
Investments at fair value through profit and loss	15,318	(4,822)	-	-	-	10,496
Inventories	104	(61)	-	-	-	43
Accruals	350	(148)	-	-	-	202
Intangible assets	53	(20)	-	-	3	36
Other	500	117	-	-	-	617
Deferred tax asset available for recognition	30,354	(1,400)	(1,076)	(11)	3	27,870
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(3,143)	(351)	-	-	-	(3,494)
Less: unrecognised deferred tax asset due to future uncertainties	(2,372)	(469)	-	-	-	(2,841)
Recognised deferred income tax asset, net	24,839	(2,220)	(1,076)	(11)	3	21,535
Asset netted with liability of the same legal entities	(2,467)	550	-	6	-	(1,911)
Deferred income tax asset, net	**22,372**	**(1,670)**	**(1,076)**	**(5)**	**3**	**19,624**
Deferred tax liability						
Property, plant and equipment	(296)	27	-	-	-	(269)
Intangible assets	(665)	183	-	-	(5)	(487)
Investment properties	(16,046)	301	-	-	-	(15,745)
Investments available-for-sale	-	-	-	-	-	-
Investments held for trading	(77)	77	-	-	-	-
Inventories	(38)	8	-	-	-	(30)
Other	(523)	27	-	-	-	(496)
Deferred income tax liability	(17,645)	623	-	-	(5)	(17,027)
Liability netted with asset of the same legal entities	2,467	(550)	-	(6)	-	1,911
Deferred income tax liability, net	**(15,178)**	**73**	**-**	**(6)**	**(5)**	**(15,116)**
Deferred income tax, net	**7,194**	**(1,597)**	**(1,076)**	**(11)**	**(2)**	**4,508**

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2011, except for temporary differences arising from entities operating in Luxembourg and Norway (28.80 % and 28 %, respectively).

The movement in deferred income tax assets and liabilities during 2011 is as follows:

	Balance as at 31 December 2010	Recognised in the income statement	Recognised in equity	Acquired and disposed subsidiaries	Balance as at 31 December 2011
Deferred tax asset					
Tax loss carry forward for indefinite period of time	9,983	(506)	(25)	202	9,654
Tax loss carry forward till 2014 – 2016	927	471	-	-	1,398
Property, plant and equipment	78	(37)	-	68	109
Investment properties	1,929	(22)	-	360	2,267
Receivables	147	442	-	12	601
Investments at fair value through profit and loss	-	15,318	-	-	15,318
Inventories	103	1	-	-	104
Accruals	105	222	-	23	350
Intangible assets	5	1	-	47	53
Other	311	189	-	-	500
Deferred tax asset available for recognition	13,588	16,079	(25)	712	30,354
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(2,045)	(1,073)	-	(25)	(3,143)
Less: unrecognised deferred tax asset due to future uncertainties	(1,746)	(295)	-	(331)	(2,372)
Recognised deferred income tax asset, net	9,797	14,711	(25)	356	24,839
Asset netted with liability of the same legal entities	(3,154)	753	-	(66)	(2,467)
Deferred income tax asset, net	**6,643**	**15,464**	**(25)**	**290**	**22,372**
Deferred tax liability					
Property, plant and equipment	(303)	215	-	(208)	(296)
Intangible assets	(348)	49	-	(366)	(665)
Investment properties	(16,522)	854	-	(378)	(16,046)
Investments available-for-sale	-	-	-	-	-
Investments held for trading	(137)	60	-	-	(77)
Inventories	-	(38)	-	-	(38)
Other	(578)	55	-	-	(523)
Deferred income tax liability	(17,888)	1,195	-	(952)	(17,645)
Liability netted with asset of the same legal entities	3,154	(753)	-	66	2,467
Deferred income tax liability, net	**(14,734)**	**442**	**-**	**(886)**	**(15,178)**
Deferred income tax, net	**(8,091)**	**15,906**	**(25)**	**(596)**	**7,194**

6 Income tax (cont'd)

The movement in deferred income tax assets and liabilities for the Company during 2012 is as follows:

	Balance as at 31 December 2011	Recognised in the income statement	Recognised in equity	Transfer of tax losses within group	Balance as at 31 December 2012
Deferred tax asset					
Tax loss carry forward for indefinite period of time	3,407	(883)	(1,076)	(7)	1,441
Investments at fair value through profit and loss	15,032	(4,536)	-	-	10,496
Tax loss carry forward till 2014 - 2017	1,398	4,277	-	(222)	5,453
Accruals	104	(93)	-	-	11
Deferred tax asset available for recognition	19,941	(1,235)	(1,076)	(229)	17,401
Asset netted with liability of the same legal entities	-	-	-	-	-
Deferred income tax asset, net	**19,941**	**(1,235)**	**(1,076)**	**(229)**	**17,401**
Deferred income tax, net	**19,941**	**(1,235)**	**(1,076)**	**(229)**	**17,401**

The movement in deferred income tax assets and liabilities for the Company during 2011 is as follows:

	Balance as at 31 December 2010	Recognised in the income statement	Transfer of tax losses within group	Balance as at 31 December 2011
Deferred tax asset				
Tax loss carry forward for indefinite period of time	3,400	174	(167)	3,407
Investments at fair value through profit and loss	-	15,032	-	15,032
Tax loss carry forward till 2014 - 2016	927	471	-	1,398
Accruals	8	96	-	104
Deferred tax asset available for recognition	4,335	15,773	(167)	19,941
Asset netted with liability of the same legal entities	-	-	-	-
Deferred income tax asset, net	**4,335**	**15,773**	**(167)**	**19,941**
Deferred income tax, net	**4,335**	**15,773**	**(167)**	**19,941**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	19,178	21,638	17,307	19,828
Deferred tax assets to be recovered within 12 months	446	734	94	113
	19,624	22,372	17,401	19,941
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	14,954	15,165	-	-
Deferred tax liability to be recovered within 12 months	162	13	-	-
	15,116	15,178	-	-

6 Income tax (cont'd)

The reconciliation of the total income tax to the theoretical amount that would arise using the tax rate of the Group and the Company is as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Accounting profit before tax from continuing operations	35,168	(95,187)	22,182	259,267
(Loss) profit before tax from a discontinued operation	-	297,980	-	-
(Loss) profit before income tax	**35,168**	**202,793**	**22,182**	**259,267**
Tax calculated at the tax rate of 15 %	(5,275)	(30,419)	(3,328)	(38,890)
Disposal of shares of AB Sanitas, AB Kauno Tiltai and Tiltra Group AB not subject to tax	-	44,454	-	54,323
Tax non-deductible (expenses) / non taxable income	2,877	994	2,093	340
Deferred tax expenses arising from write-down or reversal of previous write-down	(152)	(1,368)	-	-
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce deferred tax expense	(785)	103	-	-
The amount of the benefit arising from previously unrecognised tax loss or temporary difference of a prior period that is used to reduce current tax expense	102	10	-	-
Tax loss carry forward expiry (derecognition)	-	-	-	-
Withholding income tax	-	(137)	-	(137)
Correction of prior year current income tax	52	133	-	(33)
Different income tax rate in foreign subsidiaries	(3)	(20)	-	-
Income tax credit (expenses) recorded in the income statement	(3,184)	13,750	(1,235)	15,603
Income tax attributable to a discontinued operation		-	-	-
Income tax attributable to a continuing operation	(3,184)	13,750	(1,235)	15,603

7 Discontinued operations and non-current assets classified as held-for-sale

	2012	**2011**
Share of profit of associates (road and bridge construction)	-	-
Gain on sale of road and bridge construction segment	-	130,998
Direct expenses related to transaction	-	(20,510)
Total discontinued operations (road and bridge construction)	**-**	**110,488**
Share of profit of associates (pharmacy segment)	-	1,618
Gain from derivative representing the share sale price adjustment of AB Sanitas according to the agreement	-	43,715
Gain on sale of pharmacy segment	-	142,159
Total discontinued operations (pharmacy segment)	**-**	**187,492**
Total discontinued operations	**-**	**297,980**

Earnings per share in LTL:	**2012**	**2011**
Basic from discontinued operations (LTL per share)	-	5.77
Diluted from discontinued operations (LTL per share)	-	5.18

7 Discontinued operations and non-current assets classified as held-for-sale (cont'd)

Cash flows related to the sales of associates:

	Group	Company
Cash received for the sale of road and bridge construction segment	54,202	54,202
Sales price of AB Sanitas, received in cash	286,690	286,690
Additional price adjustment for shares acquired in January 2009	(16,293)	(16,293)
Additional net cash flows related to sales of AB Sanitas shares according to the agreement signed on 24 October 2008 with Baltic Pharma Limited	45,227	45,227
Cash paid for Tiltra Group shares price reduction	(546)	(546)
Total cash flows related to sale of associates	**369,280**	**369,280**

Tiltra Group AB and AB Kauno Tiltai

On 18 November 2010, the Company signed an agreement regarding the sale 44.78 % shares of Tiltra Group AB and 43.36 % shares of AB Kauno Tiltai, if the conditions precedent set out in the Agreement is fulfilled. The mentioned associates comprised the road and bridge construction segment. The Buyer of the shares was Trakcja Polska S. A. (current name – Trakcja S.A.), whose main activity is a rail infrastructure construction. Therefore the investments were presented as discontinued operations in the income statement. The deal was completed on 19 April 2011.

Tiltra Group AB and AB Kauno Tiltai (cont'd)

The Company sold to Trakcja Polska S.A. 44.78% stake in Tiltra Group AB and 43.36% stake in AB Kauno Tiltai and subsequently, the Company acquired:
(i) 29,017,087 newly issued Trakcja Polska S.A. shares amounting to 12.5% in share capital of Trakcja Polska S.A.
(ii) 59,892 bonds of Trakcja Polska S.A. with par value PLN 1,000 (LTL 873.95) each, annual interest rate – 7% (paid out on 30 June and 31 December of each year), maturity date – 12 December 2013,
(iii) 59,891 bonds of Trakcja Polska S.A. with par value PLN 1,000 (LTL 873.95) each, annual interest rate – 7% (paid out on 30 June and 31 December of each year), maturity date – 12 December 2014.
Remaining LTL 54,202 thousand was paid to the Company in cash.
Amounts in PLN are converted to LTL at the actual currency exchange rate ruling at 19 April 2011.

Acquired financial assets through the sale of road and bridge construction segment were measured at fair value on transaction date and gain on disposal excluding transaction expenses was calculated as follows:

	2011	
	Group	**Company**
Shares of Trakcja S.A.	92,055	92,055
Bonds of Trakcja S.A.	97,049	97,049
Cash received	54,202	54,202
The carrying amount of investments sold	(72,075)	(25,004)
Foreign currency translation reserve of associates sold	(40)	-
Price reduction due to Tiltra Group's failure to achieve the agreed results	(40,193)	(40,193)
Gain on disposal of associates without transaction expenses	**130,998**	**178,109**

In the Company the gain on sale of associates was calculated as follows:

	2011
Gain on sale of associates without related expenses	178,109
Direct expenses related to sale	(20,510)
Profit of sales of associates	**157,599**

7 Discontinued operations and non-current assets classified as held-for-sale (cont'd)

Tiltra Group AB and AB Kauno Tiltai (cont'd)

On 21 December 2011, the Company and other former shareholders of Tiltra Group executed an agreement with Trakcja S. A. and its shareholder Comsa S. A. regarding the amendment to an agreement of 18 November 2010. Because it was unlikely that Tiltra Group achieves planned results for the financial year ending 31 March 2012 it was agreed to reduce Tiltra Group sale price and settle finally. Consideration attributable to the Company was reduced by LTL 40,193 thousand, measured at fair value. The Company sold back to Trakcja S. A. 54,652 bonds issued by Trakcja S. A. with par value PLN 1,000 (LTL 771.10) each, annual interest rate – 7%, maturing on 12 December 2014 (bonds' fair value at settlement date was LTL 39,647 thousand). In addition PLN 707 thousand (LTL 546 thousand) were paid in cash. Amounts in PLN were converted to LTL at the currency exchange rate as at 21 December 2011.

The Company has provided tax warranties to Trakcja S. A. and warranties in respect of a legal title of sold shares. Management does not expect these warranties to become liabilities.

AB Sanitas

The Company and other AB Sanitas shareholders, all together controlling 87.2% shares, on 23 May 2011, have signed a definitive share sale and purchase agreement for the sale of their entire shareholding in AB Sanitas to Valeant Pharmaceuticals International, Inc. ("Valeant"). Pursuant to the agreement, the Company sold 26.5% shares in AB Sanitas for LTL 286,690 thousand or 10.06 EUR (34.74 LTL) per share. The mentioned associate comprises the pharmacy segment. Therefore the investment was presented as discontinued operations in the income statement. The deal was closed on 19 August 2011.

In addition, the Company had to pay LTL 16,293 thousand for the shares acquired from business partners in January 2009, as the final acquisition price of those shares was dependant on the sales price of AB Sanitas shares to the end buyer.

Taking into account the share price adjustment mechanism set out in the agreement signed on 24 October 2008 with Baltic Pharma Limited, (regarding sale of 20.3 % of the share capital of Sanitas AB in 2008) and analogous mechanism set out in the agreements with some investors, from which AB Sanitas shares were acquired in the end of 2008, total proceedings of the Company from previously sold shares of AB Sanitas less payments to business partners for previously acquired shares amounted to LTL 45,227 thousand. This way the derivative was realised, which represented the probable share price adjustment for previously sold shares.

The gain on sale of AB Sanitas shares was calculated as follows:

	2011	
	Group	**Company**
Sales price, received in cash	286,690	286,690
Additional price adjustment for shares acquired in January 2009	(16,293)	(16,293)
The carrying amount of investments sold	(126,116)	(109,558)
Cash flow hedge reserve of associates sold	(266)	-
Foreign currency translation reserve of associates sold	(1,856)	-
Gain on disposal of associates	**142,159**	**160,839**

AB Umega

	Group		Company	
	2012	**2011**	**2012**	**2011**
Non-current assets classified as held-for-sale				
AB Umega	-	1,708	-	3,745
	-	1,708	-	3,745

On 30 November 2011, the Company signed the agreement regarding sale of 29.27 % shares of associate AB Umega, which activity is metal processing. The deal was completed in January 2012, when the permission of the Competition Council was received (see Note 3). The investment was classified as assets held for sale in the statement of financial position for the year ended 31 December 2011. Because the investment has not comprised separate operating segment, it is not presented as discontinued operations in the income statement.

8 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of shares for 2012 and 2011 were as follows:

Calculation of weighted average for the year 2012	**Number of shares (thousand)**	**Par value (LTL)**	**Issued/366 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2011	51,660	1	366/366	51,660
Shares issued as at 30 March 2012	5,898	1	276/366	4,448
Own shares acquired on 18 May 2012	(5,756)	1	227/366	(3,570)
Shares issued as at 31 December 2012	51,802	1	-	52,538

Calculation of weighted average for 2011	**Number of shares (thousand)**	**Par value (LTL)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2010	51,660	1	365/365	51,660
Shares issued as at 31 December 2011	51,660	1	-	51,660

The following table reflects the income and share data used in the basic earnings per share computations:

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
Net profit (loss), attributable to the equity holders of the parent from continuing operations	24,655	(88,934)	20,947	274,870
Net profit, attributable to the equity holders of the parent from discontinued operation	-	297,980	-	-
Net profit (loss), attributable to equity holders of the parent for basic earnings	24,655	209,046	20,947	274,870
Weighted average number of ordinary shares (thousand)	52,538	51,660	52,538	51,660
Basic earnings (deficit) per share (LTL)	0.47	4.05	0.40	5.32

8 Earnings per share (cont'd)

The following table reflects the share data used in the diluted earnings per share computations in 2012:

	Number of shares (thousand)	Issued/366 (days)	Weighted average (thousand)
Weighted average number of ordinary shares for basic earnings per share	-	-	52,538
Potential shares from convertible bond of LTL 25 million (issued on 1 December 2008) (Note 20)	4,545	90/366	1,117
Potential shares from convertible bond of LTL 7.44 million (issued on 8 January 2010) (Note 20)	1,353	90/366	333
Weighted average number of ordinary shares for diluted earnings per share	-	-	53,988

The following table reflects the share data used in the diluted earnings per share computations in 2011:

	Number of shares (thousand)	Issued/365 (days)	Weighted average (thousand)
Weighted average number of ordinary shares for basic earnings per share	-	-	51,660
Potential shares from convertible bond of LTL 25 million (issued on 1 December 2008)	4,545	365/365	4,545
Potential shares from convertible bond of LTL 7.44 million (issued on 8 January 2010)	1,353	365/365	1,353
Weighted average number of ordinary shares for diluted earnings per share	-	-	57,558

The following table reflects the income data used in the diluted earnings per share computations in 2012 and 2011:

	Group		Company	
	2012	2011	2012	2011
Net profit, attributable to the equity holders of the parent for basic earnings	24,655	209,046	21,589	274,870
Interest on convertible bond	768	3,212	768	3,212
Net profit, attributable to equity holders of the parent for diluted earnings	25,423	212,258	22,357	278,082
Weighted average number of ordinary shares (thousand)	53,988	57,558	53,988	57,558
Diluted earnings(deficit) per share (LTL)	0.47	3.69	0.41	4.83

9 Dividends per share

In 2012 and 2011 dividends were not declared.

10 Property, plant and equipment

Group

	Land	Buildings	Machinery and equipment	Vehicles	Construction in progress	Other property, plant and equipment	Total
Cost:							
Balance as at 31 December 2010	-	32,441	62,845	1,098	500	8,917	105,801
Additions	-	986	3,050	237	562	2,810	7,645
Disposals and write-offs	-	(3)	(2,101)	(57)	-	(656)	(2,817)
Transfers between groups	-	100	1,665	24	(463)	(1,326)	-
Transfers to/from investment properties	-	(2,255)	-	-	-	-	(2,255)
Acquisition of subsidiaries	-	2,145	-	124	-	179	2,448
Balance as at 31 December 2011	-	33,414	65,459	1,426	599	9,924	110,822
Additions	157	351	10,449	431	219	5,301	16,908
Disposals and write-offs	-	-	(1,456)	(106)	-	(1,572)	(3,134)
Transfers between groups	-	-	2,036	43	(60)	(2,019)	-
Balance as at 31 December 2012	157	33,765	76,488	1,794	758	11,634	124,596
Accumulated depreciation:							
Balance as at 31 December 2010	-	14,594	45,826	444	-	6,061	66,925
Charge for the year	-	1,154	5,653	147	-	1,539	8,493
Impairment	-	383	-	-	-	-	383
Disposals and write-offs	-	(2)	(1,951)	(57)	-	(628)	(2,638)
Transfers to/from investment properties	-	(600)	-	-	-	-	(600)
Balance as at 31 December 2011	-	15,529	49,528	534	-	6,972	72,563
Charge for the year	-	1,065	4,805	200	-	1,402	7,472
Disposals and write-offs	-	-	(1,384)	(92)	-	(1,434)	(2,910)
Balance as at 31 December 2012	-	16,594	52,949	642	-	6,940	77,125
Net book value as at 31 December 2011	**-**	**17,885**	**15,931**	**892**	**599**	**2,952**	**38,259**
Net book value as at 31 December 2012	**157**	**17,171**	**23,539**	**1,152**	**758**	**4,694**	**47,471**

10 Property, plant and equipment (cont'd)

Company	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:			
Balance as at 31 December 2010	154	414	568
Additions	-	25	25
Disposals and write-offs	-	(14)	(14)
Balance as at 31 December 2011	154	425	579
Additions	-	10	10
Disposals and write-offs	-	(23)	(23)
Balance as at 31 December 2012	154	412	566
Accumulated depreciation:			
Balance as at 31 December 2010	2	328	330
Charge for the year	26	53	79
Disposals and write-offs	-	(14)	(14)
Balance as at 31 December 2011	28	367	395
Charge for the year	25	42	67
Disposals and write-offs	-	(23)	(23)
Balance as at 31 December 2012	53	386	439
Net book value as at 31 December 2011	**126**	**58**	**184**
Net book value as at 31 December 2012	**101**	**26**	**127**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2012 amounts to LTL 7,472 thousand and LTL 67 thousand, respectively (in the year 2011 LTL 8,493 thousand and LTL 79 thousand, respectively). Amounts of LTL 7,289 thousand and LTL 67 thousand for the year 2012 (LTL 8,493 thousand and LTL 79 thousand for the year 2011) have been included into operating expenses of continuing operations in the Group's and the Company's income statement, respectively. The depreciation charge for the Group is decreased by LTL 127 thousand of amortization of grants related to assets in 2012 (2011: 82 thousand LTL). Amounts of LTL 183 thousand have been included in the inventories of the Group.

In 2nd quarter of 2011 the asset located at A. Juozapavičiaus g. 7 was transferred from owned-occupied property to investment property. The carrying amount of an asset was bigger than the fair value (LTL 2,000 thousand), therefore the impairment loss of LTL 383 thousand was recognised in the income statement.

Property, plant and equipment of the Group with a net book value of LTL 1,304 thousand as at 31 December 2012 (LTL 18,939 thousand as at 31 December 2011) was pledged to the banks as a collateral for the loans (Note 22).

There were no borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset for the year 2012 and 2011.

The acquisition cost of the Group's property, plant and equipment that is being prepared for bringing into use amounted to LTL 11,198 thousand as of 31 December 2012 (LTL 370 thousand as of 31 December 2011). Such property is classified in the category of machinery and equipment.

At the end of 2012, the Group entered into contracts with Homag Holzbearbeitungssysteme GmbH for the acquisition of modern equipment. The total amount of commitments to purchase property, plant and equipment under the contracts is LTL 4,807 thousand as of 31 December 2012.

11 Investment properties

	Group	
	2012	**2011**
Balance at the beginning of the year	**248,957**	**240,573**
Additions	3,090	9,211
Subsequent expenditure	337	191
Additions through acquisition of subsidiaries	-	13,824
Disposals	(6,129)	(990)
Transfer from other property, plant and equipment	-	2,000
Transfer to other property, plant and equipment	-	(345)
Transfer to inventories	(11,959)	(780)
Disposals of subsidiaries	-	-
Gain from fair value adjustment	5,988	4,630
Loss from fair value adjustment	(14,697)	(19,357)
Balance at the end of the year	**225,587**	**248,957**

Investment properties of the Group include office buildings, warehouses, land and flats. The majority of buildings and warehouses are leased under the operating lease agreements and generate rental income amounting to LTL 11,907 thousand in 2012 (LTL 10,790 thousand in 2011). The direct operating expenses arising from investment properties that generated rental income during the year 2012 amounted to LTL 3,731 thousand (LTL 4,926 thousand in 2011).

Investment properties are stated at fair value, which has been determined based on the joint valuations performed by the accredited valuers: UAB OBER-HAUS Nekilnojamasis Turtas, and UAB Inreal (the Group company) as at 30 September 2012 and as at 31 December 2011. There were no significant changes in the market from 30 September 2012 that could have an effect on the value of investment properties, therefore the updated valuation was not performed on 31 December 2012. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. The fair value was set using either the sales comparison approach or income approach. Sales comparison approach refers to the prices of the analogues transactions in the market. Income approach is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. Discounted cash flow projections are based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current (at the date of the statement of financial position) market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Discount rates used to determine the fair value of the investment properties that are leased out, calculated based on future lease and sale cash flow projections as at 30 September 2012 was 8.5 - 13.82 % and at 31 December 2011 was 8 – 11 %. Capitalisation rate used to determine the terminal value of the properties as at 30 September 2012 was 7.22- 10.82 % and at 31 December 2011 was 7.5 – 10 %. Capitalisation rate used to determine the fair value of the investment properties held for the future redevelopment, that are calculated based on sale cash flow projections, as at 30 September 2012 and 31 December 2011 was 15 - 20 %.

The sensitivity analysis of investment properties valued using income approach as at 31 December 2012 is as follows:

Estimates	**Increase of estimates**		**Decrease of estimates**	
	Leased Investment properties	**Investment properties held for future redevelopment**	**Leased Investment properties**	**Investment properties held for future redevelopment**
Change in future rental rates by 10 %	13,493	-	(13,361)	-
Change in future sale prices of developed properties by 10%	-	26,340	-	(20,840)
Change in construction costs by 10%	-	(16,780)	-	22,120
Change in expected vacancy rates by 20%	(1,719)	-	1,649	-
Change in discount and capitalization rate by 50 bps	(7,442)	(800)	8,808	1,300

11 Investment properties (cont'd)

During 2012 the Group has acquired investment properties for LTL 3,090 thousand, including agricultural land for LTL 2,976 thousand. During 2012 investment properties were sold for LTL 6,129 thousand. The main deal was sale of commercial property, located in Donelaičio street 33, in Kaunas. The sale price was equal to LTL 4,754 thousand.

The main addition in 2011 was investment in agriculture land through direct purchases and through acquisition of subsidiaries (LTL 15,629 thousand). The Group has obtained also an investment property for LTL 2,500 thousand from bankrupted company UAB Nerijos Būstas, offsetting part of trade receivable from this company. The investment property was reclassified to inventories in 2012. The Group has acquired the investment properties in Vilnius district Justiniškės through acquisition of UAB Jurita and an investment property in Neringa through acquisition of UAB BNN (see Note 3).

In 3rd Quarter of 2012 assets located in Klaipėda and Nida, with carrying value LTL 11,959 thousand were reclassified from investment property to inventories. In 1st quarter of 2011 asset located at Elniakampio 7, Vilnius with carrying value of LTL 700 thousand was reclassified from investment property to inventories. The construction of residential apartments was started.

As at 31 December 2012 investment properties with carrying amount of LTL 146,465 thousand (LTL 171,369 thousand as at 31 December 2011) were pledged to the banks as collateral for the loans (Note 22).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2012 and 2011, except the Group has signed future sale agreement regarding investment property in Vilnius district Justiniškės and regarding some investment properties, located in Plunge (the carrying amounts was LTL 1,515 thousand as at 31 December 2012). If sale conditions would be met, the Group would sell the investment property in 2013 for LTL 2,055 thousand. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end except as stated above.

12 Intangible assets

Group	Goodwill	Contracts and customer relationship	Software	Other intangible assets	Total
Cost:					
Balance as at 31 December 2010	-	13,195	1,191	436	14,822
Additions	-	-	399	233	632
Acquisition of subsidiaries	1,600	2,176	26	-	3,802
Disposals and write-offs	-	-	(388)	(2)	(390)
Transfers between groups	-	-	415	(415)	-
Balance as at 31 December 2011	1,600	15,371	1,643	252	18,866
Additions	-	-	256	597	853
Disposals and write-offs	-	(4)	(50)	(4)	(58)
Transfers between groups	-	(1)	178	(177)	-
Difference of foreign currency exchange	-	19	-	-	19
Balance as at 31 December 2012	1,600	15,385	2,027	668	19,680
Accumulated amortisation:					
Balance as at 31 December 2010	-	3,520	796	16	4,332
Charge for the year	-	1,495	343	12	1,850
Disposals and write-offs	-	-	(388)	(2)	(390)
Balance as at 31 December 2011	-	5,015	751	26	5,792
Charge for the year	-	2,120	408	26	2,554
Disposals and write-offs	-	(4)	(50)	(4)	(58)
Transfers between groups	-	(1)	-	1	-
Difference of foreign currency exchange	-	2	-	-	2
Balance as at 31 December 2012	-	7,132	1,109	49	8,290
Net book value as at 31 December 2011	**1,600**	**10,356**	**892**	**226**	**13,074**
Net book value as at 31 December 2012	**1,600**	**8,253**	**918**	**619**	**11,390**

12 Intangible assets (cont'd)

Company	**Software**	**Other intangible assets**	**Total**
Cost:			
Balance as at 31 December 2010	31	2	33
Additions	-	-	-
Disposals and write-offs	(4)	(2)	(6)
Balance as at 31 December 2011	27	-	27
Additions	11	-	11
Disposals and write-offs	-	-	-
Balance as at 31 December 2012	38	-	38
Accumulated amortisation:			
Balance as at 31 December 2010	19	2	21
Charge for the year	5	-	5
Disposals and write-offs	(4)	(2)	(6)
Balance as at 31 December 2011	20	-	20
Charge for the year	5	-	5
Disposals and write-offs	-	-	-
Balance as at 31 December 2012	25	-	25
Net book value as at 31 December 2011	**7**	**-**	**7**
Net book value as at 31 December 2012	**13**	**-**	**13**

The amortisation charge of the Group's and the Company's intangible assets for the year ended 31 December 2012 amounts to LTL 2,554 thousand and LTL 5 thousand, respectively (in the year 2011 LTL 1,850 thousand and LTL 5 thousand, respectively) and have been included into operating expenses of continuing operations in the Group's and the Company's income statement.

The goodwill was acquired through business combination in the information – technology segment and has been allocated to cash-generating unit of NRD subgroup. In 2012 the recoverable amount of unit has been determined based on value in use calculation using cash flow projections based on financial forecasts approved by the Group management covering a 5-year period. The pre –tax discount rate applied to cash flow projections is 11.90 %, cash flows within the 5-year period are extrapolated using 5 % growth rate and cash flows for continuing value are extrapolated using 2 % growth rate.

Main intangible items are:
- Contracts and customer relationship acquired during acquisition of UAB BAIP in 2007 (information technology sector). Its carrying amount equals LTL 4,876 thousand and remaining estimated useful live is 5 years as of 31 December 2012.
- Dwelling-houses facilities management contracts acquired during acquisition of UAB Priemiestis in 2010. Their carrying amount equals LTL 898 thousand and remaining estimated useful live is 2.6 years as of 31 December 2012.
- The market management contract acquired during acquisition of UAB Priemiestis in 2010. Its carrying amount equals LTL 592 thousand and remaining estimated useful live is 8.6 years as of 31 December 2012.
- Contracts and customer relationship acquired during acquisition of NRD AS in 2011 (information technology sector). Its carrying amount equals LTL 1,452 thousand and remaining estimated useful live varies from 6 months until 9 years as of 31 December 2012.

13 Financial instruments by category

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2012				
Assets as per statement of financial position				
Investments available-for-sale	2,859	-	-	2,859
Trade and other receivables long term	-	5,156	-	5,156
Trade and other receivables short term excluding tax receivables	-	32,417	-	32,417
Financial assets at fair value through profit and loss	-	-	32,974	32,974
Current loans granted	-	31,730	-	31,730
Restricted cash	-	3,602	-	3,602
Term deposits	-	21,418	-	21,418
Cash and cash equivalents	-	56,092	-	56,092
Total	**2,859**	**150,415**	**32,974**	**186,248**

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2011				
Assets as per statement of financial position				
Investments available-for-sale	2,859	-	-	2,859
Non-current loans granted	-	12,041	-	12,041
Trade and other receivables excluding tax receivables	-	30,920	-	30,920
Financial assets at fair value through profit and loss	-	-	47,599	47,599
Current loans granted	-	31,233	-	31,233
Restricted cash	-	2,915	-	2,915
Term deposits	-	99,137	-	99,137
Cash and cash equivalents	-	21,346	-	21,346
Total	**2,859**	**197,592**	**47,599**	**248,050**

Group	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
31 December 2012			
Liabilities as per statement of financial position			
Borrowings	105,357	-	105,357
Finance lease liabilities	629	-	629
Trade payables	28,373	-	28,373
Other liabilities excluding tax payables and employee benefit payables	6,603	114	6,717
Total	**140,962**	**114**	**141,076**

Group	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
31 December 2011			
Liabilities as per statement of financial position			
Borrowings	126,304	-	126,304
Finance lease liabilities	648	-	648
Trade payables	34,485	-	34,485
Convertible bonds	34,059	-	34,059
Other liabilities excluding tax payables and employee benefit payables	4,446	154	4,600
Total	**199,942**	**154**	**200,096**

13 Financial instruments by category (cont'd)

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2012				
Assets as per statement of financial position				
Investments available-for-sale	1,817	-	-	1,817
Non-current loan granted	-	14,057	-	14,057
Trade and other receivables	-	273	-	273
Financial assets at fair value through profit and loss	-	-	32,974	32,974
Current loans granted	-	172,998	-	172,998
Term deposits	-	41	-	41
Cash and cash equivalents	-	33,530	-	33,530
Total	**1,817**	**220,899**	**32,974**	**255,690**

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2011				
Assets as per statement of financial position				
Investments available-for-sale	1,817	-	-	1,817
Non-current loan granted	-	4,143	-	4,143
Trade and other receivables	-	218	-	218
Financial assets at fair value through profit and loss	-	-	33,298	33,298
Current loans granted	-	174,648	-	174,648
Term deposits	-	48,621	-	48,621
Cash and cash equivalents	-	11,888	-	11,888
Total	**1,817**	**239,518**	**33,298**	**274,633**

Company	**31 December 2012**	**31 December 2011**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Borrowings	9,125	359
Trade payables	55	630
Convertible bonds	-	34,059
Other current payables excluding tax payables and employee benefit payables	2,061	2,155
Total	**11,241**	**37,203**

14 Financial assets available-for-sale and at fair value through profit and loss

	Group		Company	
	2012	**2011**	**2012**	**2011**
Available-for-sale				
Ordinary shares – unquoted (carried at cost)	2,859	2,859	1,817	1,817
	2,859	2,859	1,817	1,817
Held-for-trading				
Ordinary shares - quoted	5,080	15,530	5,080	2,539
Bonds	17,936	15,268	17,936	15,268
Investment units	-	1,310	-	-
	23,016	32,108	23,016	17,807
Designated at fair value through profit and loss on initial recognition				
Shares of Trakcja S.A. (quoted)	9,958	15,491	9,958	15,491
	9,958	15,491	9,958	15,491
Total financial assets at fair value through profit and loss	32,974	47,599	32,974	33,298

The shares of Trakcja S.A. were designated at fair value through profit or loss on initial recognition because the Management believes that this presentation represents best the way this investment is managed and its performance is evaluated and provides more relevant information to the users of financial statements.

The fair value of the quoted ordinary shares and listed bonds is determined by reference to published price quotations in the active market.

The unquoted ordinary shares are measured at cost. The fair value of unquoted ordinary shares has not been disclosed because the fair value cannot be measured reliably. The Company, as a non-controlling shareholder, is getting only limited information about these investments. There is only a limited number of comparable companies in Europe. No liquid market for these securities exists, only small deals are noticed in recent years. The Company intends to dispose of these shares in case majority stake of the company is sold to another investor or if current shareholders will offer attractive price.

After the additional share acquisitions during 2011, the Group holds 20,27% of AB Vernitas shares as at 31 December 2012 and 2011 and classifies those as financial instruments available for sale. The Group has no significant influence over this entity, therefore this entity is not presented as an associate in the financial statements. The entity is controlled by a group of interrelated persons. The entity has Management Board and Supervisory Council, the Group has only one representative at the Supervisory Council and none at the Management Board. The Board manages the entity.

The fair value of bonds that are not traded in an active market is determined by using observable market data (taking for basis listed bonds of comparable issuers with similar remaining maturity, cash flow pattern, currency, credit risk and interest basis).

The credit quality of debt securities can be assessed by reference to external credit ratings of the issuer:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Moody's ratings				
Prime-2	2,668	-	2,668	-
Not Prime	15,268	15,268	15,268	15,268
	17,936	15,268	17,936	15,268

Cash flows

Cash flows related to held-for-trading and available-for-sale investments are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Sale of shares of Trakcja S.A.	6,503	-	6,503	-
Sale of bonds of Trakcja S.A	-	53,473	-	53,473
(Acquisition) and sale of other held-for-trading investments	5,052	(26,386)	(1,245)	(17,077)
(Acquisition) of available-for-sale investments	-	(1,042)	-	-
	11,555	26,045	5,258	36,396

15 Loans granted

The Group's and the Company's loans granted are described below:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Loans granted to third parties	31,669	63,947	28,164	60,102
Secured loans granted to third parties	30,209	31	30,179	-
Loans granted to subsidiaries	-	-	158,501	156,119
Loans granted to other related parties	7,329	18,697	6,621	6,656
	69,207	82,675	223,465	222,877
Less: long-term loans	-	(12,041)	(82,862)	(4,143)
Less: allowance for impairment to third parties	(31,669)	(33,593)	(28,164)	(29,873)
Less: allowance for impairment to subsidiaries	-	-	(2,438)	(8,405)
Less: allowance for impairment to other related parties	(5,808)	(5,808)	(5,808)	(5,808)
Total allowance for impairment	(37,477)	(39,401)	(36,410)	(44,086)
Total short-term loans granted	**31,730**	**31,233**	**104,193**	**174,648**

As at 31 December 2012 the Group and the Company had granted secured loans to third parties with the maturity term till March 2013. These loans are secured by Lithuanian government bonds.

The loans granted to third parties are unsecured. The interest rates for all loans are fixed. The loans are denominated in LTL or EUR.

Loans granted to other related parties are disclosed in more details in Note 29.

As at 31 December 2012 the Group's and the Company's loans granted with nominal value of LTL 37,508 thousand and LTL 46,135 thousand, respectively, were impaired (as at 31 December 2011 LTL 39,782 thousand and LTL 46,176 thousand, respectively). The net amounts of LTL 31 thousand and LTL 9,725 thousand are recognised in the statement of financial position of the Group and the Company, respectively (LTL 381 thousand and LTL 2,090 thousand in 2011, respectively).

Movements in the allowance for impairment of granted loans (assessed individually) were as follows:

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2010	44,456	43,938
Charge for the year	694	7,644
Write-offs charged against the allowance	(2,735)	(2,270)
Recoveries of amounts previously written-off	(2,997)	(5,209)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	(17)	(16)
Balance as at 31 December 2011	39,401	44,087
Charge for the year	-	823
Write-offs charged against the allowance	(985)	(799)
Recoveries of amounts previously written-off	(939)	(1,081)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	-	(6,620)
Balance as at 31 December 2012	37,477	36,410

Changes in allowance for impairment of loans granted for the year 2012 and 2011 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 5.2.). The Group and the Company have reversed part of impairment losses of loans granted to previously owned Latvian real estate entities because part of loans was returned. In previous periods the loans were impaired to nil. In 2012 and 2011 at the Company level additional impairment losses of loans granted to subsidiaries operating in real estate segment were recognised due to decrease in value of net assets of these subsidiaries.

15 Loans granted (cont'd)

The ageing analysis of loans granted of the Group as at 31 December 2012 and 2011 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired: Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2012	31,699	-	-	-	-	31,699
2011	42,893	-	-	-	-	42,893

The ageing analysis of loans granted of the Company as at 31 December 2012 and 2011 is as follows:

	Granted loans neither past due nor impaired	Granted loans past due but not impaired: Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2012	177,330	-	-	-	-	177,330
2011	176,701	-	-	-	-	176,701

All granted loans neither past due nor impaired as at 31 December 2012 and 2011 have no history of counterparty defaults.

16 Inventories

	Group					
	2012			2011		
	Acquisition cost	Write-down	Carrying value	Acquisition cost	Write-down	Carrying value
Raw materials	5,176	(80)	5,096	8,248	(79)	8,169
Work in progress	2,488	-	2,488	2,479	-	2,479
Finished goods	12,859	(16)	12,843	5,380	(18)	5,362
Residential real estate	16,981	-	16,981	7,871	-	7,871
Goods for resale	2,227	(71)	2,156	1,938	-	1,938
	39,731	(167)	39,564	25,916	(97)	25,819

The acquisition cost of the Group's inventories excluding residential real estate accounted for at net realisable value as at 31 December 2012 amounted to LTL 252 thousand (LTL 138 thousand as at 31 December 2011). Changes in the allowance for inventories for the years ended 31 December 2012 and 2011 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 5.2.).

The advance payments received for the residential real estate as at 31 December 2012 amounted to LTL 112 thousand (31 December 2011: LTL 578 thousand). The Group expects to realise apartments, which construction is completed, with the carrying amount of LTL 3,503 thousand within 12 months. Residential real estate with the carrying amount of LTL 13,478 thousand are currently under construction and the Group expects to complete construction and to sell the apartments within 24 months.

As disclosed in Note 22, inventories of the Group with the carrying value of nil as at 31 December 2012 (LTL 9,000 thousand as at 31 December 2011) were pledged to banks as collateral for the loans.

17 Trade and other receivables

	Group		Company	
	2012	**2011**	**2012**	**2011**
Trade and other receivables, gross	45,820	39,103	893	838
Taxes receivable, gross	3,416	2,517	-	-
Less: long term trade and other receivables	(5,156)	-	-	-
Less: allowance for doubtful trade and other receivables	(8,247)	(8,183)	(620)	(620)
	35,833	33,437	273	218

Changes in allowance for doubtful trade and other receivables for the year 2012 and 2011 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 5.2.).

Trade and other receivables are non-interest bearing and are generally on 10–60 days terms. Receivables from related parties are disclosed in more details in Note 29.

As at 31 December 2012 the Group's and the Company's trade and other receivables with nominal value of LTL 8,286 thousand and LTL 620 thousand, respectively, were impaired (as at 31 December 2011 LTL 8,218 thousand and LTL 620 thousand, respectively). The net amounts of LTL 39 thousand and LTL nil, respectively, are presented in the statement of financial position of the Group and the Company (as at 31 December 2011 LTL 35 thousand and LTL nil).

In 2012 shares classified as financial assets held for trading were sold in two transactions with the same counterparty. The receivables of amount of LTL 6,612 thousand from mentioned transaction are interest bearing, have to be settled till 2015, and are secured by the pledge of sold shares.

Movements in the allowance for accounts receivable of the Group and the Company (assessed individually) were as follows:

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2010	7,357	620
Charge for the year	805	-
Write-offs charged against the allowance	(262)	-
Recoveries of amounts previously written-off	(19)	-
Acquisition of subsidiaries	302	-
Balance as at 31 December 2011	8,183	620
Charge for the year	139	-
Write-offs charged against the allowance	(12)	-
Recoveries of amounts previously written-off	(63)	-
Acquisition of subsidiaries	-	-
Balance as at 31 December 2012	8,247	620

17 Trade and other receivables (cont'd)

The ageing analysis of trade and other receivables of the Group as at 31 December 2012 and 2011 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2012	30,450	4,500	1,593	393	598	37,534
2011	25,401	3,623	1,116	251	494	30,885

The ageing analysis of trade and other receivables of the Company as at 31 December 2012 and 2011 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2012	224	-	-	-	49	273
2011	218	-	-	-	-	218

Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2012 and 2011 have no history of counterparty defaults. With respect to trade and other receivables that are neither past due nor impaired, there are no indications as at the reporting date that the debtors will not meet their payment obligations since the Group and the Company trades only with recognised, creditworthy third parties. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security, except as mentioned above.

18 Cash and cash equivalents, term deposits

	Group		Company	
	2012	**2011**	**2012**	**2011**
Cash at bank	32,194	19,846	9,719	11,888
Cash on hand	15	38	-	-
Cash in transit	72	85	-	-
Term deposits with the maturity up to 3 months	23,811	1,377	23,811	-
	56,092	21,346	33,530	11,888

Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Group's and the Company's foreign and local currency accounts in banks amounting to LTL 1,288 thousand and LTL nil as at 31 December 2012 (LTL 3,211 thousand and LTL nil thousand as at 31 December 2011) are pledged to the banks as collateral in relation to the loan, respectively (Note 22).

As at 31 December 2012, the Group and the Company have placed term deposits at banks with the maturity of more than 3 months.

	Group	**Company**
Deposits with the maturity between 3 and 6 months	9,020	-
Deposits with the maturity more than 6 months	12,316	-
Deposit's certificate of AB Bankas Snoras	20,000	20,000
Accumulated interest	182	141
Less allowance for impairment as consequence of AB Bankas Snoras insolvency	(20,100)	(20,100)
	21,418	**41**

18 Cash and cash equivalents, term deposits (cont'd)

As at 31 December 2011, the Group and the Company have placed term deposits at banks with the maturity of more than 3 months.

	Group	Company
Deposits with the maturity between 3 and 6 months	59,283	48,339
Deposits with the maturity more than 6 months	39,223	-
Deposit's certificate of AB Bankas Snoras	20,000	20,000
Accumulated interest	731	382
Less allowance for impairment as consequence of AB Bankas Snoras insolvency	(20,100)	(20,100)
	99,137	**48,621**

On 24 November 2011, the Bank of Lithuania announced AB Bankas Snoras as insolvent and revoked the licence. According to the public information about AB Bankas Snoras, most likely is that bank's assets were significantly below the liabilities already on 30 September 2011. Therefore the management of the Company decided to recognise allowance for impairment of deposit's certificate in full amount.

The credit quality of cash can be assessed by reference to external credit ratings of the banks:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Moody's ratings				
Prime-1	51,900	20,916	33,342	11,677
Prime-2	3,267	-	-	-
Not Prime	624	156	1	146
Not rated	214	151	187	65
	56,005	21,223	33,530	11,888

The credit quality of term deposits can be assessed by reference to external credit ratings of the banks:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Moody's ratings				
Prime-1	41	97,873	41	48,621
Prime-2	21,377	-	-	-
Not Prime	-	1,264	-	-
Not rated	-	-	-	-
	21,418	99,137	41	48,621

19 Restricted cash

Major part of restricted cash amounting to LTL 1,353 thousand as at 31 December 2012 (LTL 1,352 thousand as at 31 December 2011) represents the balance of cash received by the Group company AB Invalda Nekilnojamojo Turto Fondas for sold investment properties which were pledged to Nordea Bank Finland Plc Lithuania Branch. The subsidiary has no ability to use these funds except for repayment of the loan and payment of interest. In 2009 the amount of LTL 8,981 thousand was settled as repayment of loan. The remaining amount was deposited to secure liabilities to the bank.

The other amount of restricted cash represents funds deposited at administrating entities by the residents of dwelling houses and was LTL 1,407 thousand as at 31 December 2012 (LTL 1,113 thousand as at 31 December 2011).

The remaining amount of restricted cash represents frozen cash in other banks deposited to secure future interest payments of various Group companies and to secure service contracts.

20 Share capital and share premium

The total authorised number of ordinary shares is 51,802,146 (as of 31 December 2011: 51,659,758 shares) with a par value of LTL 1 per share (as of 31 December 2011: LTL 1 per share). All issued shares are fully paid.

On 1 December 2008 non-public convertible bonds of LTL 25,000 thousand were released. The issue was redeemed by persons related with the shareholders of the Company.

The main characteristics of convertible bonds:
- annual interest rate: 9.9 %;
- redemption day 1 July 2010;
- the bonds can be converted into the Company's shares. One bond with par value of LTL 100 has an option to be converted to ordinary shares at ratio 5.5 (one bond would be converted into 18.18 shares approximately; final result would be rounded by arithmetical rules).
- If the bond holder exercises the conversion option, he has to pay back the interest received previously and forfeit any interest unpaid.

During the General Shareholder Meeting which was held on 30 January 2010 it was decided to change the conditions of convertible bonds and to issue additional emission of convertible bonds of LTL 7,440 thousand. After realizing the decision a maturity of convertible bonds of LTL 25,000 thousand was extended until 1 July 2012 and new emission of convertible bonds of LTL 7,440 thousand (maturity - 1 July 2012) was issued. According to the changed terms of bonds, the bond holders would have to pay back on conversion all interest received in cash and forfeit any interest unpaid starting from 2010.

The application from the bondholders to convert LTL 32,400 thousand par value bonds (par value of one bond is LTL 100) into the shares of the Company was received on 28 March 2012. The bonds were converted into 5,898,182 shares of LTL 1 par value on 30 March 2012, when new By-laws of the Company were registered. After the conversion, share capital of the Company was increased by LTL 5,898 thousand up to LTL 57,558 thousand and divided into 57,557,940 shares of LTL 1 par value. The conversion price was LTL 5.50 per share. The share premium was increased by LTL 26,542 thousand, as established in the terms of bond conversion and required by Lithuanian legislation. The bond holders paid back earlier received interest of LTL 4,788 thousand and forfeited the accrued interest of LTL 2,386 thousand as at 30 March 2012. Both these amounts were reversed through retained earnings. The current income tax expenses of LTL 1,076 thousand were also recognised directly through retained earnings. As a result of the conversion, the Company's and the Group's equity increased by LTL 38,538 thousand.

The share buy-back was announced on 30 April 2012 and exercised from 2 to 15 May 2012. The Company has offered to buy 10 percent of own shares for LTL 10.358 for each share. All 10 percent of own shares – 5,755,794 shares were acquired for LTL 59,659 thousand, including brokerage fees. Acquired own shares did not have voting rights.

On 24 May 2012 the shareholders of the Company decided to reduce the share capital to LTL 51,802,146 by cancelling own shares. On 6 August 2012, the new version of the Articles of Association of the Company was registered. According to the Articles of Association the share capital was reduced from LTL 57,557,940 to LTL 51,802,146 by cancelling 5,755,794 ordinary registered shares with par value of LTL 1, which the Company had acquired in May. This way the decision of shareholders' meeting, which occurred on 24 May 2012, was implemented.

On 29 April 2011 shareholders of the Company decided to cover accumulated deficit of LTL 10,471 thousand by transferring LTL 10,471 thousand from share premium.

21 Reserves

The movements in legal and other reserves are as follows:

Group	**Legal reserve**	**Reserve for acquisition of own shares**	**Share based payments reserve**	**Fair value reserve**	**Other reserves**	**Foreign currency reserve**	**Total**
As at 31 December 2010	**1,272**	**18,002**	**289**	**(139)**	**678**	**-**	**20,102**
Net loss on cash flow hedge	-	-	-	139	-	-	139
Transfer to reserves	58	-	-	-	-	-	58
As at 31 December 2011	**1,330**	**18,002**	**289**	**-**	**678**	**-**	**20,299**
Exchange differences on translation of foreign operations	-	-	-	-	-	34	34
Transfer to reserves	5,892	269,228	-	-	(27)	-	275,093
Decrease of share capital (Note 20)	-	(53,903)	-	-	-	-	(53,903)
As at 31 December 2012	**7,222**	**233,327**	**289**	**-**	**651**	**34**	**241,523**

On 30 April 2012, the shareholders of the Company decided to transfer LTL 269,114 thousand from retained earnings to the reserve for the acquisition of own shares and LTL 5,756 thousand to the legal reserve. In other entities of the Group amounts of LTL 136 thousand and 114 thousand were transferred from retained earnings, attributable to the equity holder of the parent, to legal reserve and reserve for acquisition of own shares.

Fair value reserves

Fair value reserves comprise changes in fair value of available-for-sale investments and cash flow hedge.

Legal reserve

Legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5 % of net profit, calculated in accordance with the statutory financial statements, are compulsory until the reserve reaches 10 % of the share capital. The reserve can be used only to cover the accumulated losses.

Reserve for the acquisition of own shares

Own shares reserve is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations.

Share based payments reserve

The share-based payment transactions reserve is used to recognise the value of equity-settled share-based payment transactions provided to key management personnel of information technology segment, as part of their remuneration in 2009. From 2010 all share-based payments are attributed fully to the non-controlling interest. The key management personnel has the right to share option subject to the information technology segment achieving its target of EBITDA for years 2009 – 2012 (year's and accumulated targets are used). In 2011 the agreement was changed after acquisition of Norway Registers Development AS and new target was set for 2012 - 2014. The share based payment for 2012 was replaced by share based payment for 2012 – 2014. For the year 2009 and 2012 EBITDA target was not reached, but in 2010 and 2011 the target was reached. The value of share based payments was calculated using binomial method. Reversal of expenses of LTL 93 thousand were recognised within "employee benefits expenses" in 2012. In 2011 expenses of LTL 770 thousand were recognised.

22 Borrowings

	Group		Company	
	2012	2011	2012	2011
Non-current:				
Non-current bank borrowings	98,520	119,281	-	-
Other borrowings	217	197	-	-
	98,737	119,478	-	-
Current:				
Current portion of non-current borrowings	6,071	6,254	-	6
Current bank borrowings	2	80	-	-
Other borrowings	547	492	-	-
Borrowings from related parties	-	-	9,125	353
	6,620	6,826	9,125	359
Total borrowings	105,357	126,304	9,125	359

The Company's borrowings are from related parties. Please refer to Note 29 for more details.

Borrowings at the end of the year in local and foreign currencies expressed in LTL were as follows:

	Group		Company	
Borrowings denominated in:	2012	2011	2012	2011
EUR	101,480	123,772	8,601	-
LTL	3,877	2,532	524	353
	105,357	126,304	9,125	353

Borrowings at the end of the year with fixed or floating interest rate (with changes in 1, 3, 6 months period) were as follows:

	Group		Company	
Interest rate type:	2012	2011	2012	2011
Fixed	38,383	2,511	-	-
Floating	66,974	123,793	9,125	353
	105,357	126,304	9,125	353

22 **Borrowings (cont'd)**

The amounts pledged to the banks are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Property, plant and equipment	1,304	18,939	-	-
Investments into subsidiaries and associates	-	184	-	49,904
Investment properties	146,465	171,369	-	-
Inventories	-	9,000	-	-
Cash	1,288	3,211	-	-
Other current assets	1,865	265	-	-
Trade receivables	64	1,365	-	-
Granted loans	-	-	12,106	25,534

Weighted average effective interest rates of borrowings outstanding at the year-end:

	Group		Company	
	2012	**2011**	**2012**	**2011**
Borrowings	2.93%	4.77%	5%	6.58%

In 2012 and 2011 all Group entities have complied with bank loan covenants.

During the 1st half of 2012 the entity operating in the information technology segment has signed the loan agreement of LTL 3,000 thousand with AB DNB Bankas.

During the year 2012, the Group and the Company repaid respectively LTL 25,009 thousand and LTL 1,217 thousand of loans (during the year of 2011 respectively LTL 187,119 thousand and LTL 185,801 thousand, mainly using the proceeds from sale of road and bridge construction and pharmacy segments and held-for-trading bonds).

On 31 March 2011, the Group has agreed with Nordea bank on the extension of current financing of the real estate segment. Current loans, which mature in 2011, were extended for 3 years and the bank provided indemnify against non-compliance with covenants for the same period. In April 2012 amendments of the above mentioned agreement were signed. According to them, the Group has early paid back the liabilities of UAB Naujoji Švara to the bank in full (LTL 14,701 thousand). The assets with carrying amounts of LTL 21,782 were released from the pledge, which allows more successfully develop them. It was also agreed, that partial repayments of borrowings of UAB Sago and UAB INTF Investicija would be cancelled, and the liabilities would be due in full in 2014. Therefore the partial repayments of the loan of the UAB Invaldos Nekilnojamojo Turto Fondas were accelerated. As a result of these amendments during 2012 the Group had to pay back LTL 2,123 thousand more.

In June 2012 liabilities of the Group to the AB Šiaulių Bankas were covered by a subsidiary, which invest into the agricultural land (LTL 2,503 thousand). In 2012 AB Vilniaus Baldai has finished to repay loan to Danske Bank A/S Lithuanian branch (LTL 1,253 thousand).

In 2011 the Company's liabilities to AB Šiaulių Bankas, AB Bankas Snoras, AB DNB Bankas and UAB Medicinos Bankas were covered in full (on the statement of financial position as at 31 December 2010 their carrying amounts were LTL 18,000 thousand, LTL 24,254 thousand, LTL 94,350 thousand and 2,048 thousand LTL, respectively). The Company's liabilities to the Group companies decreased from LTL 46,553 thousand to LTL 359 thousand in 2011.

During the year 2011 the Group paid back liabilities to the banks before maturity. The amount of paid back liabilities of subsidiaries amounted to LTL 28,964 thousand in the statement of financial position as at 31 December 2010.

23 Finance lease

The assets leased by the Group under finance lease contracts consist of vehicles and other fixtures, fittings, tools and equipment. Apart from the lease payments, the most significant liabilities under lease contracts are property maintenance and insurance. The remaining terms of financial lease are from 11 to 59 months. In 2012 the Group has acquired vehicles of LTL 320 thousand (2011: LTL 88 thousand) and other fixtures, fittings tools and equipment of LTL nil thousand (2011: LTL 67 thousand) through finance lease. The distribution of the net carrying amount of the assets acquired under financial lease is as follows:

	Group	
	2012	**2011**
Machinery and equipment	-	-
Other fixtures, fittings, tools and equipment	101	275
Vehicles	703	462
	804	737

Financial lease payables at the end of the year in local and foreign currencies expressed in LTL were as follows:

	Group	
Borrowings denominated in:	**2012**	**2011**
EUR	446	545
LTL	183	103
	629	648

As at 31 December 2012 the interest rate on the financial lease liabilities in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin varying from 1.3 % to 2.5 % (2011: from 1.3 % to 4 %). As at 31 December 2012 the interest rates on the financial lease liabilities in LTL are 6-month VILIBOR and the margin varying from 1.5 % to 4.5 % and fixed rate amounted to 8 %.

Future minimal lease payments and their present value under the above mentioned financial lease contracts are as follows:

	Group			
	2012		**2011**	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	224	206	289	257
From one to five years	445	423	424	391
Total financial lease obligations	669	629	713	648
Interest	(40)	-	(65)	-
Present value of financial lease obligations	629	629	648	648
Financial lease obligations are accounted for as:				
- current		206		257
- non-current		423		391

24 Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 29.

25 Provisions

	Group		
	Sale of Finasta Group	**Constructor claims**	**Total**
As of 1 January 2011	**250**	**575**	**825**
Changes during the year	(250)	121	(129)
As of 31 December 2011	**-**	**696**	**696**
Changes during the year	-	(73)	(73)
As of 31 December 2012	**-**	**623**	**623**
Non-current 2012	-	396	396
Current 2012	-	227	227
Non-current 2011	-	396	396
Current 2011	-	300	300

26 Other liabilities

The other current and non-current liabilities are presented in the table below:

	Group		Company	
	2012	**2011**	**2012**	**2011**
<u>Financial liabilities</u>				
Dividends payable	3,934	3,022	1,980	2,079
Liability incurred in relation to business combination	114	154	-	-
Other amounts payable	2,669	1,424	81	76
	6,717	4,600	2,061	2,155
<u>Non – financial liabilities</u>				
Salaries and social security payable	7,095	6,146	386	1,021
Tax payable	1,179	2,036	5	5
Pensions and anniversary obligation	1,673	997	-	-
Other amounts payable	2,413	1,999	-	-
	12,360	11,178	391	1,026
Total other current and non-current liabilities	19,077	15,778	2,452	3,181
Non-current liabilities	4,831	3,345	-	-
Current liabilities	14,246	12,433	2,452	3,181

The Group's company AB Vilniaus Baldai has collective labour agreement. According to the agreement each employee has right to receive age and seniority anniversary benefit and an amount of 2 – 3 month salaries on retirement subject to years of service. This is the unfunded defined benefit pension plan. The liability recognised in the statement of financial position is LTL 1,673 thousand as at 31 December 2012 and LTL 997 thousand as at 31 December 2011.

27 Financial risk management

27.1 Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's and the Company's principal financial liabilities comprise loans and overdrafts, bonds, finance leases, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group and the Company have various financial assets such as trade and other receivables, loans granted, investment in equity and debt securities, deposits held in banks and cash which arise directly from its operations.

The Group and the Company also enter or may enter into derivative transactions, such as interest rate swaps and forward currency contracts. The purpose of them is to manage the interest rate and currency risks arising from the operations and its sources of finance. The Company has not used any of derivative instruments so far, as management considered that there is no necessity for them.

The Group is being managed the way so its main businesses would be separated from each other. This is to diversify the activity risk and create conditions for selling any business avoiding any risk for the Company.

The Company implemented policy related to non provision of any guarantee or surety for the Group‘s companies. The Group‘s companies do not provide any guarantees one against another usually.

The main risks arising from the financial instruments are market risk (including currency risk, cash flow and fair value interest rate risk and price risk), liquidity risk and credit risk. The risks are identified and disclosed below.

Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, deposits with banks and financial institutions, as well as credit exposures to outstanding trade receivables, loans granted and debt securities.

The Group estimates the credit risk separately by the segments. The single furniture production segment has significant concentration of trading counterparties. The main customer of AB Vilniaus Baldai as at 31 December 2012 accounts for approximately 30 % (54 % as at 31 December 2011) of the total Group's trade and other receivables (Note 17, included within receivables "neither due nor impaired").

At the date of financial statements there are no indications of worsening credit quality of trade and other receivables, which are neither due, nor impaired, due to constant control by the Group of receivable balances. Also, in 2010 due to worsening of worldwide and Lithuanian economical conditions a decrease in real estate prices was noted. This factor had an impact to some related parties of the Group and Company which had significant investments into real estate. As it is further described in Note 15, this resulted in significant increase in impairment level of loans granted by the Group and the Company.

The Group and the Company trade only with recognised, creditworthy third parties. It is the Group's and the Company's policy, that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances of subsidiary companies are monitored on a monthly basis. The maximum exposure to credit risk is disclosed in Notes 15 and 17. There are no significant transactions of the Group or the Company that do not occur in the country of the relevant operating unit.

With respect to credit risk arising from other financial assets of the Group and the Company, which comprise deposits at banks and cash and cash equivalents, restricted cash and debt securities, the Group's and the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

For banks and financial institutions, only independently rated parties with high credit ratings are accepted (Note 18).

27 Financial risk management (cont'd)

27.1 Financial risk factors (cont'd)

Cash flow and fair value interest rate risk

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the non-current debt obligations with floating interest rates. Current environment is not attractive to target fixed interest rates (fixed interest rate is significantly higher than the float, and due to the volatility in the market fixed interest rates are offered for short period of time only). In real estate sector some credits are associated with the projects which last 2–3 years, therefore, the risk related to increase of the interest rate cannot be considered as high.

The Group and the Company are prepared to enter into interest rate swap agreements, if this allows to further mitigate risk.

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates (EURIBOR, LIBOR EUR, VILIBOR), with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's and the Company's equity, other than current year profit impact.

	Increase/decrease in basic points	Group	Company
		Effect on profit before tax	
2012			
EUR	100	(650)	-
LTL	100	(20)	-
EUR	-10	65	-
LTL	-10	2	-
2011			
EUR	100	(1,237)	-
LTL	100	(1)	-
EUR	-50	618	-
LTL	-50	1	-

27 Financial risk management (cont'd)

27.1 Financial risk factors (cont'd)

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet their commitments at a given date in accordance with strategic plans. The liquidity risk of the Group and the Company is controlled on an overall Group level. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and finance leases. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity management is to meet daily needs for funds. Each business segment is independently planning its internal cash flows. Short-term liquidity for the Group and the Company is controlled through weekly monitoring of the liquidity status and needs of funds according to the Group's business segments.

Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Group and the Company evaluate the possibilities to attract needed funds. On a monthly basis the business segments report to the Company the forecasted cash inflows and outflows for a future one year period which allows planning the Group's financing effectively. The general rule is applied in the Group to finance the Group companies or to take loans from them through the parent company in order to minimise the presence of direct borrowings between the companies of different business segments.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2012 and 2011 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	2,407	6,081	100,602	-	109,090
Finance lease obligations	-	69	155	445	-	669
Trade and other payables	-	27,882	491	337	-	28,710
Other liabilities	3,934	1,468	593	244	222	6,461
Balance as at 31 December 2012	**3,934**	**31,826**	**7,320**	**101,628**	**222**	**144,930**
Interest bearing borrowings	-	2,829	43,754	127,232	49	173,864
Finance lease obligations	-	76	213	424	-	713
Trade and other payables	-	34,198	287	-	-	34,485
Other liabilities	3,022	1,226	24	236	141	4,649
Balance as at 31 December 2011	**3,022**	**38,329**	**44,278**	**127,892**	**190**	**213,711**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2012 and 2011 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Interest bearing borrowings	-	-	9,399	-	-	9,399
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	43	12	-	-	55
Other current liabilities	1,980	60	26	-	-	2,066
Balance as at 31 December 2012	**1,980**	**103**	**9,437**	**-**	**-**	**11,520**
Interest bearing borrowings	-	6	36,033	-	-	36,039
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	630	-	-	-	630
Other current liabilities	2,079	76	-	-	-	2,155
Balance as at 31 December 2011	**2,079**	**712**	**36,033**	**-**	**-**	**38,824**

27 Financial risk management (cont'd)

27.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

In 2012 and 2011 all Group entities have complied with bank loan covenants.

The Group's liquidity ratio ((total current assets plus assets of disposal group classified as held-for-sale) / total current liabilities plus liabilities of disposal group directly associated with the assets classified as held-for-sale) as at 31 December 2012 was approximately 4.18 (2.90 as at 31 December 2011), the quick ratio ((total current assets – inventories) / total current liabilities) – 3.45 (2.60 as at 31 December 2011). The Company's liquidity ratio as at 31 December 2012 was approximately 14.72 (7.13 as at 31 December 2011), the quick ratio – 14.72 (7.03 as at 31 December 2011). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes actions to keep the favourable situation.

Price risk

The Group and the Company are exposed to equity securities price risk because of investments held by the Group and the Company and classified on the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group and the Company are not exposed to commodity price risk. To manage their price risk arising from investments in equity securities, the Group and the Company diversify their portfolio.

The Group's and the Company's investments in equity of other entities that are publicly traded are included in one of the following two equity indexes: OMX Baltic Benchmark Gross Index (OMXBBGI), WSE sWIG80 equity indexes.

The table below summarises the impact of increases/decreases of the two equity indexes on the Group's and the Companys profit before tax for the year. The analysis is based on the assumption that the equity indexes had increased/ decreased by 20 % with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index:

Index	**Group**		**Company**	
	2012	**2011**	**2012**	**2011**
OMXBBGI	672	2,774	672	249
SWIG80	3,808	4,852	3,808	4,852

Profit before tax for the year would increase/decrease as a result of gains/losses on equity securities classified at fair value through profit or loss.

27 Financial risk management (cont'd)

27.1 Financial risk factors (cont'd)

Foreign exchange risk

As a result of operations the statement of financial position of the Group can be affected by movements in the reporting currencies' exchange rates. The Group's and the Company's policy is related to matching of money inflows from the most probable potential sales with purchases by each foreign currency. The Group and the Company do not apply any financial means allowing to hedge foreign currency risks, because these risks are considered insignificant.

The foreign currency risk at the Group and the Company is not large, taking into consideration that most monetary assets and obligations are denominated in each separate company's functional currency or euro. In Lithuania and in Latvia the Euro is pegged to Litas and Lats accordingly, therefore, there are no fluctuations between these currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's and the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/decrease in forex rate	Group	Company
		Effect on profit before tax	
2012			
PLN/LTL	+10 %	981	1,002
USD/LTL	+10 %	237	268
PLN/LTL	-10 %	(981)	(1,002)
USD/LTL	-10 %	(237)	(268)
2011			
PLN/LTL	+10 %	1,593	1,549
USD/LTL	+10 %	106	-
PLN/LTL	-10 %	(1,593)	(1,549)
USD/LTL	-10 %	(106)	-

27.2 Fair value estimation

The Group's and the Company's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, deposits at banks, restricted cash, trade and other receivables, granted loans, trade and other payables, non-current and current borrowings, investments available-for-sale.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The carrying amount of the financial assets and financial liabilities of the Group and the Company as at 31 December 2012 and 2011 approximated their fair value, except for bank borrowings as at 31 December 2012. The fair value of bank borrowings as at 31 December 2012 was LTL 98,659 thousand (the carrying amount – LTL 104,592 thousand). The fair value of bank borrowings as at 31 December 2011 was LTL 116,850 thousand (the carrying amount – LTL 125,615 thousand). The fair value was calculated using 4.47 % and 5.71 % interest rate as at 31 December 2012 and 2011, respectively. The carrying amount of loans granted by the Company approximates their fair value because interest rates are reviewed and adjusted when market rates change.

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and current borrowings from related parties approximates to their fair value.
(b) The fair value of bank borrowings is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile.

27 Financial risk management (cont'd)

27.2 Fair value estimation (cont'd)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2012:

	Level 1	Level 2	Level 3	Total balance
Assets				
Shares of Trakcja S.A	9,958	-	-	9,958
Held-for-trading securities	7,748	15,268	-	23,016
Total Assets	17,706	15,268	-	32,974
Liabilities	-	-	-	-

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2011:

	Level 1	Level 2	Level 3	Total balance
Assets				
Shares of Trakcja S.A	15,491	-	-	15,491
Held-for-trading securities	16,840	15,268	-	32,108
Total Assets	32,331	15,268	-	47,599
Liabilities	-	-	-	-

During 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements. Level 2 includes acquired unlisted bonds of financial institution which is listed on NASDAQ OMX Vilnius. There are no instruments in Level 3.

The available-for-sale financial assets owned by the Group are measured at cost in accordance with IAS 39 because their fair value cannot be measured reliably, as they have no quoted market prices in an active market.

27 Financial risk management (cont'd)

27.3 Capital management

The primary objective of the capital management is to ensure that the Group and the Company maintain a strong credit health and healthy capital ratios in order to support their business and maximise shareholder value. The Company's management supervises the investments so that they are in compliance with requirements applied to the capital, specified in the appropriate legal acts and credit agreements, as well as provide the Group's management with necessary information.

The Group's and the Company's capital comprises share capital, share premium, reserves and retained earnings.
The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2012 and 2011.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. Due to significant changes in investment property prices, turmoil in financial markets and economic crisis from 2008 in Lithuania, as of 31 December 2012 twenty subsidiaries (in real estate segment – thirteen, information technology segment – one, facilities management – one, other segment – five) did not comply with the above mentioned requirements (2011: twenty three; real estate segment – twelve, information technology segment – three, facilities management – two, other segment – six). If subsidiaries, based on the current year results, violate requirements of the laws, according to the order and terms provided for in laws the Company shall apply the appropriate means so that the aforementioned requirements on the capital would be met. It is expected that after the issuance of annual financial statements appropriate measures will be taken in order to increase share capitals of the above mentioned companies capitalising to equity of subsidiaries the loans granted by the Company.

Besides, some Group subsidiaries have obligations arising out of credit agreements concluded with banks, including capital. For the purpose of ensuring of bank credits it is required that the ratio of equity plus subordinated borrowings divided by total assets would be not less than specified in the appropriate agreements. Depending on risks related to projects and activities under development the ratio required by banks is 0.2–0.3. The Company, when subordinating credits, seeks to ensure that the subsidiaries comply with this ratio.

28 Commitments and contingencies

Operating lease commitments – Group as a lessee

The Group and the Company concluded several contracts of operating lease. The terms of lease do not include restrictions on the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

The majority of the Group's operating lease expenses include lease of premises after the sale of investment property in 2007. The Group's company AB Invalda Nekilnojamojo Turto Fondas concluded the operating lease back agreement with an Irish private investor for the sold investment properties of the Group. Lease payments and the sale price of the investment properties are accounted for at fair value. Operating lease back term – 10 years, but the agreement might be unilaterally terminated by the parties. The Group paid a one time deposit in the amount of LTL 2,848 thousand corresponding to the 6 months amount of the lease fee which will be set-off against the last part of lease fee at the termination of the lease.

In 2012 and 2011, the lease expenses of the Group amounted to LTL 7,986 thousand and LTL 7,588 thousand, respectively. In 2012 and 2011, the lease expenses of the Company amounted to LTL 271 thousand and LTL 237 thousand, respectively.

Future lease payments according to the signed operating lease contracts are as follows:

		Group		Company	
		2012	2011	2012	2011
Within one year					
	- lease of premises	5,620	5,470	-	81
	- other lease	468	653	101	72
		6,088	6,123	101	153
From one to five years					
	- lease of premises	18,262	23,662	-	-
	- other lease	670	600	137	64
		18,932	24,262	137	64
After five years					
	- lease of premises	-	1,032	-	-
	- other lease	-	-	-	-
		-	1,032	-	-
		25,020	**31,417**	**238**	**217**
Denominated in:					
- EUR		23,424	29,591	56	100
- LTL		1,596	1,826	182	117

28 Commitments and contingencies (cont'd)

Operating lease commitments – Group as a lessor

The Group companies operating in real estate segments have entered into commercial property leases of the Group's investment properties under operating lease agreements. The majority of the agreements have remaining terms of between 1 and 5 years.

Future rentals receivable under non-cancellable and cancellable operating leases as at 31 December are as follows:

		2012	2011
Within one year			
	- non-cancellable	4,939	3,560
	- cancellable	4,070	4,475
		9,009	8,035
From one to five years			
	- non-cancellable	3,842	1,882
	- cancellable	2,666	2,571
		6,508	4,453
After five years			
	- non-cancellable	-	-
	- cancellable	301	-
		301	-
		15,818	**12,488**

Future rentals receivable under non-cancellable and cancellable operating subleases as at 31 December are as follows:

		2012	2011
Within one year			
	- non-cancellable	2,678	622
	- cancellable	2,700	4,558
		5,378	5,180
From one to five years			
	- non-cancellable	5,779	653
	- cancellable	3,801	10,995
		9,580	11,648
After five years			
	- non-cancellable	-	-
	- cancellable	-	-
		-	-
		14,598	**16,828**

For the cancellable lease and sublease agreements, tenants must notify the administrator 3–6 months in advance if they wish to cancel the rent agreement and have to pay 3–12 months rent fee penalty for the cancellation. According to non-cancellable lease and sublease agreements tenants must pay the penalty equal to rentals receivable during the whole remaining lease period.

Part of leases and subleases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Tax legislation

Tax authorities have right to examine accounting records of the Company and its subsidiaries at anytime during the 5 year period after the current tax year and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances which would raise substantial liability in this respect to the Company and to the Group.

29 Related party transactions

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions.

The related parties of the Group in 2012 and 2011 were associates, joint ventures, the shareholders of the Company (Note 1) and key management personnel, including companies under control or joint control of key management and shareholders having significant influence. In 2012 and 2011 UAB Laikinosios Sostinės Projektai, over which the Group has lost joint control, is also attributed to the list of related parties (under the subgroup of joint ventures).

Receivables from related parties are presented in gross amount (without allowance, with interests, which are calculated according to the agreement on gross amount disregard the allowance). Interest income and expenses are presented in the 'revenue' and 'purchases' columns, respectively.

Transactions of the Group with associates in 2012 and balances as at 31 December 2012 were as follows:

2012 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	-	-	-	-
Real estate income	22	-	-	-
	22	-	-	-

Transactions of the Group with joint ventures in 2012 and balances as at 31 December 2012 were as follows:

2012 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	48	-	6,653	-
Real estate income	-	-	40	-
	48	-	6,693	-

Transactions of the Group with shareholders and key management personnel in 2012 and balances as at 31 December 2012 were as follows:

2012 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	289	-	708	-
Sale of apartments	1,078	-	-	-
	1,367	-	708	-

The maturity of loans granted is 2013, effective interest rate is 4 – 6.25 % and fixed. Loans hold no collateral.

Transactions of the Group with companies under control of shareholders with significant influence were convertible bonds in 2012 and 2011 (Note 20).

29 Related party transactions (cont'd)

Transactions of the Group with associates in 2011 and balances as at 31 December 2011 were as follows:

2011 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	48	-	-	-
Real estate income	40	-	3	-
Furniture segment	-	1,541	-	71
Roads and bridges construction segment	266	3,905	86	-
Other	197	8	26	-
	551	5,454	115	71

Transactions of the Group with joint ventures in 2011 and balances as at 31 December 2011 were as follows:

2011 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	60	-	6,687	-
Real estate income	1	-	40	-
Other	7	-	-	-
	68	-	6,727	-

Transactions of the Group with other related parties in 2011 and balances as at 31 December 2011 were as follows:

2011 Group	**Interest income**	**Purchases from related parties**	**Loans granted**	**Payables to related parties**
Shareholders and key management	882	-	12,041	-

The maturity of loans granted is 2012 - 2013, effective interest rate is 6 – 6.25 % and fixed. Loans hold no collateral.

29 Related party transactions (cont'd)

The Company's related parties are the subsidiaries, associates, joint ventures, shareholders (Note 1), key management personnel and companies under control or joint control of key management and shareholders with significant influence.

Transactions of the Company with subsidiaries in 2012 and balances as at 31 December 2012 were as follows:

2012 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	10,153	138	160,030	9,124
Real estate income	-	155	-	6
Dividends	28,740	-	-	-
Other	-	26	49	-
	38,893	319	160,079	9,130

There are no any Transactions of the Company with associates in 2012 and balances as at 31 December 2012.

Transactions of the Company with joint ventures in 2012 and balances as at 31 December 2012 were as follows:

2012 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	48	-	6,653	-

The maturity of loans granted is till 2013, effective interest rate 4 - 11 % and fixed, for borrowings received maturity is 2013, effective interest rate 3 - 4 % and fixed.

There were no transactions of the Company with other related parties in 2012 and balances as at 31 December 2012.

29 Related party transactions (cont'd)

Transactions of the Company with subsidiaries in 2011 and balances as at 31 December 2011 were as follows:

2011 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	7,903	1,293	157,177	353
Real estate income	-	160	-	4
Dividends	-	-	-	-
Other	-	21	217	-
	7,903	1,474	157,394	357

Transactions of the Company with associates in 2011 and balances as at 31 December 2011 were as follows:

2011 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	48	-	-	-
Roads and bridges construction segment	-	3,491	-	-
	48	3,491	-	-

Transactions of the Company with joint ventures in 2011 and balances as at 31 December 2011 were as follows:

2011 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	60	-	6,687	-

The maturity of loans granted is till 2012, effective interest rate 6 - 11 % and fixed, for borrowings received maturity is 2012, effective interest rate 5 %.

Transactions of the Company with other related parties in 2011 and balances as at 31 December 2011 were as follows:

2011 Company	**Interest income**	**Purchases from related parties**	**Loans granted**	**Payables to related parties**
Shareholders and key management	-	-	-	-

The movements of loan granted to joint ventures were:

	Group		**Company**	
	2012	**2011**	**2012**	**2011**
At 1 January	**6,687**	**6,856**	**6,687**	**6,856**
Loans granted during year	818	872	818	872
Loans repayment received	(851)	(500)	(851)	(500)
Loans converted to increased share capital	-	(100)	-	(100)
Sale of loans to third parties (sale price equalled to the carrying amount)	-	(501)	-	(501)
Interest charged	48	60	48	60
Interest received	(49)	-	(49)	-
At 31 December	**6,653**	**6,687**	**6,653**	**6,687**

29 Related party transactions (cont'd)

The movements of loans granted to associates were:

	Group		Company	
	2012	**2011**	**2012**	**2011**
At 1 January	**-**	**2,173**	**-**	**2,173**
Loans granted during year	-	-	-	-
Loans and interest converted to increased share capital	-	(1,351)	-	(1,351)
Interest charged	-	48	-	48
Interest received		(870)		(870)
At 31 December	**-**	**-**	**-**	**-**

The movements of loans granted to subsidiaries were:

	Company	
	2012	**2011**
At 1 January	**157,177**	**71,906**
Loans granted during year	34,256	114,540
Loans repayment received	(27,534)	(41,748)
Loans and interest converted to increased share capital	(18,651)	(21,740)
Loans granted to third parties, which became granted to subsidiaries after acquisition of its	-	26,950
Loans granted purchased within the Group without cash	9,695	-
Interest settlement against amounts payable	(44)	-
Loans granted settlement against purchase of held-for-trade financial assets within Group	(4,082)	-
Interest charged	10,153	7,903
Interest received	(940)	(634)
At 31 December	**160,030**	**157,177**

The movements of loans granted to shareholders were:

	Group	
	2012	**2011**
At 1 January	**12,041**	**13,975**
Loans granted during year	-	5,750
Loans repayment received	(10,407)	(7,479)
Interest charged	289	882
Interest received	(1,215)	(1,087)
At 31 December	**708**	**12,041**

The movements of borrowings from subsidiaries were:

	Company	
	2012	**2011**
At 1 January	**353**	**46,553**
Borrowings received during year	150	18,396
Borrowings repaid during year	(1,212)	(53,476)
Borrowings settlement against dividends receivable	-	(11,194)
Borrowings originated from purchasing of granted loan within the Group without cash	9,695	-
Interest charged	138	1,293
Interest paid	-	(1,219)
At 31 December	**9,124**	**353**

29 Related party transactions (cont'd)

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free (except as stated above) and settlement occurs in cash. In 2012 the Company has recognised additional impairment losses in respect of loans due from subsidiaries, amounting to LTL 823 thousand (LTL 7,074 thousand in 2011). As at 31 December 2012 the impairment allowance for the Company's loans granted to UAB Laikinosios Sostinės Projektai and subsidiaries, amounted to LTL 5,808 thousand and LTL 2,438 thousand, respectively (LTL 5,808 thousand and LTL 8,405 thousand, respectively, in 2011). The impairment allowance for the Company's loans granted to subsidiaries has decreased due to reversal of impairment (LTL 170 thousand in 2012) and as a result of converting loans to increased share capital (LTL 6,620 thousand). As at 31 December 2012 the cumulative interest amount, which is not recognised in the financial statements, but is calculated according to the loans' agreements, for Company's loans granted to joint ventures and subsidiaries, amounted to LTL 31 thousand and 1,529 thousand (LTL 31 thousand and LTL 1,057 thousand, respectively, in 2011). The impairment allowance was increased in 2011 due to decrease of the carrying amount of assets of subsidiaries, operating in real estate segment. Doubtful debts assessment is undertaken at the end of each financial year through examination of the financial position of the related party and the market in which the related party operates.

Key management compensation and other payments

The management remuneration contains short-term employees' benefits and share-based payments. Key management of the Company and the Group includes Board members and Chief accountant and the General Managers, which manage the Group's segment, (excluding associates and joint ventures), respectively.

	Group		Company	
	2012	**2011**	**2012**	**2011**
Wages, salaries and bonuses	3,028	1,901	1,548	805
Social security contributions	959	604	500	259
Bonus for the Board members	3,000	945	-	-
Share-based payments	(43)	309	-	-
Total key management compensation	6,944	3,759	2,048	1,064

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2012 and 2011 dividends were not paid.

30 Events after the reporting period

Split-off of the Company

On 20 November 2012 the Extraordinary General Shareholders Meeting of the Company approved drawing up of the terms of the Company's split-off and authorized the Board to prepare the terms of split-off. On 13 February 2013 the split-off terms were published to public. The new name of the Company after the split-off would be AB Invalda LT. The name of new established company after split-off would be AB Invalda Privatus Kapitalas. In the split-off approximately 45.45 percent of the total assets, liabilities and the equity of the Company will be allocated to AB Invalda Privatus Kapitalas. According to the split-off terms some assets are allocated not proportionally (in full to one or other side), some assets are allocated proportionally. The entities that invest into agricultural land were split-off in the 1st Quarter 2013 into separate legal entities. New entities would be allocated in full to one or other side. Remaining assets will be allocated under the principle that transferred assets to AB Invalda Privatus Kapitalas would constitute approximately 45.45 percent of total assets of the Company as of the day of executing of the Transfer – Acceptance Certificates. The Extraordinary General Shareholder Meeting that will decide regarding approval of the terms of the Company's split-off is convened on 9 April 2013. The shareholders holding the shares with the nominal value of less than 1/10 of the authorized capital of the Company, except the shareholders whose rights to sell shares to the Company during the split – off are limited according to the split – off terms, will have a right within 45 days after approval of the split – off terms by the general meeting of shareholders to request that their shares would be redeemed by the Company. If more than 10 percent of the Company shares are requested to be redeemed, they will not be redeemed, but the split-off will be cancelled. The split – off will also be cancelled, if the major shareholders sell their shares through the redemption. If the terms of split-off are approved by Shareholders' meeting and split-off is not cancelled due to reasons described above, it would be completed till end of May 2013. Below the split-off of the balance sheet of the Company as at 31 December 2012 is presented:

	The Company before split-off	Assets allocated fully		Loans and investments into entities, which invests into agriculture land		Assets allocated proportionally strictly		Other assets
		Invalda LT	Invalda Privatus Kapitalas	Invalda LT	Invalda Privatus Kapitalas	Invalda LT	Invalda Privatus Kapitalas	
Property, plant and equipment	127	-	-	-	-	-	-	127
Intangible assets	13	-	-	-	-	-	-	13
Investments into subsidiaries	98,119	56,137	10,512	2,467	2,033	13,038	10,862	3,070
Investments into associates and joint ventures	685	-	685	-	-	-	-	-
Investments available-for-sale	1,817	-	-	-	-	-	-	1,817
Non-current loans granted	82,862	25,281	13,663	2,289	2,612	16,671	13,889	8,457
Deferred income tax assets	17,401	-	-	-	-	-	-	17,401
Total non-current assets	**201,024**	**81,418**	**24,860**	**4,756**	**4,645**	**29,709**	**24,751**	**30,885**
Current assets								
Trade and other receivables	273	-	-	17	31	-	-	225
Current loans granted	104,193	2,515	42,280	14,508	11,862	-	-	33,028
Prepayments and deferred charges , prepaid income tax	158	-	74	-	-	-	-	84
Financial assets at fair value through profit loss	32,974	-	-	-	-	-	-	32,974
Cash and cash equivalents, term deposits	33,571	-	-	-	-	-	-	33,571
Total current assets	**171,169**	**2,515**	**42,354**	**14,525**	**11,893**	**-**	**-**	**99,882**
Total assets	**372,193**	**83,933**	**67,214**	**19,281**	**16,538**	**29,709**	**24,751**	**130,767**

30 Events after the reporting period (cont'd)

Split-off of the Company (cont'd)

Assets, equity, liabilities as at 31 December 2012	Invalda LT	Invalda Privatus Kapitalas	The Company before split-off
Assets allocated according to Split-off conditions not proportionally	103,214	83,752	186,966
Assets allocated according to Split-off conditions proportionally	29,709	24,751	54,460
Other assets	70,117	60,650	130,767
Total	**203,040**	**169,153**	**372,193**
Equity	196,694	163,867	360,561
Liabilities	6,346	5,286	11,632
Total	**203,040**	**169,153**	**372,193**

The assets and liabilities of the Group entities, which would be transferred from the Group according to the terms of the split-off, recognised in the statement of financial position are follows (inter-group balances are eliminated):

	Carrying amount as at 31 December 2012
Intangible assets	959
Investment properties	59,176
Property, plant and equipment	38,889
Associates	685
Deferred tax assets	1,598
Inventories	36,048
Trade and other receivables	23,412
Prepaid income tax	1,316
Prepayment and deferred charges	3,070
Term deposits and restricted cash	21,377
Cash and cash equivalents	7,887
Total assets	**194,417**
Deferred tax liabilities	(1,348)
Non-current bank borrowings and financial lease liabilities	(1,340)
Other non-current liabilities	(1,868)
Current bank borrowings and financial lease liabilities	(168)
Trade payables	(19,283)
Other current liabilities	(7,794)
Total liabilities	**(31,801)**
Total net assets	**162,616**

The Group would loose control of AB Vilniaus Baldai and this subsidiary would become an associate of the Group. The assets and liabilities of AB Vilniaus Baldai are included in the table above. The carrying amount of the proportion of net assets that would be attributable to the Group is LTL 28,337 thousand as at 31 December 2012 and these would be recognized as an associate at fair value at the time of split off. The assets and liabilities of the Company, which are recognised in the consolidated statement of financial position and which would be transferred from the Company according to the terms of the split-off, are equal to LTL 54,090 thousand and LTL 1,136 thousand, respectively (net assets are equal to LTL 52,954 thousand) as of 31 December 2012.

30 Events after the reporting period (cont'd)

Acquisition of own shares

From 19 February 2013 until 5 March 2013 the Company implemented share buy-back through the market of official offer. Maximum number of shares to be acquired was 5,180,214. Share acquisition price established at LTL 8,287 per share. All offered shares were bought-back, the Company has paid for own shares LTL 42,950 thousand, including brokerage fees. Acquired own shares do not have voting rights.

After share buy-back the shareholders of the Company are (by votes):

	Number of votes held	Percentage
Mrs. Irena Ona Mišeikiene	12,434,159	26.67%
Mr. Vytautas Bučas	8,198,367	17.58%
Mr. Algirdas Bučas	4,234,709	9.08%
Mr. Darius Šulnis	3,984,762	8.55%
UAB Lucrum Investicija	3,836,621	8.23%
UAB LJB Investments*	3,698,116	7.93%
Mr. Alvydas Banys	2,029,624	4.35%
Mrs. Daiva Banienė	1,836,234	3.94%
Other minor shareholders	6,369,340	13.67%
Total	46,621,932	100.00%

*UAB RB Finansai was merged with UAB LJB Investments in February 2013.

Consolidated Annual Report of Invalda AB for the year 2012

Prepared according to The Rules for the Drawing-up and the Submission of the Periodic and Additional Information, approved by
Resolution No. 1K-3 of 23.02.2007 of the Lithuanian Securities Commission

Approved by the Board decision No. 2013- 08 passed on 9 April, 2013

Translation note:

This version of the Annual Report 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.

CONTENTS

Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of Invalda AB

We have audited the accompanying stand-alone and consolidated financial statements of Invalda AB ("the Company") and its subsidiaries ("the Group"), which comprise the stand-alone and consolidated statements of financial position as of 31 December 2012 and the stand-alone and consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements"), and which are published separately from the consolidated annual report. We expressed an unmodified opinion on the financial statements in our report dated 9 April 2013.

Furthermore, we have read the consolidated annual report for the year ended 31 December 2012 set out on pages 5 - 73 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2012.

For a better understanding of the financial position of the Company and the Group as of 31 December 2012, and of their financial performance and their cash flows for the year then ended, the consolidated annual report for the year ended 31 December 2012 should be read in conjunction with the financial statements which are published separately.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Rasa Radzevičienė
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
9 April 2013

PricewaterhouseCoopers UAB, J. Jasinskio 16B, LT-01112 Vilnius, Lithuania
T: +370 (5) 239 2300, F: +370 (5) 239 2301, E-mail: vilnius@lt.pwc.com, www.pwc.com/lt

I. General Information

1. Reporting period for which the report is prepared

The report is prepared for the year 2012.

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

2.1. Information about the Issuer

Name and legal form of the Issuer	Public company Invalda, hereinafter Invalda AB
Enterprise code	121304349
Address	Seimyniskiu str. 1A, LT-09312 Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	info@invalda.lt
Website	www.invalda.lt
Date and place of registration	March 20, 1992, Register of Enterprise of Vilnius
Register, in which data about the Company are accumulated and stored	Register of Legal Entities

Invalda AB is one of the largest Lithuanian investment companies whose primary objective is to steadily increase the investor equity value. For the purpose of attainment of this objective Invalda AB actively manages its investments, exercising control or significant influence over target businesses.

Invalda AB started the activity in 1991. Its equities have been traded on the NASDAQ OMX Vilnius Exchange since 1995.

In respect of each business Invalda AB defines its performance objectives, sets up the management team, participates in the development of the business strategy and monitors its implementation. We play an active role in passing decisions on strategic and other important issues that have an effect upon the value of the group companies.

2.2. Information about other companies comprising the Issuer's group

The main sectors of Invalda AB are the following: furniture manufacturing, real estate, facility management, agriculture and information technology (IT) infrastructure.

Group's companies and their contacts are presented in Appendix 1 of this report.

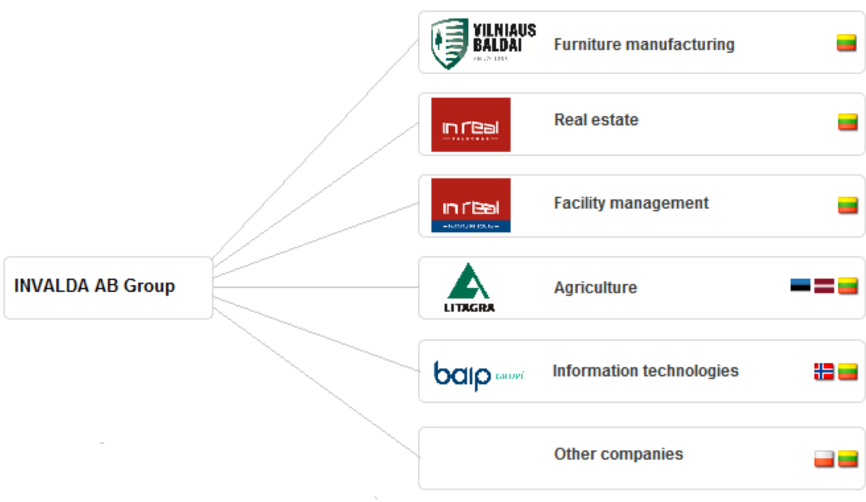
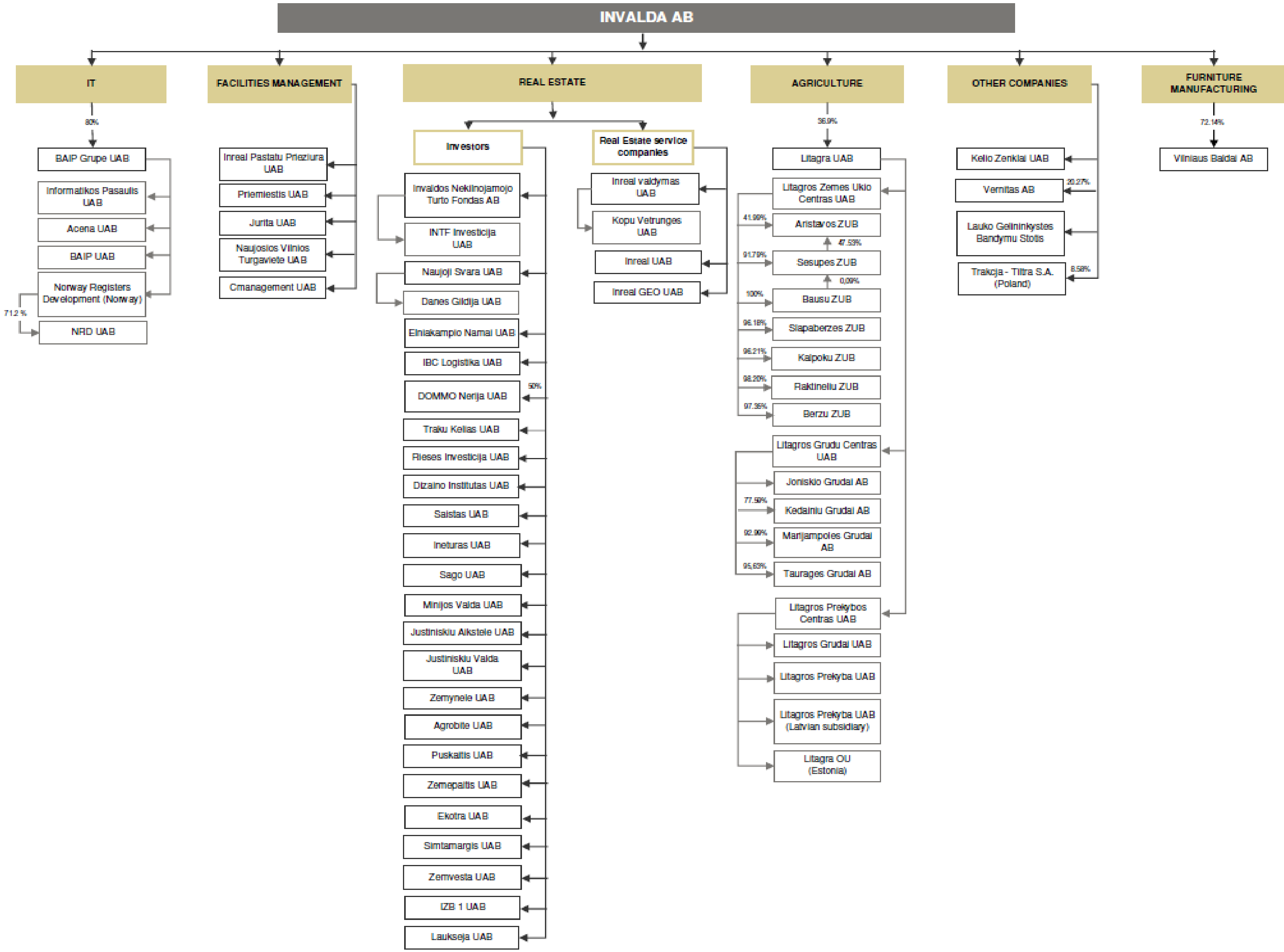


Fig. 2.2.1. The main sectors of Invalda AB group as of December 31, 2012



Picture 2.2.2. Simplified structure of Invalda AB group management as of group as of December 31, 2012

3. Agreements with intermediaries on public trading in securities

Invalda AB has signed agreements with these intermediaries:

- Finasta AB FMI (Maironio str. 11, Vilnius, Lithuania, tel. +370 5 278 6833) – the agreement on investment services, the agreement on management of securities accounting, the agreement on payment of dividends;
- Bank Finasta AB (Maironio str. 11, Vilnius, tel. +370 5 203 2233) – the agreement on management of securities account, the agreement on investment services;
- Siauliu Bankas AB (Tilzes str. 149, Siauliai, Lithuania, tel. +370 41 595 607) – the agreement on management of securities account and intermediation;
- DnB Bankas AB (J. Basanaviciaus str. 26, Vilnius, Lithuania, tel. +370 5 239 3503) – the agreement on financial instruments account management, implementation of orders and offering recommendations;
- SEB Bankas AB (Gedimino ave. 12, Vilnius, Lithuania, tel. +370 5 268 2370) – the agreement on securities accounting;
- Medicinos Bankas UAB (Pamenkalnio str. 40, Vilnius, Lithuania, tel. +370 5 264 4845) - the agreement on management of securities account;
- FMI Orion Securities UAB (A. Tumeno str. 4, block B, Vilnius, Lithuania, tel. +370 5 231 3841) - the agreement on investment services;
- Dom Maklerski BZ WBK S.A. (Pl. Wolnosci str. 15, 60-967 Poznan, Poland, tel. +48 61 856 48 80) – the agreement of intermediation;
- AB SEB Pank (Tornimae str. 2, 15010 Tallin, Estonia, tel. +372 6657 772) - the agreement of intermediation.

4. Information on Issuer's branches and representative offices

Invalda AB has no branches or representative offices.

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

The Articles of Association of Invalda 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).

During the reporting period the Company's Articles of Association were amended twice:

- The amended version of the Articles of Association of Invalda AB was registered on March 30, 2012. The share capital of Invalda AB was increased from 51,659,758 litas to 57,557,940 litas.
- The new version of the Articles of Association of Invalda AB was registered on August 6, 2012. The Articles of Association were amended due to reduction of the share capital of the Company for the purpose of cancelling of the shares acquired by the Company. The share capital was decreased from 57,557,940 litas to 51,802,146 litas, by cancelling 5,755,794 ordinary registered shares at par value of 1 litas.

Actual wording of the Articles of Association is dated as of August 6, 2012. The document has been published on the Company's website.

II. Information About Securities

6. Information about Issuer's authorised capital

6.1. Structure of the authorised capital

Table 6.1.1. Structure of Invalda AB authorised capital as of December 31, 2012

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	51,802,146	51,802,146	1	51,802,146	100.00

Table 6.1.2. Structure of Invalda AB authorised capital as of April 8, 2013

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	51,802,146	46,621,932	1	51,802,146	100.00

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

6.2. Adjustments of the authorised capital

Information concerning adjustments of Invalda AB authorised capital during past 10 years is presented below:

- During the period from October 15, 1996 till October 1, 2004 the authorised capital of Invalda AB amounted to 38,000,000 litas. It was divided into 38,000,000 ordinary registered shares of nominal value of 1 litas.
- The increased authorised capital of 40,417,339 litas was registered and divided into 40,417,339 ordinary registered shares of nominal value of 1 litas on October 1, 2004. The emission of 2,417,339 shares was issued during the process of reorganisation when Kremi AB shares were changed into Invalda AB ones.
- Invalda AB the General Shareholders' Meeting held on November 21, 2005 passed the resolution to increase the authorised capital of the Company by 1,317,323 litas from 40,417,339 litas up to 41,734,662 litas, by issuing 1,317,323 shares of nominal value of 1 litas. The amended Articles of Association were registered in the Register of Legal Entities on November 24, 2005. The increased authorised capital amounted to 41,734,662 litas and was divided into 41,734,662 ordinary registered shares of nominal value of 1 litas.
- Invalda AB and Pozityvios Investicijos AB reorganization was completed on June 30, 2006. Pozityvios Investicijos AB was merged with Invalda AB. During reorganisation shares of Pozityvios Investicijos AB were changed into Invalda AB shares – the emission of 3,273,714 Invalda AB shares was issued. After the reorganisation the authorised capital of Invalda AB amounted to 45,008,376 litas and was divided into 45,008,376 shares of nominal value of 1 litas.
- The reorganisation of Invalda AB and one of the major shareholders Nenuorama AB was finished on September 28, 2007. Nenuorama AB was merged with Invalda AB. Changing Nenuorama AB shares into Invalda AB ones, the emission of 19,866,060 shares was issued. Following the terms of the reorganisation 22,305,587 Invalda AB shares held by Nenuorama AB were annulled. After reorganisation the authorised capital of Invalda AB amounted to 42,568,849 litas and was divided into 42,568,849 shares of nominal value of 1 litas.
- The share capital of Invalda AB was increased by 9,090,909 litas, from 42,568,849 litas till from 51,659,758 litas issuing 9,090,909 ordinary registered shares of nominal value of 1 litas on February 3, 2010. New shares were issued after conversion of 50,000,000 litas bonds issue.
- The share capital of Invalda AB was increased by 5,898,182 litas, from 51,659,758 litas till 57,557,940 litas issuing 5,898,182 ordinary registered shares of nominal value of 1 litas on March 30, 2012. New shares were issued after conversion of 32,440,000 litas bonds issue.
- On August 6, 2012 the share capital of Invalda AB was decreased by 5,755,794 litas, from 57,557,940 litas till 51,801,146 litas canceling 5,755,794 ordinary registered shares of nominal value of 1 litas. The authorised capital of Invalda AB was decreased due to reduction of the share capital of the Company for the purpose of cancelling of the shares acquired by the Company.

6.3. Rights and obligations carried by the shares

6.3.1. Rights of the shareholders

The Company's shareholders have the following property and non-property rights:

1) to receive a part of the Company's profit (dividend);

2) to receive part of the Company's funds, when the Company's authorised capital is decreased, in order to pay the shareholders from the Company's funds;

3) to receive shares without payment if the authorised capital is increased out of the Company funds, except in cases provided by the laws of the Republic of Lithuania;

4) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders' Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;

5) to lend to the Company in the manner prescribed by laws;

6) to sell or otherwise transfer owned shares;

7) to receive a part of assets of the Company in liquidation;

8) other property rights provided by laws;

9) to attend the General Shareholders' Meetings;

10) to vote at the General Shareholders' Meetings according to voting rights carried by their shares;

11) to receive information on the Company specified in the Law on Companies of the Republic of Lithuania;

12) to appeal to the court for reparation of damage resulting from nonfeasance or malfeasance by the Company's manager and the Board members of their obligations prescribed by the Law on Companies of Republic of Lithuania and other laws of the Republic of Lithuania and the Company's Articles of Association as well as in other cases laid down by laws;

13) to submit the questions to the General Shareholders' Meeting related to the agenda issues to the Company in advance;

14) to authorise natural or legal person to represent his interests in relations with the Company and other persons

15) other non-property rights established by laws and the Company's Articles of Association.

6.3.2. Obligations of the shareholders

The shareholders have no property obligations to the Company, except for the obligation to pay up, in the established manner, all the shares subscribed for at their issue price.

If the General Shareholders' Meeting takes a decision to cover the losses of the Company from additional contributions made by the shareholders, the shareholders who voted "for" shall be obligated to pay the contributions. The shareholders who did not attend the General Shareholders' Meeting or voted against such a resolution shall have the right to refrain from paying additional contributions.

A shareholder shall repay the Company any dividend paid out in violation of the mandatory norms of the Law on Companies, if the Company proves that the shareholder knew or should have known thereof.

The shareholder shall provide for the Company with any changes in the following data: personal number, address, phone number, and bank account number. If the shareholder fails to communicate the afore mentioned details, provision of information by the known address or payment of money to the account indicated by the shareholder on the part of Invalda AB will be considered as proper execution by Invalda AB of its relevant obligation towards the shareholder.

7. Shareholders

There are no shareholders entitled to special rights of control.

Invalda AB has no knowledge of any restriction on voting rights or mutual agreements between the shareholders, that might result in the restriction of shares transfer and (or) voting rights. There are no agreements to which the Issuer is a party and which would come into effect of being amended or terminated in case of change in the Issuer's control.

As of December 31, 2012 the total number of shareholders was 6,199 (as of December 31, 2011 it was 6,610).

Table 7.1. Shareholders who held title to more than 5% of Invalda AB authorised capital and / or votes as of December 31, 2012

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 voices (total votes of the persons acting in concert)	Total (together with the persons acting in concert)
Mr. Vytautas Bucas	8,198,367	15.83	15.83	8.21	24.04
Mr. Darius Sulnis	3,984,762	7.69	7.69	16.35	
Mr. Dalius Kaziunas	271,346	0.52	0.52	23,52	
Ms. Dovilė Kaziunienė	380	0.001	0.001	24.04	
Ms. Indre Misekyte	455,075	0.88	0.00[1]	24.04	
Ms. Irena Ona Miseikiene	13,344,309	25.76	24.00[1]	0.00	24.00
UAB „Lucrum investicija“, code 300806471, Seimyniškių str. 3, Vilnius	0	0	0.00	7.41[2]	7.41
Ms. Daiva Baniene	1,836,234	3.54	3.54	11.06	14.60
Mr. Alvydas Banys	3,779,624	7.30	3.92[1]	10.68	
UAB „RB finansai“, code 301999571, A. Juozapavičiaus str. 9 A	3,279,972	6.33	6.33	8.27	
UAB „LJB investments“, code 300822575, P. Smuglevičiaus str. 20, Vilnius	418,144	0.81	0.81	13.79	
Mr. Algirdas Bucas	4,501,030	8.69	8.18[1]	0.00	8.18

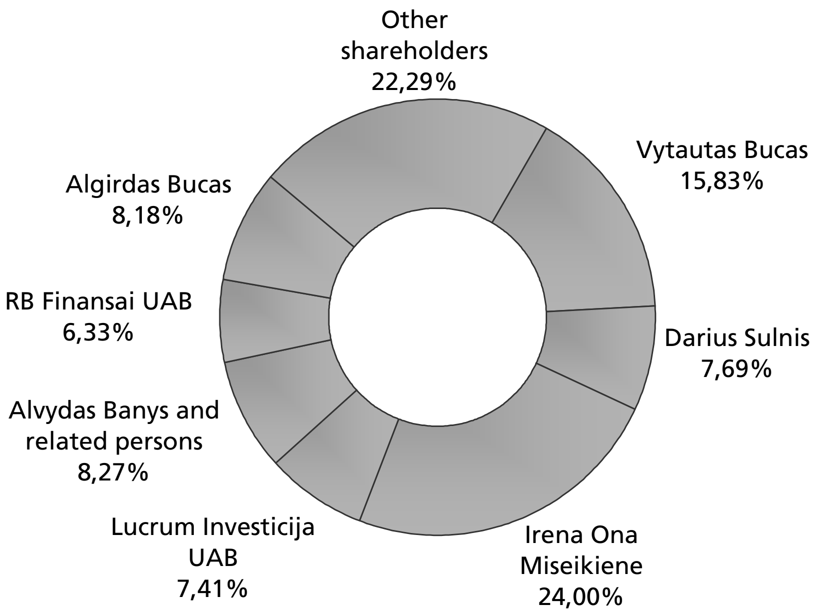


Fig. 7.1. Votes as of December 31, 2012

[1] The shareholder has acquired some of the Company's shares from other shareholders on the basis of repurchase agreement without voting rights.
[2] The shareholder has transferred some of the Company's shares to other shareholders on the basis of repurchase agreement without giving up voting rights.

Table 7.2. Shareholders who held title to more than 5% of Invalda AB authorised capital and / or votes as of April 8, 2013

<table>
<tr><th rowspan="2">Name of the shareholder or Company</th><th rowspan="2">Number of shares held by the right of ownership, units</th><th rowspan="2">Share of the authorised capital held, %</th><th colspan="3">Share of the votes, %</th></tr>
<tr><th>Share of votes given by the shares held by the right of ownership</th><th>Indirectly held voices (total votes of the persons acting in concert)</th><th>Total (together with the persons acting in concert)</th></tr>
<tr><td>Mr. Vytautas Bucas</td><td>8,198,367</td><td>15.83</td><td>17.58</td><td>9.13</td><td rowspan="5">26.71</td></tr>
<tr><td>Mr. Darius Sulnis</td><td>3,984,762</td><td>7.69</td><td>8.55</td><td>18.17</td></tr>
<tr><td>Mr. Dalius Kaziunas</td><td>271,346</td><td>0.52</td><td>0.58</td><td>26,13</td></tr>
<tr><td>Ms. Dovilė Kaziunienė</td><td>380</td><td>0.001</td><td>0.001</td><td>26.71</td></tr>
<tr><td>Ms. Indre Misekyte</td><td>455,075</td><td>0.88</td><td>0.00[3]</td><td>26.71</td></tr>
<tr><td>Ms. Irena Ona Miseikiene</td><td>13,344,309</td><td>25.76</td><td>26.67[3]</td><td>0.00</td><td>26.67</td></tr>
<tr><td>UAB „Lucrum investicija“, code 300806471, Seimyniškių str. 3, Vilnius</td><td>0</td><td>0</td><td>0.00</td><td>8.23[4]</td><td>8.23</td></tr>
<tr><td>Ms. Daiva Baniene</td><td>1,836,234</td><td>3.54</td><td>3.94</td><td>12.28</td><td rowspan="3">14.60</td></tr>
<tr><td>Mr. Alvydas Banys</td><td>3,779,624</td><td>7.30</td><td>4.35[3]</td><td>11.87</td></tr>
<tr><td>UAB „LJB investments“, code 300822575, P. Smuglevičiaus str. 20, Vilnius</td><td>3,698,116</td><td>7.14</td><td>7.93</td><td>8.29</td></tr>
<tr><td>Mr. Algirdas Bucas</td><td>4,501,030</td><td>8.69</td><td>9.08[3]</td><td>0.00</td><td>9.08</td></tr>
</table>

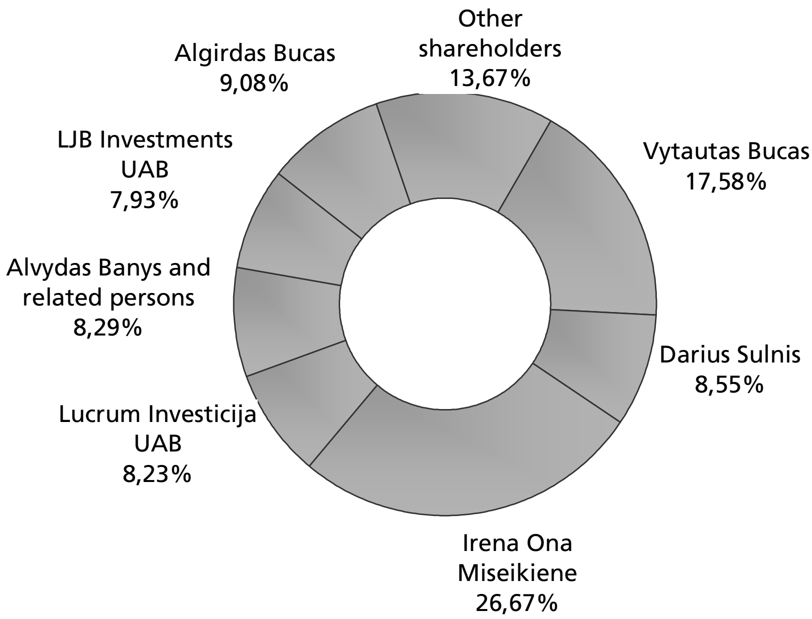


Fig. 7.2. Votes for the announcement day as of April 8, 2013

[3] The shareholder has acquired some of the Company's shares from other shareholders on the basis of repurchase agreement without voting rights.
[4] The shareholder has transferred some of the Company's shares to other shareholders on the basis of repurchase agreement without giving up voting rights.

Table 7.3. Distribution of securities by investors' groups as of December 31, 2012

Investors	Shareholders		Share of votes given by the owned shares	
	number	part, %	amount	part, %.
Households	6,120	98.73	41,908,150	80.90
Private corporations	47	0.76	7,844,473	15.14
Financial institutions and insurance corporations	32	0.52	2,049,523	3.96
Total	**6,199**	**100.00**	**51,802,146**	**100.00**

8. Information about the Issuer's own shares

After completion of the share buy – back program which lasted from May 2, 2012 till May 15, 2012, Invalda AB acquired 10 percent, i.e. 5,755,794, of its own shares. On August 6, 2012 acquired shares were reduced.

After completion of the share buy - back program which lasted from February 19, 2013 till March 5, 2013, the Company acquired 5 180 214 shares that constitutes 10 percent in the Company's authorized capital.

9. Trading of Issuer's and Issuer's group companies securities on a regulated market

9.1. Trading in securities of the Issuer

Table 9.1.1. Main characteristics of Invalda AB shares admitted to trading

ISIN code	LT0000102279
Name	IVL1L
Exchange	NASDAQ OMX Vilnius
List	Baltic Main List (from 01.01.2008)
Listing date	December 19, 1995
Shares issued, units	51,802,146
Total voting rights granted by the issued shares, units	46,621,932
Nominal value, litas	1
Total nominal value	51,802,146

Company uses no services of liquidity providers.

Table 9.1.2. Trading in Invalda AB shares

	2008	2009	2010	2011	2012
Share price, €					
- open	4.967	0.484	0.533	2.000	1.930
- high	5.022	1.075	2.546	2.650	2.940
- low	0.298	0.319	0.521	1.733	1.871
- average	2.743	0.565	1.130	2.050	2.308
- last	0.484	0.533	1.989	1.943	1.970
Turnover, units	4,973,647	7,273,279	6,509,830	4,985,446	2,514,347
Turnover, €	13,635,456	4,108,353	8,245,131	10,143,287	5,857,710
Traded volume, units	9,162	8,443	12,768	10,377	5,754

Table 9.1.3. Trading in the Company's shares during the period of 2007–2011 (quarterly) on NASDAQ OMX Vilnius:

Reporting period	Price, €			Turnover, €			Last trading date	Total turnover	
	high	low	last	high	low	last		units	€
2008, 1st Q	5.022	4.055	4.185	183,066	6,412	45,536	31-03-2008	616,706	2,688,970
2008, 2nd Q	4.764	3.389	4.761	1,240,187	801	102,319	30-06-2008	1,035,248	4,051,223
2008, 3rd Q	4.953	2.143	2.201	755,441	4,904	281,133	30-09-2008	1,342,266	4,952,848
2008, 4th Q	2.520	0.298	0.484	302,649	1,820	7,495	30-12-2008	1,979,427	1,942,415
2009, 1st Q	0.571	0.319	0.449	44,993	181	3,040	31-03-2009	825,996	400,801
2009, 2nd Q	0.608	0.353	0.379	161,582	439	46,920	30-06-2009	1,907,207	836,172
2009, 3rd Q	1.075	0.379	0.933	186,227	810	28,126	30-09-2009	2,948,823	1,884,303
2009, 4th Q	0.933	0.501	0.533	90,785	730	16,183	30-12-2009	1,591,253	987,077
2010, 1st Q	0.941	0.521	0.860	113,067	2,990	9,820	31-03-2010	2,227,864	1,804,818
2010, 2nd Q	0.956	0.811	0.857	53,728	551	12,738	30-06-2010	768,037	676,519
2010, 3rd Q	1.335	0.759	1.205	85,491	437	16,292	29-09-2010	1,197,017	1,310,740
2010, 4th Q	2.546	1.196	1.989	267,088	5,745	17,358	30-12-2010	2,316,912	4,453,054
2011, 1st Q	2.120	1.750	1.920	150,568	1,832	18,787	31-03-2011	796,183	1,582,474
2011, 2nd Q	2.400	1.750	2.400	402,497	374	68,034	30-06-2011	1,099,505	2,309,339
2011, 3rd Q	2.650	1.780	1.947	362,058	2,837	13,227	30-09-2011	1,554,598	3,284,869
2011, 4th Q	2.135	1.733	1.943	195,457	6,726	143,223	30-12-2011	1,535,160	2,966,605
2012, 1st Q	2.28	1.871	2.274	127,995	674	15,259	30-03-2012	670,763	1,373,701
2012, 2nd Q	2.94	2.274	2.55	177,168	762	15,092	29-06-2012	20,800	2,629,952
2012, 3rd Q	2.65	2.35	2.37	35,197	680	3,187	28-09-2012	234,143	593,480
2012, 4th Q	1.90	2.39	1.97	333,019	689	10,931	28-12-2012	622,601	1,260,577

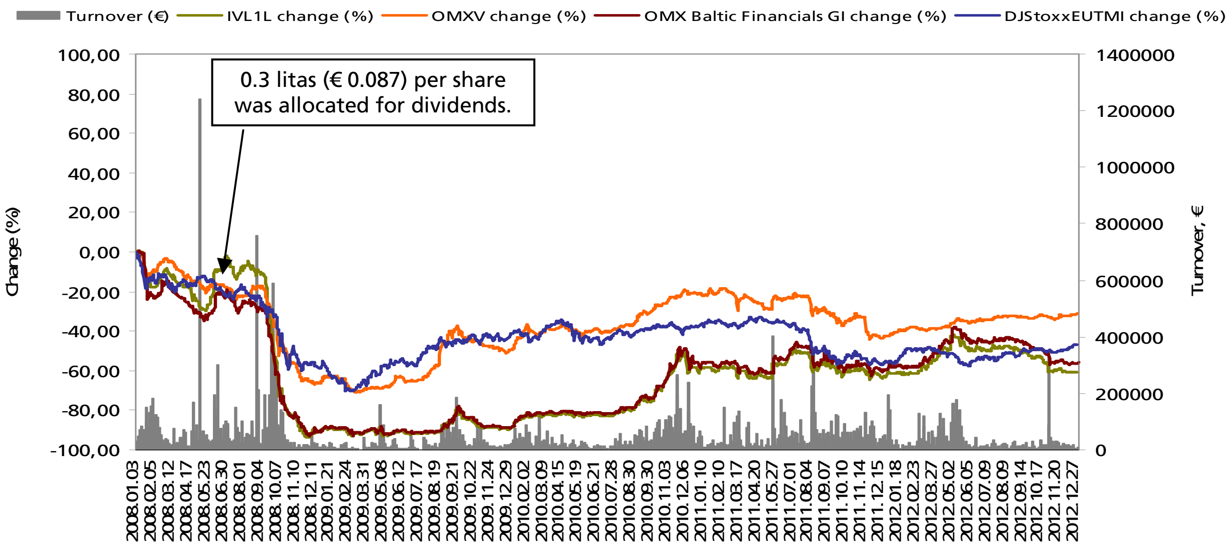


Fig. 9.1.1. Turnover of Invalda AB shares, change of share price and indexes[5], 2008-2012

[5] 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. The OMX Baltic Financial GI index is based on the Industry Classification Benchmark (ICB) developed by FTSE Group (FTSE). Dow Jones Stoxx EU Enlarged TMI index covers approximately 95% of the free float market capitalisation of the New Europe countries, including Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.

Table 9.1.4. Capitalisation

Last trading date	Number of issued shares, units	Last price, €	Capitalisation, €
31-03-2008	42,568,849	4.185	178,150,633
30-06-2008	42,568,849	4.761	202,670,290
30-09-2008	42,568,849	2.201	93,694,037
30-12-2008	42,568,849	0.484	20,603,323
31-03-2009	42,568,849	0.449	19,113,413
30-06-2009	42,568,849	0.379	16,133,594
30-09-2009	42,568,849	0.933	39,716,736
30-12-2009	42,568,849	0.533	22,689,197
31-03-2010	51,659,758	0.860	44,427,392
30-06-2010	51,659,758	0.857	44,272,413
30-09-2010	51,659,758	1.208	62,404,988
30-12-2010	51,659,758	1.989	102,751,259
31-03-2011	51,659,758	1.920	99,186,735
30-06-2011	51,659,758	2.400	123,983,419
30-09-2011	51,659,758	1.947	100,581,549
30-12-2011	51,659,758	1.943	100,374,910
31-03-2012	57,557,940	2.274	130,886,756
30-06-2012	57,557,940	2.55	146,772,747
30-09-2012	51,802,146	2.37	122,771,086
30-12-2012	51,802,146	1.97	102,050,228

9.2. Trading Issuer's group companies securities

Shares of Invalda AB group company Vilniaus Baldai AB are admitted to trading in NASDAQ OMX Vilnius Main List.

9.2.1. Trading in shares of Vilniaus Baldai AB

Table 9.2.1.1. Main characteristics of Vilniaus Baldai AB shares admitted to trading

ISIN code	LT0000104267
Name	VBL1L
Exchange	NASDAQ OMX Vilnius
List	Baltic Main List
Listing date	June 05, 2000
Share issue, units	3,886,267
Nominal value, litas	4
Total nominal value, litas	15,545,068

Table 9.2.1.2. Trading in Vilniaus Baldai AB shares

	2008	2009	2010	2011	2012
Share price, €					
- open	6.227	3.475	2.604	9.401	10.300
- high	6.661	3.186	10.426	13.000	14.900
- low	3.360	1.741	2.462	7.800	10.300
- last	3.475	2.607	9.500	10.300	14.200
Turnover, units	160,117	136,738	206,393	113,526	81,859
Turnover, million €	0.83	0.32	1.22	1.15	1.07
Capitalisation, million €	13.51	10.13	36.92	40.03	55.17

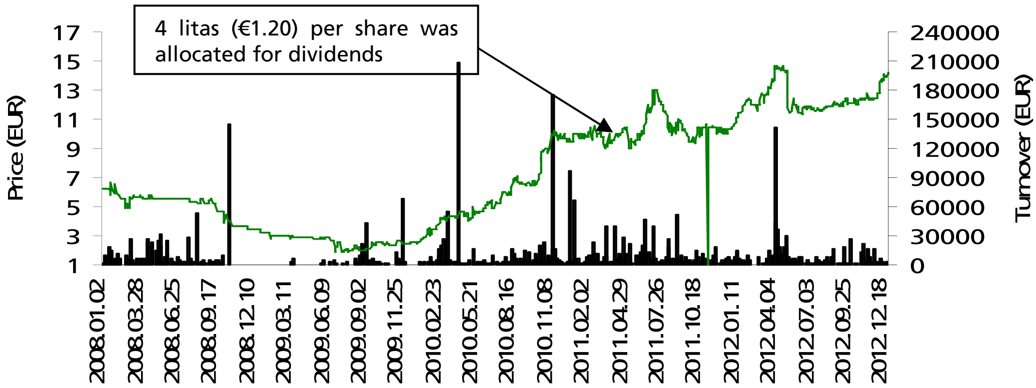


Fig. 9.2.2.1. Turnover and share price of Vilniaus Baldai AB, 2008-2012

10. Dividends

The General Shareholders' Meeting decides upon dividend payment and sets the amount of dividends. The Company pays out the dividends within 1 month after the day of adoption of the resolution on profit distribution.

Persons have the right to receive dividends if they were shareholders of the Company at the end of the tenth working day after the day of the General Shareholders' Meeting which issued the resolution to pay dividends. According to the Law on Personal Income Tax and the Law on Corporate Income Tax, 20% tax (until 2009 it was 15%) is applied to the dividends. The Company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes[6].

The information about the dividends paid during the last 5 years is presented below:

Table 10.1. Dividends

	Financial year				
	2008	2009	2010	2011	2012
The date of the ordinary shareholder's meeting date	30.04.2009	30.04.2010	29.04.2011	30.04.2012	30.04.2013
Total sum of dividends, litas	-	-	-	-	
Dividends per share, litas	-	-	-	-	
Net dividends per share (15% of Personal Income tax or Corporate Income tax is withdrawn), litas	-	-	-	-	
Share of nominal value, %	-	-	-	-	
Dividend yield (dividend per share / share price for the last day of the period), %	-	-	-	-	
Dividend payment rate (total sum of the dividends / net profit)	-	-	-	-	

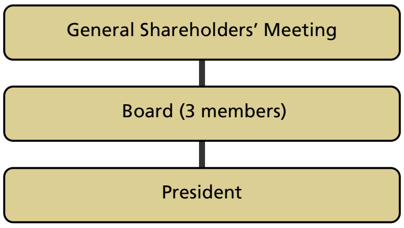
Dividends for the period of 2008 - 2011 were not allocated.

[6]This information should not be treated as tax consultation.

III. ISSUER'S MANAGING BODIES

11. Structure, authorities, the procedure for appointment and replacement

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



11.1. The General Shareholders' Meeting

Persons who were shareholders of the Company at the close of the accounting day of the meeting (the 5th working day before the General Shareholders' Meeting) shall have the right to attend and vote at the General Shareholders' Meeting in person, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may conclude an agreement on the disposal of the voting right with third parties. The shareholder's right to attend the General Shareholders' Meeting shall also cover the right to speak and enquire.

The General Shareholders' Meeting may take decisions and shall be held valid if attended by the shareholders who hold the shares carrying not less than ½ of all votes. After the presence of a quorum has been established, the quorum shall be deemed to be present throughout the General Shareholders' Meeting. If a quorum is not present, the General Shareholders' Meeting shall be considered invalid and a repeat General Shareholders' Meeting must be convened, which shall be authorised to take decisions only on the issues on the agenda of the General Shareholders' Meeting that has not been held and to which the quorum requirement shall not apply.

An Annual General Shareholders' Meeting must be held every year at least within 4 months from the close of the financial year.

The General Shareholders' Meeting shall have the exclusive right to:

- amend the Articles of Association of the Company, unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
- to change the Company's registered office;
- elect members of the Board;
- dismiss the Board or its members;
- elect and dismiss the firm of auditors, set the conditions for auditor remuneration;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- take a decision regarding conversion of shares of one class into shares of another class, approve share conversion procedure;
- approve the set of annual financial statements;
- take a decision on profit/loss appropriation;
- take a decision on the formation, use, reduction and liquidation of reserves;
- take a decision on the issue of convertible debentures;
- take a decision on withdrawal for all the shareholders the pre-emption right to acquire the Company's shares or convertible debentures of the specific issue;
- take a decision to increase the authorised capital;
- take a decision to reduce the authorised capital, except the cases provided for by the Law on Companies of the Republic of Lithuania;
- take a decision for the Company to purchase its own shares;
- take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off;

- take a decision on transformation of the Company;
- take a decision on restructuring of the Company;
- take a decision to liquidate the Company, cancel the liquidation of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania;
- elect and dismiss the liquidator of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania.

The General Shareholders' Meeting may also decide on other matters assigned within the scope of its powers by the Articles of Association of the Company, unless these have been assigned under the Law on Companies of the Republic of Lithuania within the scope of powers of other organs of the Company and provided that, in their essence, these are not the functions of the governing bodies.

11.2. The Board

The Board shall continue in office for the 4 year period or until a new Board is elected and commences its activities, but not longer than until the date of the Annual General Shareholders' Meeting to be held during the final year of the term of office of the Board. If individual members of the Board are elected, they shall serve only until the expiry of the term of office of the current Board.

The Board or its members shall commence their activities after the close of the General Shareholders' Meeting which elected the Board or its members. Where the Articles of Association of the Company are amended due to the increase in the number of its members, newly elected members of the Board may commence their activities solely from the date of registration of the amended Articles of Association. The Board shall elect the chairman of the Board from among its members.

The General Shareholders' Meeting may dismiss from the office the entire Board or its individual members before the expiry of their term of office. A member of the Board may resign from his post before the expiry of his term of office, notifying the Board in writing at least 14 calendar days in advance.

The Board shall have all authorities provided for in the Articles of Association of the Company as well as those assigned to the Board by the laws. The activities of the Board shall be based on collegial consideration of issues and decision-making as well as shared responsibility to the General Shareholders' Meeting for the consequences of the decisions made. Striving for as big benefit for the Company and shareholders as possible and in order to ensure the integrity and transparency of the control system, the Board closely cooperates with the manager of the Company. The working procedure of the Board shall be laid down in the rules of procedure of the Board adopted by it.

The Board shall consider and approve:

- the operating strategy of the Company;
- the annual report of the Company;
- the management structure of the Company and the positions of the employees;
- the positions to which employees are recruited through competition;
- regulations of branches and representative offices of the Company.

The Board shall elect and dismiss from office the manager of the Company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for and impose penalties against him.

The Board shall determine which information shall be considered to be the Company's commercial secret and confidential information. Any information which must be publicly available under the laws may not be considered to be the commercial secret and confidential information.

The Board shall take the following decisions:

- for the Company to become an incorporator or a member of other legal entities;
- to open branches and representative offices of the Company;
- to invest, dispose of or lease the fixed assets which book value exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction);
- to pledge or mortgage the fixed assets which book value exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions);
- to offer surety or guarantee for the discharge of obligations of third parties for the amount which exceeds 1/20 of the authorised capital of the Company;
- to acquire the fixed assets for the price which exceeds 1/20 of the authorised capital of the Company;
- to restructure the Company in the cases laid down by the Law on Restructuring of Enterprises of the Republic of Lithuania;

- other decisions assigned to the scope of powers of the Board by the Law on Companies of the Republic of Lithuania, Articles of Association or the decisions of the General Shareholders' Meeting.

The Board shall analyse and evaluate the information submitted by the manager of the Company on:

- the implementation of the operating strategy of the Company;
- the organisation of the activities of the Company;
- the financial status of the Company;
- the results of business activities, income and expenditure estimates, the stocktaking data and other accounting data of changes in the assets.

The Board shall analyse and assess a set of Company's and consolidated annual financial statements and draft of profit/loss appropriation and shall submit them to the General Shareholders' Meeting together with the annual report of the Company.

It shall be the duty of the Board to convene and organise the General Shareholders' Meetings in due time.

Members of the Board must keep commercial secrets of the Company and confidential information which they obtained while holding the office of members of the Board.

11.3. The President

The manager of the Company (the President) shall be elected and dismissed from office by the Board which shall also fix his salary, approve his job description, provide incentives and impose penalties. An employment contract shall be concluded with the President. The President shall assume office after the election, unless otherwise provided for in the contract concluded with him. If the Board adopts a decision on his removal from office, the employment contract therewith shall be terminated.

In his activities, the President shall be guided by laws and other legal acts, the Articles of Association of the Company, decisions of the General Shareholders' Meeting and the Board, his job description. The President is accountable to the Board.

The President shall organise daily activities of the Company, hire and dismiss employees, conclude and terminate employment contracts therewith, provide incentives and impose penalties.

The President shall act on behalf of the Company and shall be entitled to enter into transactions at his own discretion. The President may conclude the transactions to invest, dispose of or lease the fixed assets for the book value which exceeds 1/20 of the authorised capital of the Company (calculated individually for every type of transaction), to pledge or mortgage the fixed assets for the book value which exceeds 1/20 of the authorised capital of the Company (calculated for the total amount of transactions), to offer surety or guarantee for the discharge of obligations of third parties for the amount which exceeds 1/20 of the authorised capital of the Company, to acquire the fixed assets for the price which exceeds 1/20 of the authorised capital of the Company, provided there is a decision of the Board to enter into these transactions.

The President shall be responsible for:

- the implementation of the Company purposes and organising the Company activities;
- drawing up of the set of annual financial statements and drafting of the annual report of the Company;
- conclusion of a contract with a firm of auditors;
- submission of information and documents to the General Shareholders' Meeting and the Board;
- submission of documents and particulars of the Company to the manager of the Register of Legal Entities;
- submission of the documents to the Securities Commission and the Central Securities Depository of Lithuania;
- publication of the information referred to in the legal acts;
- submission of information to shareholders;
- performance of other duties laid down in the laws and legal acts as well as in the Articles of Association and the job regulations of the President.

The President must keep commercial secrets and confidential information of the Company which he learned while holding this office.

12. Information about members of the Board, CFO and the Audit Committee of the Company

During the Ordinary General Shareholders' Meeting on April 30, 2010, the Board was elected for the new 4 years term of office.

On April 6, 2012 Invalda AB received a notice from Dalius Kaziunas regarding his resignation from the position of the Company's Board member position from April 30, 2012. Dalius Kaziunas has been appointed as a President of Invalda AB since January 1, 2012.

On the Ordinary General Shareholders meeting of April 30, 2012 Indre Miseikyte was elected to the Board of the Company until the end of the term of office of the current Board.

12.1. Information about the management of the Company

Chairman of the Board
Vytautas Bucas (1968)

Educational background and qualifications

1993, Vilnius University, Faculty of Economics

Since 2002 member of Association of Chartered Certified Accountants, UK

Job experience

Since 2006 advisor, member of the Board, Invalda AB (since May 2007 chairman of the Board, Invalda AB)

2006-2007 director, Invaldos Nekilnojamojo Turto Fondas AB

2000–2006 member of the Board, executive vice president, CFO, Head of IT department, SEB Vilniaus Bankas AB

1992–2000 senior manager, manager, senior auditor, Arthur Andersen

Owned amount of Invalda AB shares is the following: 8,198,367 units of shares and votes. Share of authorised capital – 15.83%. Share of votes given by the shares held by the right of ownership –15.83[7]%. Total (together with the persons acting in concert) –24.04[7]%.

Participation in other companies

Name of the company or organization	Position
Invaldos Nekilnojamojo Turto Fondas AB	Chairman of the Board
Vilniaus Baldai AB	Chairman of the Board
BAIP Group UAB	Chairman of the Board
Inreal pastatu prieziura UAB	Board member
Invalda Lux S.a.r.l.	Board member
Litagra UAB	Board member

Member of the Board
Darius Sulnis (1971)

Educational background and qualifications

1993, Vilnius University, Faculty of Economics

Financial broker's license (general) No. A109

Job experience

2006 - 2011 the President (since 2012 member of the Board, Invalda AB).

2002–2006 director, Invalda Nekilnojamojo Turto Valdymas UAB

1994–2002 director, FBC Finasta AB

Owned amount of Invalda AB shares is the following: 3,984,762 units of shares. Share of authorised capital – 7.69 %. Share of votes given by the shares held by the right of ownership – 7.69[7] %. Total (together with the persons acting in concert) – 24.04[7]%.

Participation in other companies

Name of the company or organization	Position
Vilniaus Baldai AB	Board member
Burusala SIA	Chairman of the Supervisory Board
DOMMO SIA	Chairman of the Supervisory Board
Invaldos Nekilnojamo Turto Fondas AB	Board member
Litagra UAB	Board member

Owned shares and votes of other companies:

Company	Portion of share capital	Portion of votes
Golfas UAB	31 %	31 %
Lucrum Investicija UAB	100 %	-

[7] Owned amount of Invalda AB shares as of December, 2012

Member of the Board
Indre Miseikyte (1970)

Educational background and qualifications
1994 Vilnius Gedimino Technical University, faculty of architecture

Job experience
Since 2012 member of the Board, Invalda AB
Since 2002 an architect, Inreal valdymas UAB
2000 – 2002, an architect, Gildeta UAB
1996 - 2002, an architect, Invalda AB
1996 – 1997 an architect, Gildeta UAB
1996 – 1997 an architect, Kremi UAB
1994 – 1996 an architect, Vilniau baldai AB

Owned amount of Invalda AB shares is the following: 455,075 units of shares. 0.88 percent of Invalda AB shares acquired by repurchase agreement, but those shares do not allow for voting rights.

The President, Member of the Board
Dalius Kaziunas (1976)

Educational background and qualifications
2000, Vilnius university, Faculty of Economics
Financial broker's license (trader) No. P022

Job experience
Since January 2012, Invalda AB the President
Since February 2008 Invalda AB advisor, July 2008 – Board member
2008 - 2009 Bank Finasta AB general manager
1996-2008 FBC Finasta AB director (since 2002), financial broker, assistant to the financial broker

Owned amount of Invalda AB shares is the following: 271,346 units of shares and votes. Share of votes given by the shares held by the right of ownership – 0.52[7]%. Total (together with the persons acting in concert) – 24.04[7]%.

Participation in other companies

Name of the company or organization	Position
Ineturas UAB	Board member
Inreal pastatu prieziura UAB	Board member
Vilniaus Baldai AB	Board member
Kelio Zenklai UAB	Chairman of the Board from July of 2012
BAIP Group UAB	Board member
Invetex AB	Board member
Vernitas AB	Supervisory Board member
Invalda Lux S.a.r.l.	Board member
Jurita UAB	Board member
Lauko gelininkystes bandymu stotis UAB	Chairman of the Board
Litagra UAB	Board member

CFO
Raimondas Rajeckas (1977)

Educational background
2001, Vilnius University, Faculty of Economics

Job experience
Since 2006 CFO, Invalda AB
2001-2006 CFO, Valmeda AB
2000–2001 CFO, Galincius AB
2000–2001 CFO, Invaldos Marketingas UAB (current name Inreal valdymas UAB)
2000–2002 accountant, Gildeta AB
1998–2000 accountant, Invalda AB

Owned amount of Invalda AB shares is the following: 66,200[7] units of shares and votes. Share of authorised capital and votes – 0.13 %.

Participation in other companies

Name of the company or organization	Position
Aktyvo UAB	Director
Investiciju Tinklas UAB	Director
FORTINA UAB	Director
Aktyvus Valdymas UAB	Director
Finansu Rizikos Valdymas UAB	Director
Iniciatyvos Fondas	Director
MBGK UAB	Director
MGK Invest UAB	Director
RPNG UAB	Director
Regenus UAB	Director
Cedus Invest UAB	Director
Consult Invalda UAB	Director
VIA Solutions UAB	Director
Cedus UAB	Director
Invetex AB	Chairman of the Board
Invaldos nekilnojamojo turto fondas AB	Director (since 2013 01)

12.2. Information about the Audit Committee of the Company

The Audit Committee consists of 2 members, one of which is independent. The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Audit Committee should be the following:

- provide recommendations to the Board of the Company with selection, appointment, reappointment and removal of an external audit company as well as the terms and conditions of engagement with the audit company;
- monitor the process of external audit;
- monitor how the external auditor and audit company follow the principles of independence and objectivity;
- observe the process of preparation of financial reports of the Company;
- monitor the efficiency of the internal control and risk management systems of the Company. Once a year review the need of the internal audit function.

The independent Audit Committee member Vaidas Savukynas was elected by the Ordinary General Shareholders' Meeting of Invalda AB on April 29, 2011. Danute Kadanaite and Tomas Savukynas are the Audit Committee members at the moment.

Information about the members of the Audit Committee:

Danute Kadanaite	**Educational background** 2004 – 2006, Mykolas Romeris university, faculty of Law. Master's degree in financial law; 2000 – 2004, Law university. Bachelor's degree in law; 1997, International school of management; **Job experience** Since 2009 Legisperitus UAB, lawyer 2002 - 2009 FBC Finasta, lawyer; 1999 – 2002 office of lawyer Arturas Sukevicius, administrator; 1994 – 1999 FBC Apyvarta, law consultant **Do not hold Invalda AB shares**
Vaidas Savukynas	**Educational background** 1996, Leeds university (United Kingdom), introductory course of financial sector scheme; 1994, Stockholm university (Sweden), master's degree in social science; 1993, Vilnius university, diploma in economics; 1986, the 18th secondary school of Vilnius City. **Job experience** Since 2011 – Retail chain Narodnyi (Kyrgyzstan), CFO; 2010 Public Company Zemaitijos pienas, head of administration; 2006 - 2009 Apranga Group (part of MG Baltic), CFO; 2004 – 2005 MG Baltic, financial analyst, project manager; 2000 – 2004 MG Baltic Trade UAB (part of MG Baltic), CFO; 1997 – 1998 Public investment company Investicijos Fondas, vice president; 1996, 1998 – 2000 Private investment company Minvista, financial analyst / controller, CFO; 1996 - Asia Equity (UK) Ltd. (United Kingdom, London), financial analyst assistant; 1993 – 1995 Bankoras, director; 1990 – 1992 Public company Lietuvos birža, marketing manager. **Do not hold Invalda AB shares**

13. Information on the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Board members, the president and CFO

The members of the Board and the president who are directly elected by the General Shareholders' Meeting and have concluded employment contracts with the Company as well as CFO of the Company are entitled only to a fixed salary. The Company does not have a policy concerning payment of a variable part of remuneration to the Board members or management.

During the year 2012 the Board members did not receive dividends or bonuses from the Company. There were no assets transferred, no guarantees granted, no bonuses paid and no special payouts made by the Company to its managers. The members of the Board and the president of the Company were granted with bonuses in the amount of 3 million litas by other companies of Invalda AB group.

Table 13.1. Information about calculated remuneration of Invalda AB managers for 2012

	Calculated remuneration, thousand litas	
	2011	**2012**
For members of the Board	695	998
For each member of the Board (average per month)	20	30
For members of administration (the President and CFO)[8]	352	681
For each member of administration (average per month)	15	29

[8] Company and Group companies calculated remuneration

IV. Information about the Issuer's and its Group Companies' activity

14. An objective review of the Issuer's and its group companies position, their performance and business development

14.1. Goals, philosophy and management principles

What is Invalda AB?

Invalda AB is one of the major Lithuanian investment companies whose primary objective is to steadily increase the investor equity value. For the purpose of attainment of this objective Invalda AB actively manages its investments, exercising control or significant influence over target businesses.

Invalda AB started the activity in 1991. Its equities have been traded on the NASDAQ OMX Vilnius Exchange since 1995.

Currently, Invalda AB group key entities operate in the furniture manufacturing, real estate, facilities management, agricultural and information technology (IT) sectors.

In respect of each business Invalda AB defines its performance objectives, sets up the management team, participates in the development of the business strategy and monitors its implementation. We play an active role in passing decisions on strategic and other important issues that have an effect upon the value of the group companies.

Investment philosophy

We are investors driven by shareholder value creation objectives. We seek to acquire competitive businesses that, with an influx of additional capital or management resources, may successfully further develop organically, consolidate fragmented markets or provide other possibilities to increase value. We also invest into undervalued assets that, when restructured, may facilitate significant value increase. We never avoid any complex business opportunities supported by our belief that our efforts will lead to good results.

We believe that a merge of different competences may potentially appreciate the investment value therefore quite often we execute transactions in cooperation with our partners, among them people with ideas, also major Lithuanian business groups, as well as foreign investment funds.

With a view to maximising the investment potential to its full scale we normally pursue long-term prospects and do not seek to define any clear-cut withdrawal horizons. We focus our efforts to maximise the investment value in the long-term perspective, and offer business for sale only when they are properly prepared and become attractive to potential buyers, or having received any proposal matching the corporate future prospects.

Management principles

Invalda AB is proactively managing its investment guided by the following principles:

- **Competitiveness and independence**. Each business of the group must be competitive and self-sufficient, have professional teams and top managers capable of creating business visions and implementing ambitious objectives;
- **Risk segregation**. Invalda AB does not grant guarantees or assume any obligations in respect of individual businesses, and individual businesses do not assume any obligations in respect of each other.
- **Diversification**. We diversify our investment in order to avoid any excessive risk concentration in homogeneous business sectors.
- **Transparency**. We disclose information in adherence to the requirement that market participants must get equivalent information at the same time, except such cases where the publication of the information is not possible because of the obligations assumed in respect of third parties, and/or the disclosure may adversely affect the businesses' ability to compete.
- **Avoidance of conflicts of interest**. Managers of the group companies do not participate in competing activities.

14.2. Operational environment

2012 was a successful year for Lithuanian economy. After a very robust 2011 GDP recovery when it was growing at an incredible 5.9 percent, another solid year is bound to follow. It is forecasted that Lithuanian GDP can grow at 3.5 - 4.0 percent in 2012.

Other Baltic states have also moved forward although their growth rate, as in the Lithuanian case, has slowed down considerably. It is expected that Estonian GDP growth in 2012 will reach almost 3.0 percent, while Latvia can see its GDP growth at 4.5 percent. Although a much weaker result was forecasted at the start of the year, the analysts have upgraded their estimates due to stronger export growth, recovering internal consumption and investments. Neighbouring Poland is forecasted to grow its economy by 2.5 percent.

Table 14.2.1. The forecast for GDP change (percent)

	Yearly real GDP change (percent)			
	2011	2012 forecast	2013 forecast	2014 forecast
World	3.1	2.6	3.0	3.4
USA	1.8	2.2	2.1	2.7
Euro zone	1.4	-0.5	-0.3	0.9
Japan	-0.5	2.0	1.3	1.5
Germany	3.2	0.7	0.6	1.6
United Kingdom	0.9	0.0	1.3	1.5
China	9.3	7.8	8.1	7.7
Poland	4.3	2.5	1.6	2.5
Russia	4.3	3.5	3.6	3.9
Baltic states	6.4	4.0	3.4	3.9
Lithuania	5.9	3.6	3.2	3.5

Source: SEB publication „Nordic Outlook", 2013 February, OECD, World bank.

Baltic States' economy growth should slow down because of sluggish economic situation in euro zone which should dampen the export demand; however, this should be counterbalanced by a recovering domestic consumer demand and investments. A slump in exports to Western Europe should be softened by a higher post-crisis Baltic States' industry competitiveness and slow wage growth which is pinned down by large unemployment. Still prevailing very low interest rates and a much more stable consumers' balance sheet could pave way for an increase in credit portfolio, which was hurt in the past few years by the bankruptcy of bankas Snoras AB and nationalisation of Ukio bankas AB.

A recovering Lithuanian economy has also breathed some life into merger and acquisition market, although 2012 was not as active by deal value as 2011.

14.3. Significant events, tasks and investments accomplished in 2012

The Company

- **In January, 2012, Invalda AB sold 29.27 percent of shares of the metal processing company Umega AB.** Shares sold for the 3.7 million litas. The transaction should have a preliminary positive effect of approximately 2 million litas in the consolidated statements.

- **The Company received the notification from the bondholders indicating that the bondholders decided to exercise their right to convert bonds to shares of Invalda AB.** The conversion of 32.44 million litas resulted into the increase of the share capital of Invalda AB by 5.898 million litas up to 57.558 million litas.

The conversion price of new shares was 5.5 litas per share. After the conversion the bondholders had the obligation to pay back 4.788 million litas interest paid according to the conditions of the bond issue. The accrued interest as of March 30, 2012 in the amount of 2.376 million litas was not payable to the bondholders

Invalda AB issued convertible 25 million litas par value bonds on December 1, 2008. These bonds were acquired by RB finansai UAB. Another convertible 7.44 million litas par value bond issue was issued on January 30, 2010 which was sold to DIM Investment UAB. The annual interest rate for both bond issues was 9.9 percent, maturity date – July 2, 2012 (in case the bonds are not converted at earlier date). After the conversion RB finansai UAB got 7.9 percent of Invalda AB shares and DIM Investment UAB – 2.35 percent.

Invalda AB is completely debt free after the completion of the bond conversion. The Company will continue to adhere to the prudent borrowing policy.

- **Invalda AB shareholders approved the results for the year 2011 and formed a reserve of 269.1 million litas for the share buy-back.** Taking into consideration the passed resolutions the Board of Invalda AB decided to acquire up to 10 per cent of shares of the Company, paying for each of them 10.358 litas. The share buy-back program lasted until May 15. After the program Invalda AB acquired 10 percent of Invalda AB shares for 59.6 million litas. The amount of proposed for sale shares was higher than the amount to be acquired, therefore each selling shareholder sold 14.47 percent of shares. As own shares of the Company do not have voting rights, the shares of Invalda AB with voting rights total to 51,802,146.

- **Indre Miseikyte, 41 years old, was elected to the Board by the Ordinary General Shareholders Meeting of April 30, 2012**. On April 06, 2012 Dalius Kaziunas resigned from the Board and now he is the President of Invalda AB.

Miseikyte has graduated architecture studies in Vilnius Gediminas technical university. She is currently employed as an architect at Inreal Valdymas UAB, Invalda AB Group Company.

- **The resolution to reduce the Company's authorized share capital till 51.8 million litas (€15 million) by cancelling Company's treasury shares was adopted on 24 of May in the Invalda AB Extraordinary General Shareholders' meeting.** The Board of Invalda AB was authorized to organise an additional buy-back of up to 10 percent of Invalda AB shares paying for each of them from 1 € to 5 € .
- **The Articles of Association were amended due to reduction of the share capital of the Company for the purpose of cancelling of the own shares on August 6, 2012.** The share capital of Invalda AB was reduced from 57,557,940 litas to 51,802,146 litas by cancelling 5,755,794 ordinary registered shares at par value of 1 litas.
- **In the fourth quarter it was decided to reduce Invalda's share in TrakcjaTiltra S.A.** (on September 30, 2012 Invalda AB owned 12.5% shares of Trakcja-Tiltra S.A.). After a number of transactions on Warsaw Stock Exchange, Invalda's share was decreased to less than 10 percent of the total vote of the company.
- **The Extraordinary General Shareholders Meeting of Invalda AB was held on November 20, 2012**. The meeting approved drawing - up of the terms of Invalda AB split-off and authorized the Board to prepare the terms of split-off as well as appoint necessary experts and auditors for the preparation and assessment of the said terms, and conduct other related actions.

The Sectors

Furniture manufacturing sector

In the furniture manufacturing sector Invalda AB controls Vilniaus Baldai AB. This company produces flat-pack furniture and sells almost all its production to the Swedish concern IKEA. Vilniaus Baldai AB manufactures furniture from particle board. Due to used BOF (board on frame) technology the furniture is lightweight.

The main results of Inter IKEA Systems B.V., the owner and franchisor of IKEA, are presented in the table 14.3.1.

Table 14.3.1 Main results of IKEA

	2010	2011	2012
Turnover of all IKEA stores, € billion	23.8	26.0	27.5
The number of IKEA stores visitors, million	699	734	776
The number of IKEA stores	316	325	338

Source: Inter IKEA Systems B.V. http://franchisor.ikea.com IKEA financial year ends on the 31st of August.

In 2012, sales of Vilniaus baldai AB amounted to 230.14 million litas or 3.5 percent less than in 2011 (238.37 million litas). Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) reached 34.78 million litas (in 2011 - 36.10 million litas). Having eliminated the influence of one-off costs in 2012, EBITDA totalled to 37.78 million litas and exceeded the EBITDA of 2011 by 2.4 percent (36.9 million litas). In 2012, the company earned a net profit of 26.84 million litas (in 2011 - 26.81 million litas).

In 2012 the market of raw materials remained stable, while due to improvement in production process, the company managed to use raw materials more effectively, increasing the gross margin by 1 percent, and reducing production costs even under higher labour costs. In 2012, average gross wages were 7 percent higher than in 2011, while labour efficiency grew by almost 14 percent.

Lower sales were caused by changes in product portfolio that had started in 4th quarter of 2012. Within the period between the 4th quarter of 2012 and 1st and 2nd quarters of 2013, the company intends to change approximately 50 percent of product portfolio. The company will cease production of various structure shelves that have been included into product range so far, and launch production of children's furniture, writing-desks and other new products. New production items are more elaborate, they require more sophisticated production technologies, and will provide higher added value. All this is the evidence of high degree of Vilniaus baldai AB competitiveness.

In order to be able to manufacture new production and ensure required volumes, the company has embarked on a series of reforms: new equipment was introduced and advanced technologies implemented, while planned investments in technological equipment to be made in 2012-2013 will amount to approximately 27 million litas. In connection with the changes above, labour process will change as well. In the 2nd and 3rd quarters of 2013, the company will concentrate its production operations in the main factory and increase a number of work shifts there (the other factory will be rearranged in terms of technical equipment, and this would not be possible to execute when operation takes place). From September 2013 Vilniaus baldai AB will be operating in usual conditions.

In connection with the abovementioned changes, the Company does not predict that sales of 2012 will be achieved in 2013 but still expects to be profitable and preserve all jobs.

Vilniaus baldai AB exports all its production, which is purchased by Swedish concern IKEA.

Table 14.3.2. Results of the furniture manufacturing sector

Million litas	2010	2011	2012
Sales	197.2	238.4	230.1
EBITDA	38.2	36.1	34.8
Net result	27.9	26.8	26.8
Capitalisation	127.48	138.2	190.5

Table 14.3.3. Number of emploees

Number of employees	2010	2011	2012
-	453	507	464

Real estate sector

In the real estate sector Invalda AB owns commercial rental real estate, agricultural land and development sites, as well as develops residential housing projects.

The companies of real estate sector of Invalda AB incurred an 11.0 million litas loss during 2012. The majority of this loss was due to the revaluation of investment property of 8.7 million litas. The loss of 2011 amounted to 17.9 million litas.

New acquisitions worth 3.1 million litas in total were made in 2012. The largest part of this sum was invested into agricultural land, while the disposals in real estate sector amounted to 13.1 million litas: commercial – 6.1 million litas and residential – 7 million litas during 2012.

Total rental income including income from the property owned by clients was 17.9 million litas during 2012 or 7.2 percent bigger than in 2011. Rental income increased due to recovering economy and demand of the office space.

In the second half of the 2012 Invalda group company started a development of the complex of residential apartments and commercial premises Danes Uzutekis in the old town of Klaipeda as well as the construction of the new residential apartment house Kopu Vetrunges in Kursiu Nerija.

Real estate value, owned by Invalda AB stood at 243.8 million litas at the beginning of 2013.

Table 14.3.4. Results of the real estate sector

Million litas	2010	2011	2012
Value of the real estate:	247.8	255.4	243.8
Commercial real estate	175.8	155.6	148.2
Real estate for development	50.7	57.1	36.8
Residential real estate	5.5	7.9	17.0
Agricultural land	15,8	34.8	41.8
Shareholders' equity (inc. loans from Invalda AB)	116.7	131.9	154.6
Loans from credit institutions	142.5	121.8	101
Rental income	18.4	16.7	17.9
From this owned by clients	5.2	5.0	5.3
Change of the real estate value	1.2	(15.6)	(8.7)
Companies' sales result, allowance and other non-monetary items	4.2	1.5	0.1
Result of the real estate sector	2.9	(17.9)	(11.0)

14.3.5. Number of employees

Number of employees	2010	2011	2012
-	51	67	89

Facility management sector

Building maintenance sector companies are providing facility management, engineering systems oversight, audit and incidents management, indoor air quality testing, multi-apartment house management, installation, repair, cleaning and other services.

Building maintenance sector companies focused on the development and quality improvement of their services in 2012. Due to larger operating costs the results were poor, but in the long period the group competitive advantages should strengthen and this will create the conditions for faster growth.

During the past year the department providing cleaning and landscaping services started its activities, a team was formed, the first contracts were signed and became active.

A tender for the maintenance of apartment houses in Silale city and Kvedarna town was won.

A tender for the maintenance of apartment houses in Alytus district was won. The service will be launched in 2013.

A department was opened in Siauliai and started its operations.

During the year 2012, over 60 new contracts to provide services were signed.

Improvement of Service Quality

- Organisational structure of the facility management sector was reorganized
- Business processes were reengineered with the focus on customer satisfaction and wuality of services.
- The quality management systems were recertified.
- The new business management system was started to be implemented in all companies.

The new IT solutions which enable quick and precise messages reception were implemented.

Table 14.3.6. Results of the facility management sector

Million litas	2010[9]	2011	2012
Sales	8.2	10.7	13.1
EBITDA	0.6	0.9	0.4
Net profit	0.4	1.0	(0.3)

14.3.7. Number of employees

Number of employees	2010	2011	2012
-	114	167	231

[9] Priemiestis UAB and Jurita UAB results were not consolidated during 2010.

Agricultural sector

Since December, 2011, Invalda AB owns 36.9 percent of Litagra UAB shares; Litagra UAB is one of the largest groups of agriculture companies in the Baltic countries.

The companies of Litagra group are engaged in the primary crop and livestock (milk) production, grain processing and agricultural services. Group companies trade in plant protection products, fertilizers, seeds, compound feed, feed supplements, raw materials for feed production, wheat and rye flour, pet food, fish products for domesticate, veterinary products. Moreover, the companies buy grain; provide services of drying, cleaning, loading and storage of grain and other raw material. Litagra group companies provide agricultural services in Lithuania, Latvia and Estonia.

The largest companies in Litagra UAB group are the following: Litagros prekyba UAB (with a branch Litagra Latvija), Litagros grudai UAB, Litagra OÜ in Estonia, Joniskio grudai AB, Taurages grudai AB, Marijampoles grudai AB, Kedainiu grudai AB, Aristava in the Kedainiai district, Berzu agricultural company in the Kedainiai district, agricultural company Bausai, agricultural company of the Kalpoku land, agricultural company of the Sesupes land, Slapaberzes agricultural company, Ranktineliu agricultural company and others.

In 2012, compared with the same period in 2011, an income grew by 34.9 percent, to 429.2 million litas; earnings before interest, taxes, depreciation and amortization (EBITDA) – grew by 85.4 percent to 36.9 million litas, net profit according to business accounting standards amounted to 19.9 million litas changed the net profit of 0.5 million litas.

Excellent grain harvest in Lithuania allowed improving the results of the marketing department as well as elevator. The higher harvest and profit fixed and in the agricultural companies.

14.3.8. Results of the Litagra UAB group

Million litas	2011	2012
Sales	318.1	429.2
EBITDA	19.9	36.9
Net profit	0.5	21.5

14.3.9. Number of employees

Average of the number of employees	2011	2012
-	785	750

IT sector

BAIP group is one of the most experienced IT companies in Lithuania specialized in the governmental organizations and business critical IT infrastructure.

BAIP group gained legal IT consulting expertise, and started to provide critical information systems development, architecture and applications services after the acquisition of Norwegian company Norway Registers Development AS (NRD) at the end of 2011.

In 2012, one of the main goals of BAIP group was to expand the business geography of owned companies group through the NRD expertise. Thus BAIP with NRD was involved in projects in Uganda, Tanzania, Liberia, Guatemala, Kenya and Vietnam.

NRD AS, partly financed by the Norwegian Agency for Development Cooperation (NORAD), has finished a mission in Tanzania. The purpose of the visit was to expand the operations in Tanzania / EAC through partnerships and to establish a Tanzanian Entity to deliver professional quality services in the areas of cyber-security, defence implementation, business continuity planning, IT security controls implementation and auditing. NRD AS (and its sister company BAIP UAB) and ISACA Tanzania Chapter have signed a Memorandum of Understanding (MoU) on cooperation in the development and implementation of consultative Tanzanian National Cyber security framework.

BAIP UAB finished implementation of a new tool - IBM Tivoli Service Request Manager. The company implemented IT services management standard; ISO20000 certificate was issued to the company as a confirmation of it. This achievement will allow clients to perform IT operations via single service tool executing them more rapidly and efficiently.

Printing and copying service CopyPrint concept is updated: it is proposed to integrate digital documents, electronic signature and a new concept scanning and storage of documents. The tender of Vilnius municipality for printing and copying services was won. The municipality will replace all copying and printing equipment with a new ones as a result of introduction of employee identification card system („Follow me").

In 2012 BAIP actively developed cyber security initiatives getting in touch with new partners (Balabit, Qualys, AlienWorld, Thycotic, FireEye and so on) and establishing a new cyber security division. A successful event presenting solutions of cyber security was organized.

In order to satisfy the needs of customers, a partnership agreement was signed with acknowledged security solutions company Lumension®, the products of which have been successfully deployed in medicine, education, finance, social security and public sectors. BAIP has adapted Lumension® software for the Lithuanian legal environment in consideration of the requirements imposed by State Data Protection Inspectorate, Ministry of Interior of the Republic of Lithuania, LT ISO/IEC 27001 standard, COBIT 5 and other references as the most efficient means to ensure information security.

A special attention was paid to forensic research and for the elimination of aftermaths resulting from the attack and initiation of defensive actions by the BAIP UAB cyber defense group. For this purpose AccessData, Logicube, Paterva Maltego and Qosmio solutions was used. The said solutions were presented in two successfully organized events that attracted representatives of many major state and commercial institutions.

An agreement on supply of the Dell End-to-End Enterprise and Client Solutions to all European offices was signed with the company Western Union, the world's largest money transfer company was signed.

Together with joint partners BAIP finished implementing a year and a half long Total Quality Management System Development in the Health Insurance Funds of Lithuania project. BAIP evaluated risks associated with the continuity of the Health Insurance Funds' activities and information security, documented the processes and methods and organised the certification of the Health Insurance Funds' information security management system to the ISO/IEC 27001:2005 standard, as well as certification of the IT services management system to the ISO 20000/IEC 20000-1:2011 standard.

An agreement with State Food and Veterinary Service on information systems development and maintenance services was signed by NRD UAB. A project on creation of interaction of Lithuanian register of wills with network of registers of wills in Europe was implemented in the Central Mortgage Office of Lithuania. An agreement on maintenance of Oracle software-based information system for 1 year term was signed with the National Paying Agency. An agreement on consulting project regarding civil registration and demographic information in Central Bureau of Statistics of Zanzibar was successfully completed. In August of 2012 NRD UAB and Rwanda development board has signed a new consultancy services to develop the electronic mortgage registration system project implementation contract.

A functionality of the information system for business registration in Vietnam was extended by additional subsystems: distribution of information product, electronic payment, electronic signature and other.

At the end of September, 2012 Norway Registers Development and the joint venture partners NRD UAB and Alna Software UAB signed a one-year one million dollar contract for the design, develop and implement tax e-filing system in four Eastern Caribbean states.

Table 11.1.5. Results of IT sector[10]

Million litas	2010	2011	2012
Sales	27.7	34.5	40.8
EBITDA	2.3	3.2	2.7
Net profit before investment amortization[11] and cost of management options	0.8	1.1	(0.1)
Net profit	(0.6)	(0.7)	(1.1)

More information about services and activity is provided on the web page www.baip.lt.

14.3.9. Number of employees

Number of employees	2010	2011	2012
-	67	121	131

Other companies

Kelio Zenklai UAB increased sales 6.2 percent up to10.3 million litas, net profit was 7 thousand litas during 2012 (in 2011 sales were 9.7 million litas and net profit was 0.4 million litas).

Company Lauko Gelininkystes Bandymu Stotis UAB sales were 1.4 million litas (in 2011, 1.4 million litas), net profit of 78 thousand litas was earned (in 2011 3 thousand litas).

15. Issuer's and its group companies' performance results

Table 15.1. Income, 2010–2012, thousand litas

	Company's			Group's		
	2010	2011	2012	2010	2011	2012
Sales income	-	-	-	**268,027**	**317,367**	**326,324**
- furniture manufacturing	-	-	-	197,214	238,368	230,142
- real estate	-	-	-	34,412	26,683	33,369
- facilities management	-	-	-	8,171	10,710	13,134
- information technology	-	-	-	27,685	34,530	40,769
- other companies	-	-	-	7,594	11,108	11,675
- elimination	-	-	-	(5,049)	(4,032)	(2,765)
Gain (loss) from investments	**(14,676)**	**280,487**	**(216)**	**10,864**	**(83,876)**	**4,849**
Other income	**8,397**	**24,220**	**40,795**	**4,486**	**10,110**	**4,537**
- interest income	8,030	12,883	12,025	1,822	6,749	3,656
- dividend income	300	11,314	28,758	-	-	18
- other income	67	23	12	2,664	3,361	863
Valuation gain (loss) from investment property	-	-	-	**1,236**	**(14,727)**	**(8,709)**

[10] Norway Registers Development AS (NRD) results are consolidated from December 2011.
[11] Amortization of contract assets formed during UAB BAIP acquisition.

Table 15.2. Main items of financial statements, thousand litas

	Company's			Group's		
	2010	2011	2012	2010	2011	2012
Non current assets	205,908	126,423	201,024	426,760	379,679	363,734
Current assets	76,102	268,796	171,169	98,428	265,046	226,175
Assets classified as held for sale	25,004	3,745	-	72,075	1,708	-
Equity	85,865	360,735	360,561	200,051	415,361	416,196
Equity attributable to equity holders of the parent Company	85,865	360,735	360,561	175,132	386,210	392,955
Minority interest	-	-	-	24,919	29,151	23,241
Non-current liabilities	126,790	-	-	176,462	139,071	119,655
Current liabilities	94, 359	38,229	11,632	220,750	92,001	54,058
Result before taxes	(11,661)	259,267	22,182	27,012	(95,187)	35,168
Net result	(10,471)	274,870	20,947	52,464	216,543	31,984
Net result attributable to holders of the parent Company	**-**	**-**	**-**	**42,450**	**209,046**	**24,655**

Table 15.3. Equity and liabilities

Invalda AB, million litas	2010	2011	2012
Equity	85.9	360.7	360.6
Liabilities to financial institutions	138.7	-	-
From this long term	94.3	-	-
Liabilities to group companies	46.6	0.4	9.1
Bonds	32.4	34.1	-
Other liabilities	3.0	3.8	2.5
Total liabilities	221.1	38.3	11.6
Total Equity and Liabilities	**307.0**	**399.0**	**372.2**

Table 15.4. Financial ratios

	Company's			Group's		
	2010	2011	2012	2010	2011	2012
Return on Equity (ROE), %	-15.84	123.09	5.81	33.45	74.48	6.33
Debt ratio	0.72	0.10	0.03	0.67	0.36	0.29
Debt – Equity ratio	2.58	0.11	0.03	1.99	0.56	0.42
Liquidity ratio	1.07	7.13	14.72	0.77	2.90	4.18
Earning per share (EPS), litas	-0.21	5.32	0.40	0.84	4.05	0.47
Price Earning ratio (P/E)	Negative	1.26	17.06	8.22	1.66	14.49

Invalda AB is an investment company which main profit comes from the sale of businesses. Due to this reason, not all Company performance indicators are suitable for Invalda AB evaluation. Furthermore, some of investments are recorded at acquisition price in financial reports which is signally different from the market price. That is why some relative valuation measures can not show the real situation of the Company.

16. Issuer's and its group companies' non – financial results, information related to social responsibility, environment and employees

16.1. Information related to social responsibility of the Issuer and its group companies.

While developing its business and business relations Invalda AB invariably follows the principles of social responsibility and ethics that are established in the Code of Social Responsibility and the Code of Ethics approved by the Company. Further to the fundamental principles of respect to human rights, employee rights, protection of environment and combating of corruption companies of Invalda AB group steadily seek enhancing public and social responsibility. With a view to acquiring an efficient vehicle to monitor relations between society and business community, and implement social initiative promotion programmes in 2007 Invalda AB established a public enterprise Iniciatyvos Fondas. The activities of Iniciatyvos Fondas involve the organisation of different programmes designed to enhance knowledge and awareness. The priorities defined for the activities of the foundation may differ from year to year while maintaining its key principle - rather than supporting individual projects, initiate and implement larger-scale integrated projects designed to encourage individual target groups to take independent initiatives and actively contribute to the growth of the development of a responsible and sustainable society. The foundation Iniciatyvos Fondas seeks to implement different social initiatives promoting positive changes in the society.

The project Judeti sveika 2012 (Move is healthy 2012) was organized by the fond Iniciatyvos Fondas . The main purpose of the Project was to draw an attention of society, especially of young people, to physical activity as to one of the sources of well being.. Students from basic and secondary schools well as gymnasiums were invited to participate in the Project. The participants walked almost 39 thousand kilometers within two weeks. They spent 8 thousand 447 hours for walking and they made58 thousand steps in total. An average length of student's step was about 0.67 meters.

Starting from December of 2010 group's company Vilniaus Baldai AB made a decision to participate in Worldwide agreement of United Nations for responsible business and supports 10 principals of the human rights, rights of employees, environment protection and the fight against corruption.

Inreal group employees along with colleagues from other companies of Invalda AB real estate sector and their families participated in the campaign DAROM ! on April 20, 2012. The territories of Uzupio Kudros park in Vilnius as well as surroundings of Public Library in Kaunas was cleaned up. The stretch of coastline of Vilnele in New Vilnia was cleaned up by the employees of Priemiestis UAB, like every year in the spring.

BAIP group UAB and BAIP UAB are actively participating in the development of national cyber security strategy. Companies make recommendations on key cyber-security strategy guidelines, application of technological security solutions, an improvement of current cyber security by better existing national IT infrastructure and private capital utilization. Companies cooperate with the University of Vilnius in advancing Grid and Cloud Computing technologies in scientific research and promoting favourable and secure IT infrastructure. Companies have established relationships with the governments of Georgia and Belarus in order to consult them on the use of Lithuanian best practices in applying ITC technologies to promote computerization of educational system and raise computer literacy of both lecturers and students.

16.2. Employees

Invalda AB strives to be a company where the rights, needs, and contribution to the Company's activities of each employee are appreciated. Employees are one of the Company's values; therefore a lot of attention is paid to the people working in the Company, their qualification and motivation. In building up our team our target qualities are their creativity, professionalism, positive thinking, a desire to work hard and efficiently, and to strive for a continuous professional improvement.

The collective agreement is not signed in the Company. There are no special employees' rights and duties described in the employment agreements.

Average number of employees in 2012 was 15 (in 2011 it was 13). All Company's employees have higher university education.

Table 16.2.1. Number of employees and average monthly salary

	Measuring units	2010	2011	2012
Total amount of employees as of the end of the period	person	12	13	15
- managers	person	4	4	5
- specialists	person	8	9	10
Average monthly salary (calculated for)	litas	8.961	10.077	16.444
- managers	litas	16.677	17.004	29.310
- specialists	litas	5.482	6.619	10.190

The number of employees of Invalda AB and its subsidiaries on 31.12.2012 amounted to 1.051 (on 31.12.2011 equaled to 994).

16.2.1. Information about agreements of the Company and the members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the Company.

There are no agreements of the Company and the members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the Company.

16.3. Environment matters

Invalda AB group pays attention towards environmental matters. Great attempts are made to make the production processes eco-friendly in manufacturing companies and to monitor the effect of the raw materials on the environment.

There is an environment protection management system introduced in the Vilniaus Baldai AB, corresponding to the ISO 14001 requirements. The core of this system is the management and permanent improvement of the environment protection. The company works purposefully seeking to make the production ecological, to control the impact that the materials and raw materials have on the environment, to ensure that the suppliers of the products and services correspond to the environment protection management requirements. Company was granted FSC production line certificate. The annual audit of quality management system and environmental management system according EN ISO 9001 and EN ISO 14001 was performed in June 2012. There aren't identified any non - conformances. In 2012 Vilniaus Baldai AB paid 15 thousand litas of the environment pollution taxes, as well as 218 thousand litas for the waste utilisation services. There were no manufacturing restrictions because of the environment pollution. Vilniaus Baldai AB pays a lot of attention on reduction of energy costs. During 2012 the Company consumed 16,178 thousand kWh of electricity (2011 – 15,901 thousand kWh, 2010 – 14,501 thousand kWh). The electricity consumption for production of 1 litas amounted to 0.069 kWh (2011 – 0.07 kWh, 2010 – 0.075 kWh).

On November 20, 2012 Inreal Pastatu Prieziura UAB became a partner of the EMP Recycling UAB and started participation in campaign of e-waste sorting. According to the agreement the small electronic waste containers of EMP will be placed next to the business center IBC, Nida and Evita complexs administered by Inreal Pastatu Prieziura UAB. Inreal Pastatu Prieziura UAB will also consult on the placement of the container next to other business centers and care facilities.

Invalda AB group companies Inreal UAB, Invalda Nekilnojamojo Turto Valdymas UAB, Inreal Pastatu Prieziura UAB, Priemiestis UAB signed a Green Protocol[12] agreement. This agreement declared their desire to save electricity.

17. Risk management

17.1. A description of the principal risks and uncertainties

Business risks

Activities of Invalda AB are influenced by overall economic situation of countries of activity.

Invada AB is also dependent on its main managers – their loss could have a negative effect on activities of the Company and some of business opportunities could be lost.

Our returns may be substantially lower than the average returns historically realized by the private equity industry as a whole because historical results do not show the future performance.

Economic recessions or downturns could impair our portfolio companies and harm our operating results. We may not realize gains from our equity investments. The equity interests we invest in may not appreciate in value and, in fact, may decline in value.

Our ability to use our capital loss carry forwards may be subject to limitations. Changes in the law or regulations that govern us could have a material impact on our business. Change in taxes and change in regulation of sectors, which are dependent on governmental funding or are regulated by the government, could have negative consequences on our business.

Company's and group's results may fluctuate and may not be indicative of future performance.

The trading price of our stock may fluctuate substantially. The price of the stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control.

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[12] Green Protocol is an initiative created by electricity distribution network operator in Lithuania (LESTO). Any kind of organizations that signs this agreement, confirms that they agree with LESTO ideas how to save electricity and to reduce CO_2 which creates greenhouse effect. Companies motivate their employees, colleagues and relatives to promote the idea to create electricity saving society.

We are subject to market discount risk. Shares of Invalda AB can be traded below NAV.

We have not approved dividend payment policy and established a minimum dividend payment level; therefore we cannot assure you of our ability to make distributions to our shareholders in the future.

Changes in interest rates may affect our cost of capital and net operating income and our ability to obtain additional financing.

Investment risk

Our investments in portfolio companies may be illiquid; there is a risk that we may not exit out investment when it is planned. We may exit our investments when the portfolio company has a liquidity event, such as a sale, recapitalisation or listing in the stock exchange.

Our investments in small and middle-market privately-held companies are extremely risky and in the worst case the Company could lose its entire investment.

When we are a minority equity investor in a portfolio company, we may not be in a position to control the entity, and management of the company may make decisions that could decrease the value of our portfolio holdings.

17.2. Information about the extent of risk and its management in the Company

Information on the extent of risks and management of them is disclosed in the section 27 of explanatory notes of consolidated and Company's financial statements.

17.3. The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

The Audit Committee supervises preparation of the consolidated financial statements, systems of internal control and financial risk management and how the Company follows legal acts that regulate preparation of consolidated financial statements.

Chief financial officer of the Company is responsible for the preparation supervision and the final revision of the consolidated financial statements. Moreover, he constantly reviews International Financial Reporting Standards (IFRS) in order to implement in time IFRS changes, analyses Company's and group's significant deals, ensures collecting information from the group's companies and timely and fair preparation of this information for the financial statements. CFO of the Company periodically informs the Board about the preparation process of financial statements.

18. Information about activities of the Issuer and companies comprising the Issuer's group in the field of Research and Development

Companies of Invalda AB group did not perform various researches or implement innovations.

19. Significant events since the end of the last financial year

- **On February 13, 2013 the Board of Invalda AB finished the drawing – up of the Company's split – off terms and initiated a share buy – back program for acquisition of up to 10 percent of treasury shares**.

According to the publicly announced split – off terms, a part of Invalda AB will be split – off and on the basis of this part a new public joint – stock company Invalda Privatus Kapitalas AB will be formed. In the split – off, 45.45 percent of the total assets of the Company (a balance sheet value of the Company's assets at the end of 2012 totaled to 372.2 million litas) as well as 45.45 percent of the Company's equity capital and liabilities will be allocated to the newly established entity. The shares in Invalda Privatus Kapitalas AB are not going to be listed on NASDAQ OMX Vilnius Stock Exchange.

The new name of the Company after the split – off will be Invalda LT AB.

In the split – off, the Company's shares in Cedus Invest UAB (which holds 36.9 percent of shares in Litagra UAB) and Vilniaus Baldai AB will be allocated to the companies continuing after the split - off proportionally, i.e. 39.35 percent of shares in Vilniaus Baldai AB and 54.55 percent in Cedus Invest UAB will be allocated to Invalda LT AB; 32.79 percent of shares in Vilniaus Baldai AB and 45.45 percent of shares in Cedus Invest UAB will be allocated to the newly established company Invalda Privatus Kapitalas AB.

According to the split – off terms the following assets of a balance value of 85.651 million litas will be allocated to Invalda LT AB after the split - off: commercial real estate objects (that currently are under possession of Invalda Nekilnojamojo Turto Fondas UAB) as well as IT and facility management companies and Kelio Zenklai UAB. Furthermore, the assets of a balance sheet value of 66.281 million litas will be allocated to Invalda Privatus Kapitalas AB, in particular real estate objects that are currently under development as well as service companies acting under the „Inreal“ brand.

Other financial assets, including cash and smaller investments will be split – off allocating 71.292 million litas to Invalda LT AB and 64.044 million litas to Invalda Privatus Kapitalas AB.

After the split – off, total balance value of the assets of Invalda LT AB (as of September 30, 2012) will amount to 205.355 million litas; total balance value of the assets of Invalda Privatus Kapitalas AB will amount to 171.083 million litas.

The authorized capital of Invalda LT AB after the split – off (on the condition that the Company does not acquire treasury shares) will amount to 28.259 million litas and the authorized capital of Invalda Privatus Kapitalas AB will total to 23.543 million litas. If before the completion of the split – off the Company acquires treasury shares, the above mentioned authorized capitals will be reduced accordingly.

At the completion of the split – off, the amount of shares held by shareholders of Invalda AB will be reduced by 45.45 percent and the same amount of shares in the new company (not listed on NASDAQ OMX Vilnius Stock Exchange) will be issued to those shareholders. For example, the shareholder who held 10.000 shares in Invalda AB, after the split – off would receive 5.455 shares in Invalda LT AB and 4.545 shares in Invalda Privatus Kapitalas AB.

The shareholders holding the shares the nominal value less than 1/10 of the authorized capital of the Company, will have a right within 45 days after approval of the split – off terms by the general meeting of shareholders to request that their shares would be redeemed by the Company. The price as well as the procedure of redemption will be approved by the Board; however the price may not be lower than the average price of the Company's shares on NASDAQ OMX Vilnius Stock Exchange within 6 last months.

The Board of Invalda AB initiated a share buy – back program for acquisition of up to 10 percent of treasury shares for the price of 8.287 litas (EUR 2.4). The total amount of 42.9 million litas has been allocated to this share buy – back program. According to the decision of the Board the share buy back program will last two weeks starting from February 19.

After the split – off, Darius Sulnis, Alvydas Banys and Irena Ona Miseikiene as well as the persons related to them will be the largest shareholders in Invalda LT; and Vytautas Bucas, Algirdas Bucas and Irena Ona Miseikiene will be the largest shareholders in Invalda Privatus Kapitalas AB.

- **On March 8, 2013, after the settlement of the shares acquired by Invalda AB during the share buy – back program within the time period from February 19, 2013 till March 5, 2013, the Company acquired 5,180,214 shares that constitutes 10 percent in the Company's authorized capital.** As own shares of the Company do not have voting rights, the shares of Invalda AB (ISIN LT0000102279) with voting rights totals to 46,621,932.

- **On March 21, 2013 the Board of the Invalda AB approved the procedure, under which the shares of minor shareholders will be redeemed after approval of the split – off terms of the Company.**

The share redemption price will be equal to the weighted average price of transactions with Company's shares on NASDAQ OMX Vilnius stock exchange during the period of six months immediately preceding the General Meeting of Shareholders which has on its agenda the issue of adoption of the decision on the split – off and approval of the split – off terms. The shares will be redeemed within 45 days period after this shareholders meeting.

The redemption price will be set in litas. The calculated weighted average share price will be rounded up to three decimal figures. The exact share redemption price will be set and published on the day of the General Meeting of Shareholders of INVALDA AB, i.e. April 9, 2013, if the Meeting approves the split – off and split – off terms.

Shareholders of INVALDA AB holding the shares the nominal value whereof is less than 10 percent of the authorized capital of the Company, shall have the right to provide share sale orders, except the shareholders whose rights to sell shares to the Company during the split - off are limited according to the split – off terms.

Maximum number of shares to be redeemed is 5,180,214, i.e. 10 percent of the authorized capital of INVALDA AB.

20. Information on the related parties' transactions

There were no harmful transactions (those that are not in line with issuer's goals, not under usual market terms, harmful to the shareholders' or stakeholders' interests and so on) made in the name of the issuer that had or potentially could have negative effects in the future on the issuer's activities or business results. There were also no transactions where a conflict of interest was present between issuer's management's, controlling shareholders' or other related parties' obligations to the issuer and their private interests.

Loan agreements as well as premises rent agreements made a major part of the related parties' transactions of the Company and Group within the reported period. The most significant of them are loan agreements for crediting of activity of the subsidiaries in the real estate sector. Furthermore, in the year 2012 the Group company received income of 1.08 million litas from the real estate transaction, the party to which was the Company's shareholder. The detailed information on the related parties' transactions has been disclosed in the section 29 of the consolidated and Company's financial statements explanatory notes.

21. Information about significant agreements to which the issuer is a party, which would come into force, be amended or cease to be valid if there was a change in issuer's controlling shareholder

There are no significant agreements of the Company which would come into force, be amended or cease to be valid if there was a change in issuer's controlling shareholder

22. Activity plans and forecasts

According to the publicly announced split – off terms (on February 13, 2013), a part of Invalda AB will be split – off and on the basis of this part a new public joint – stock company Invalda Privatus Kapitalas AB will be formed. In the split – off, 45.45 percent of the total assets of the Company (a balance sheet value of the Company's assets at the end 2012 totaled to 372.2 million litas) as well as 45.45 percent of the Company's equity capital and liabilities will be allocated to the newly established entity. The shares in Invalda Privatus Kapitalas AB are not going to be listed on NASDAQ OMX Vilnius Stock Exchange.

The new name of the Company after the split – off will be Invalda LT AB.

Invalda AB will continue implementing the long term goal to increase shareholders' equity and value of managed assets. Moreover, Invalda AB will seek to ensure profitable work and organic development of its businesses.

Results of Invalda AB depend on sale or acquisition transactions which are not predictable. Due to this reason, the Board decided not to prepare forecatsts of the Company's activity.

V. OTHER INFORMATION

22. References to and additional explanations of the data presented in the annual financial statements and consolidated financial statements

All data is presented in consolidated and Company's financial statements explanatory notes.

23. Information on audit

The audit of annual financial statements and consolidated financial statement of Invalda AB for 2011 was performed by PricewaterhouseCoopers UAB.

Information about the audit company:

Address of the registered office	J.Jasinskio str. 16B, LT-01112 Vilnius, Lithuania
Enterprise code	111473315
Telephone	+370 5 239 2300
Fax	+370 5 239 2301
E-mail	vilnius@lt.pwc.com
Website	www.pwc.com/lt

The audit company does not provide any other than audit services to the Company. No internal audit is performed in the Company.

24. Data on the publicly disclosed information

The information publicly disclosed of Invalda AB during 2012 is presented on the Company's website www.invalda.lt.

Table 24.1. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
13.01.2012	Invalda AB investor's calendar for 2012
28.02.2012	Results of Invalda AB group for 2011
29.03.2012	Regarding the conversion of 32.44 million litas (€ 9.4 million) Invalda AB bonds
02.04.2012	The share capital of Invalda AB increased till 57,557,940 litas (€16,669,931.60), new Articles of Association registered
05.04.2012	Regarding stock issues if Invalda AB
05.04.2012	Notifications of Invalda AB on the disposal and acquisition of voting rights
06.04.2012	Draft resolutions of the General Shareholders Meeting of Invalda AB
06.04.2012	Convocation of Invalda AB Ordinary Shareholders Meeting
06.04.2012	On the registration of the Board member
25.04.2012	Regarding election of Invalda AB Board memeber
30.04.2012	On acquisition of own shares
30.04.2012	Annual information of Invalda AB for the year 2011
30.04.2012	Resolutions of the General Shareholders Meeting of Invalda AB
02.05.2012	Notification on transaction concluded by manager of the company
02.05.2012	Draft resolutions of the extraordinary General Shareholders Meeting of Invalda AB
02.05.2012	Convocation of the extraordinary Ordinary Shareholders Meeting of Invalda AB
15.05.2012	Updated draft resolutions of the extraordinary General Shareholders Meeting of Invalda AB and General Voting Bulletin
15.05.2012	Invalda AB completed buy-back program

21.05.2012	Notifications of Invalda AB on the disposal and acquisition of voting rights
21.05.2012	Notification on transaction concluded by manager of the company
24.05.2012	Unaudited results of Invalda AB group for the period of 3 months ending March 31, 2012
24.05.2012	Resolutions of the Extraordinary General Shareholders Meeting of Invalda AB
25.05.2012	Notification on transaction concluded by manager of the company
07.08.2012	The new Articles of Association of Invalda AB were registered
27.08.2012	Unaudited results of Invalda AB group for the period of 6 months ending June 30, 2012
31.08.2012	Information about the share capital of Invalda AB
29.10.2012	Draft resolutions of the extraordinary General Shareholders Meeting of Invalda AB
29.10.2012	Convocation of the extraordinary Ordinary Shareholders Meeting of Invalda AB
20.11.2012	Resolutions of the Extraordinary General Shareholders Meeting of Invalda AB
21.11.2012	On the announcement of interim results for 9 months
30.11.2012	Unaudited results of Invalda AB group for the period of 9 months ending September 30, 2012

Table 24.2. Summary of the notifications on transactions in Invalda AB shares concluded by managers of the Company during 2012

Date	Person	Number of securities	Security price	Total value of transaction	Form of transaction	Type of transaction	Placement of transaction
30.04.2012	Darius Sulnis	56,701	0.00 (EUR)	0.00	acquisition	return of loaned securities	XOFF
30.04.2012	Darius Sulnis	246,531	2.22 (EUR)	547,298.82	acquisition	return of loaned securities	XOFF
30.04.2012	Darius Sulnis	903,203	2.42 (EUR)	285,751.26	acquisition	return of loaned securities	XOFF
30.04.2012	Lucrum Investicija UAB	1,527,244	3.00 (EUR)	4,581,732.00	acquisition	purchase - sale	XOFF
30.04.2012	Lucrum Investicija UAB	1,527,244	3.00 (EUR)	4,581,732.00	transfer	purchase - sale	XOFF
30.04.2012	Lucrum Investicija UAB	246,531	0.00	0.00	acquisition	other (undertaking of repurchase agreement)	XOFF
30.04.2012	Lucrum Investicija UAB	903,203	0.00	0.00	acquisition	other (undertaking of repurchase agreement)	XOFF
30.04.2012	Lucrum Investicija UAB	246,531	2.22 (EUR)	547,298.82	transfer	return of loaned securities	XOFF
30.04.2012	Lucrum Investicija UAB	903,203	2.42 (EUR)	285,751.26	transfer	return of loaned securities	XOFF
15.05.2012	Vytautas Bucas	1,387,436	10.358 (LTL)	14,374,062.09	transfer	purchase - sale	AUTO
15.05.2012	Dalius Kaziunas	28,948	10.358 (LTL)	299,843.38	transfer	purchase - sale	AUTO
25.05.2012	Dalius Kaziunas	87,000	3 (EUR)	261,000.00	acquisition	purchase - sale	XOFF
25.05.2012	Darius Sulnis	87,000	3 (EUR)	261,000.00	transfer	purchase - sale	XOFF

Explanations:
XOFF – OTC trade.
AUTO – automatched deals on the stock exchange
Managers of the Company and closely related persons:

- Dalius Kaziunas – the president;
- Vytautas Bucas – chairman of the Board;
- Darius Sulnis – member of the Board;
- Lucrum Investicija UAB – legal entity, related to Darius Sulnis (100% of shares, voting rights are transferred).

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
	FURNITURE MANUFACTURING SECTOR		
Vilniaus Baldai AB	Code 121922783 Address Savanoriu ave. 178. Vilnius Legal form – public limited liability company Registration date 09.02.1993	furniture design and manufacturing	Telephone +370 2 52 5700 Fax +370 2 31 1130 E-mail info@vilniausbaldai.lt www.vilniausbaldai.lt
Ari-Lux UAB	Code 120989619 Address Savanoriu ave. 178. Vilnius Legal form – private limited liability company Registration date 28.10.1991	fitting packing	Telephone / Fax +370 2 52 5744
	REAL ESTATE SECTOR		
Inreal Valdymas UAB	Code 222894170 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 22.12.1994	real estate management and administration. development of investment projects	Telephone +370 2 73 0944 Fax +370 2 73 3065 E-mail info@inreal.lt www.inreal.lt
Inreal UAB	Code 300576166 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 14.06.2006	real estate brokerage and valuation services	Telephone +370 273 0000 Fax +370 273 0858 E-mail info@inreal.lt www.inreal.lt
Invaldos Nekilnojamojo Turto Fondas AB	Code 152105644 Registration address A. Juozapaviciaus str. 6/2. Vilnius Residence address - Palangos str. 4. Vilnius Legal form – public limited liability company Registration date 28.01.1997	investments into real estate	Telephone +370 2 79 0601 Fax +370 2 73 3065 E-mail intf@intf.lt
INTF Investicija UAB	Code 300643227 Registration address A.Juozapaviciaus str. 6/2. Vilnius Residence address - Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 02.02.2007	investments into real estate	Telephone +370 2 75 5093 Fax +370 2 73 3065
DOMMO Nerija UAB	Code 300516742 Registration address Smiltynes str. 25. Klaipeda Legal form – private limited liability company Registration date 21.12.2005	investments into real estate	Telephone +370 46 314 313 Fax +370 46 314 316
Ineturas UAB	Code 126075527 Address - Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 30.10.2002	investments into real estate	Telephone +370 2 73 0944 Fax +370 2 73 3065
Naujoji Svara UAB	Code 125235345 Address - Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 12.04.2000	investments into real estate	Telephone +370 2 73 0944 Fax +370 2 73 3065

Company	Registration information	Type of activity	Contact details
REAL ESTATE SECTOR			
Traku Kelias UAB	Code 124928371 Registration address A. Juozapaviciaus str. 6 / Slucko str. 2. Vilnius; Residence address - Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 31.05.1999	investments into real estate	Telephone +370 2 73 0944 Fax +370 2 73 3065
Rieses Investicija UAB	Code 300606428 Registration address A. Juozapaviciaus str. 6 / Slucko str. 2. Vilnius; Residence address - Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 11.10.2006	investments into real estate	Telephone +370 2 73 4892 Fax +370 2 73 3065
IBC Logistika UAB	Code 300016395 Address - Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 07.04.2004	investments into real estate	Telephone +370 2 79 0449 Fax +370 2 73 3065
Dizaino institutas UAB	Code 122288385 Registration address A. Juozapaviciaus str. 11. Vilnius Residence address - Palangos str. 4. Vilnius; Legal form – private limited liability company Registration date 29.12.1993	investments into real estate	Telephone +370 2 72 1734 Fax +370 2 72 1893
Designing firm Saistas UAB	Code 133689632 Address A Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 26.05.1993	investments into real estate	Telephone +370 2 73 4892 Fax +370 2 73 3065
Rovelija UAB	Code 302575846 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into real estate	Telephone +370 2 63 6129 Fax +370 2 79 0530
Sago UAB	Code 301206878 Registration address Seimyniskiu str. 3. Vilnius; Residence address - Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 31.10.2007	investments into real estate	Telephone +370 2 73 0849 Fax +370 2 73 3065
BNN UAB	Code 126153374 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 17.02.2003	investments into real estate	Telephone +370 2 75 3925 Fax +370 2 73 3065
Perspektyvi Veikla UAB	Code 302607087 Address Kalvariju str. 11-20. Vilnius Legal form – private limited liability company Registration date 25.03.2011	investments into real estate	Telephone +370 2 79 0614 E-mail zita.vaitkeviciene@inreal.lt
Minijos Valda UAB	Code 302663164 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 05. 09.2011	investments into real estate	Telephone +370 68650177 E-mail gediminas.rimkevicius@inreal.lt

Company	Registration information	Type of activity	Contact details
		REAL ESTATE SECTOR	
Kopu Vėtrunges UAB	Code 302848241 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 14. 09.2012	investments into real estate	Telephone +370 2 48 2088 E-mail agniu.tamosaitis@inreal.lt
Danes Gildija UAB	Code 302775074 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 02. 05.2012	investments into real estate	Telephone +370 68650177 E-mail gediminas.rimkevicius@inreal.lt
Justiniskiu Valda UAB	Code 302705909 Address Justiniskiu str. 62A. Vilnius; Legal form – private limited liability company Registration date 02.01.2012	investments into real estate	Telephone +370 2 48 2088 E-mail vytautas.baksinskas@inreal.lt
Justiniskiu Aikstele UAB	Code 302705898 Address Justiniskiu str. 62A. Vilnius Legal form – private limited liability company Registration date 02.01.2012	investments into real estate	Telephone +370 2 48 2088 E-mail agniu.tamosaitis@inreal.lt
Elniakampio Namai UAB	Code 300667160 Address Palangos str. 4. Vilnius Legal form – private limite liability company Registration date 04.04.2007	investments into real estate	Telephone +370 2 73 0000 Fax +370 2 73 3065 E-mail info@elniakampionamai.lt www.elniakampionamai.lt
Inreal GEO UAB	Code 302604810 Registration address Palangos str. 4. Vilnius; Legal form – perivate limited liability company Registration date 21.03.2011	land plot's geodetic measurement	Telephone +370 37 430 300 Fax +370 37 321 132 E-mail kaunas@inreal.lt www.inreal.lt
Ekotra UAB	Code 300040019 Palangos str. 4. Vilnius; Legal form – private limited liability company; Registration date 21.07.2004	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Simtamargis UAB	Code 300593984 Registration address A.Juozapaviciaus str. 6 /Slucko str. 2. Vilnius; Legal form – private limited liability company Registration date 29.08.2006	investments into agricultural land	Telephone +370 37 430 300 Fax +370 37 321 132
Zemvesta UAB	Code 300955547 Address Palangos str.4. Vilnius. Legal form – private limited liability company Registration date 26.07.2007	investments into agricultural land	Telephone +370 2 75 3925 Fax +370 2 73 3065 E-mail edgaras.statkus@inreal.lt
Agrobite UAB	Code 302546727 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.09.2010	investments into agricultural land	Telephone +370 2 75 3925 Fax +370 2 73 3065 E-mail edgaras.statkus@inreal.lt
Puskaitis UAB	Code 300634388 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 17.01.2007	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt

Company	Registration information	Type of activity	Contact details
REAL ESTATE SECTOR			
Zemynele UAB	Code 302532930 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 29.07. 2010	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Zemepatis UAB	Code 302681753 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 28.10.2011	investments into agricultural land	Telephone +370 2 75 3925 Fax +370 2 73 3065 E-mail edgaras.statkus@inreal.lt
IZB 1 UAB	Code 300624579 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 13.12.2006	investments into agricultural land	Telephone +370 2 36 1654 Fax +370 2 36 1637 E-mail edgaras.statkus@inreal.lt
Laukseja UAB	Code 302777901 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 09.05.2012	investments into agricultural land	Telephone +370 2 36 1654 Fax +370 2 36 1637 E-mail edgaras.statkus@inreal.lt
Lauknesys UAB[13]	Code 303004576 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Kvietukas UAB[13]	Code 303004512 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Vasarojus UAB[13]	Code 303004626 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Ziemkentys UAB[13]	Code 303004665 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Zemgale UAB[13]	Code 303004505 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Laukaitis UAB[13]	Code 303004583 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 62071080 E-mail info@ekotra.lt
Kvietnesys UAB[13]	Code 303004633 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 2 36 1654 Fax +370 2 36 1637 E-mail edgaras.statkus@inreal.lt
Ziemgula UAB[13]	Code 303004640 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 2 36 1654 Fax +370 2 36 1637 E-mail edgaras.statkus@inreal.lt

[13] Registration date is February 20, 2013

Company	Registration information	Type of activity	Contact details
REAL ESTATE SECTOR			
Zemeja UAB[13]	Code 303004715 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 20.02.2013	investments into agricultural land	Telephone +370 2 36 1654 Fax +370 2 36 1637 E-mail edgaras.statkus@inreal.lt
Aikstentis UAB	Code 126412617 Registration address Seimyniskiu str. 1A. Vilnius; Residence address Palangos str. 4.Vilnius; Legal form – private limited liability company Registration date 23.12.2003	carries no activity	Telephone +370 2 79 0614 Fax +370 2 73 3065
FACILITY MANAGEMENT SECTOR			
Inreal Pastatu Prieziura UAB	Code 126180446 Residence address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 25.03.2003	facilities management	Telephone +370 2 73 6607 E-mail prieziura@inreal.lt www.inreal.lt
IPP Integracijos Projektai UAB	Code 302890482 Residence address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 12.10.2012	facilities management	Telephone +370 2 73 6607 E-mail prieziura@inreal.lt
Priemiestis UAB	Code 221487620 Address Skydo str. 30. Vilnius Legal form – private limited liability company Registration date 09.07.1992	facilities management	Telephone +370 2 67 0204 Fax +370 2 67 2941 E-mail info@priemiestis.lt www.priemiestis.lt
Jurita UAB	Code 220152850 Address Justiniskiu str. 62. Vilnius Legal form – private limited liability company Registration date 28.12.1990	facilities management	Telephone +370 2 48 2088 E-mail info@jurita.lt www.jurita.lt
CManagement UAB	Code 186139653 Registration address A. Juozapaviciaus str. 6 / Slucko str. 2. Vilnius; Residence address – Seimyniskiu str. 3. Vilnius Legal form – private limited liability company Registration date 17.02.1994	repair activity	Telephone +370 2 13 9074 Fax +370 2 13 9073
Naujosios Vilnios Turgaviete UAB	Code 302650163 Address Skydo str. 30. Vilnius Legal form – private limited liability company Registration date 26.07.2011	markets activities	Telephone +370 2 67 0204 E-mail info@priemiestis.lt
AGRICULTURE SECTOR			
Litagra UAB	Code 123496364 Address Savanoriu pr. 173. Vilnius; Legal form – private limited liability company Registration date 30.01.1996	consulting and business management activity	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail office@litagra.lt www.litagra.lt

Company	Registration information	Type of activity	Contact details
AGRICULTURE SECTOR			
Litagros Prekybos Centras UAB	Code 300994653 Address Savanoriu pr. 173. Vilnius; Legal form – private limited liability company Registration date 09.08. 2007	agricultural services	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail office@litagra.lt www.litagra.lt
Litagros Grudu Centras UAB	Code 300636236 Address Savanoriu pr. 173. Vilnius; Legal form – private limited liability company Registration date 25.01.2007	elevators service; grain processing	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail office@litagra.lt www.litagra.lt
Litagros Zemes Ukio Centras UAB	Code 300655343 Address Stoties str. 6. Marijampole; Legal form – private limited liability company Registration date 02.03. 2007	primary agricultural production manufacture - grain and dairy farming	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail office@litagra.lt www.litagra.lt
Litagros Gyvulininkystes Centras UAB	Code 300994646 Address Savanoriu pr. 173. Vilnius; Legal form – private limited liability company Registration date 09.08.2007	carries no activity	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail office@litagra.lt www.litagra.lt
Litagros Grudai UAB	Code 300004521 Address Savanoriu pr. 173. Vilnius Legal form – private limited liability company Registration date 20.02.2004	buing up grain and rape from producers; sells it to processing plants in the local market and in foreign countries	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail grain@litagra.lt www.litagra.lt
Litagros Prekyba UAB	Code 122012020 Address Savanoriu pr. 173. Vilnius Legal form – private limited liability company Registration date 20.01.1993	wholesale and retail trade in plant protection products. fertilizers. seeds. full part feeds	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail office@litagra.lt www.litagra.lt
Litagros retail UAB	Code 224823510 Address Savanoriu pr. 173. Vilnius Legal form – private limited liability company Registration date 01.03.1999	marketing of veterinary products and feeds	Telephone +370 2 36 1600 Fax +370 2 36 1601 E-mail office@litagra.lt www.litagra.lt
Litagra SIA (Latvia)	Code 40003656745 Address Jelgavas rajons. Cenu pagasts. Langervaldes iela 2. LV 3042. Latvia Legal form – private limited liability company Registration date 10.12.2003	agricultural services	Telephone +371 63045285 Fax +371 63048283 E-mail office@litagra.lv www.litagra.lv
Litagra OÜ (Estonia)	Code 11280089 Address Maakri 44-20 10145 Tallinn. Estonia Legal form – private limited liability company Registration date 15.08.2006	wholesale and retail trade in plant protection products. Fertilizers. seeds. Full part feeds	Telephone + 372 530 65910 E-mail office@litagra.ee www.litagra.ee
Litagra AB (Sweden)	Code 556747-2815 Address Ljugar Advokatbyra Box 12174. 102 25 Stokholm. Sweden Legal form – private limited liability company Registration date 20.12.2007	carries no activity	Telephone +370 2 36 1600 E-mail office@litagra.lt www.litagra.lt

Company	Registration information	Type of activity	Contact details
AGRICULTURE SECTOR			
Joniskio Grudai AB	Code 157602461 Address Zemaites str. 1. Joniskis Legal form – public limited liability company Registration date 12.04.1994	providing of elevator services: storage. sorting and drying of cereals an rapeseeds; mill production: wheat flour. semolina. germ blakes	Telephone +370 426 69 053 Fax +370 426 69 054 E-mail administracija.jg@litagra.lt
Taurages Grudai AB	Code 179400793 Address Pramones str. 20. Taurage Legal form – public limited liability company Registration date 27.07.1994	main activity is providing of elevator services: storage. sorting and drying of cereals and rapeseeds	Telephone +370 446 62 780 Fax +370 446 62 785 E-mail administracija.tg@litagra.lt
Marijampoles Grudai AB	Code 151004592 Address Stoties str. 6. Marijampole Legal form – public limited liability company Registration date 22.11.1990	main activity is providing of elevator services: storage. sorting and drying of cereals and rapeseeds	Telephone +370 343 98 828 Fax +370 343 98 822 E-mail administracija.mg@litagra.lt
Kedainiu Grudai AB	Code 161354477 Address Pramones str. 8. Kedainiai Legal form – public limited liability company Registration date 19.07.1994	providing of elevator services: storage. sorting and drying of cereals an rapeseeds; production and sales of rye flour. pet foods	Telephone +370 347 67 600 Fax +370 347 67 666 E-mail administracija.kg@litagra.lt www.kedainiugrudai.lt
Aristavos ZUB Kedainiu district	Code 161298135 Address Aristavos village. Vilainiu eldership. Kedainiu district; Legal form – agricultural company Registration date 22.03.1993	crop production (cereals. rapeseed. sugar beet) and milk production	Telephone +370 347 46 692 Fax +370 347 46 666 E-mail aristava@litagra.lt www.litagra.lt
Kalpoku ZUB	Code 167936331 Address Kalpoku village. Linkuvos eldership. Pakruojo district; Legal form – agricultural company Registration date 25.05.1995	crop production (cereals. rapeseed. sugar beet). meat and milk production	Telephone +370 421 64 504 Fax +370 421 64 504 E-mail kalpokai@litagra.lt www.litagra.lt
Sesupes ZUB	Code 165670049 Address Netickampio village. Liudvinavo eldership. Marijampoles district Legal form – agricultural company Registration date 21.07.1992	crop production (cereals. rapeseed. sugar beet). meat and milk production	Telephone +370 343 32 738 Fax +30 93 030 E-mail sesupe@litagra.lt www.litagra.lt
Bausai ZUB Salcininku district	Code 174931263 Address Salcininku village. Salcininku district Legal form – agricultural company Registration date 16.07.1992	crop production (cereals). milk production	Telephone +370 380 51 196 Fax +370 380 51 196 E-mail bausai@litagra.lt www.litagra.lt
Slapaberzes ZUB Kedainiu district	Code 161290398 Address Slapaberzes village. Kedainiu district Legal form – agricultural company Registration date 14.01.1993	crop production (cereals. rapeseed. sugar beet)	Telephone +370 347 32 010 Fax +370 347 32 010 E-mail slapaberze@litagra.lt www.litagra.lt

Company	Registration information	Type of activity	Contact details
AGRICULTURE SECTOR			
Ranktineliai ZUB	Code 171331669 Address Pociuneliai. Radviliskio district Legal form – agricultural company Registration date 20.04.1993	crop production (cereals. rapeseed. sugar beet)	Telephone +370 422 63 125 E-mail aristava@litagra.lt www.litagra.lt
Berzu ZUB Kedainiu district	Code 161266098 Address Berzu village. Kedainiu district Legal form – agricultural company Registration date 16.10.1992	crop production (cereals)	Telephone +370 347 47 571 Fax +370 347 47 571 www.litagra.lt
INFORMATION TECHNOLOGY SECTOR			
BAIP Grupe UAB	Code 300893533 Address Juozapaviciaus str. 6 / Slucko str. 2. Vilnius Legal form – private limited liability company Registration date 27.06.2007	investments into information technology companies	Telephone +370 2 19 0000 Fax +370 219 5900 E-mail info@baipgrupe.lt www.baipgrupe.lt
Informatikos Pasaulis UAB	Code 126396718 Address Juozapaviciaus str. 6 / Slucko str. 2. Vilnius Legal form – private limited liability company Registration date 11.12.2003	information technology infrastructure solutions	Telephone +370 2 77 9700 Fax +370 2 77 9725 E-mail info@infopasaulis.lt www.infopasaulis.lt
Vitma UAB	Code 121998756 Address Juozapaviciaus str. 6 / Slucko str. 2. Vilnius Legal form – private limited liability company Registration date 25.06.1993	investments into information technology companies	Telephone +370 2 19 0000 Fax +370 2 19 5900
Acena UAB	Code 300935644 Address Juozapaviciaus str. 6 / Slucko str. 2. Vilnius; Legal form – private limited liability company Registration date 20.07.2007	information technology infrastructure development and support	Telephone +370 2 75 9647 Fax +370 2 73 5106 E-mail info@acena.lt www.acena.lt
BAIP UAB	Code 301318539 Address Juozapaviciaus str. 6 / Slucko str. 2. Vilnius Legal form – private limited liability company Registration date 03.12.2007	information technology infrastructure solutions. information technology security consultations. information technology infrastructure support services	Telephone +370 2 19 0000 Fax +370 2 19 5900 E-mail info@baip.lt www.baip.lt
Norway Registers Development AS	Code 985 221 405 Address Billingstadsletta 35 1375 BILLINGSTAD 0220 ASKER Norvegija Legal form – public limited liability company Registration date 23.12.2002	creation of new register reforms in various countries.providing consultancy on the information system design	Telephone + 47 66 98 30 28 E-mail nrd@nrd.no
NRD UAB	Code 111647812 Address Zygimantu str. 11-5. Vilnius Legal form – private limited liability company Registration date 15.10.1998	creation of new register reforms in various countries. providing consultancy on the information system design	Telephone +370 2 31 0731 Fax +370 2 31 0730 E-mail info@nrd.lt www.nrd.lt

Company	Registration information	Type of activity	Contact details
OTHER COMPANIES			
Trakcja-Tiltra S.A.	Code 0000084266 Address Złota str. 59. 00 - 120 Warsaw. Poland Legal form – public limited liability company Registration date 29.01.2002	rail and road infrastructure. bridge construction	Telephone +48 22 628 6263 Fax +48 22 483 3013 E-mail sekretariat@trakcja.com www.trakcjatiltra.com
Kelio Zenklai UAB	Code 185274242 Address Gelezinkelio str. 28. Pilviskiai. Vilkaviskio r. Legal form – private limited liability company Registration date 06.09.1994	metal and wood processing and wholesale trade	Telephone +370 342 67 756 Fax +370 342 67 644 E-mail info@keliozenklai.lt www.keliozenklai.lt
Lauko Gelininkystes Bandymu Stotis UAB	Code 221496060 Address A.Kojelaviciaus str. 1. Vilnius; Legal form – private limited liability company Registration date 23.07.1992	growning and trade of ornamental plants. flowers	Telephone +370 2 67 1718 Fax +370 2 67 7949 E-mail inga@augalucentras.lt www.augalucentras.lt
Iniciatyvos Fondas VsI	Code 300657209 Registration address Seimyniskiu str. 3. Vilnius Residence address Seimyniskiu str. 1A. Vilnius Legal form – public institution Registration date 08.03.2007	organising of social initiative programmes	Telephone +370 2 63 6129 Fax +370 2 79 0530 E-mail info@iniciatyvosfondas.lt www.iniciatyvosfondas.lt
Inreal Pastatu Prieziuros Grupe UAB	Code 301673796 Residence address Seimyniskiu str. 1A. Vilnius; Legal form – private limited liability company Registration date 07.04.2008	investing in building maintenance companies	Telephone +370 2 63 6129 Fax +370 2 79 0530
IPP Integracijos Projektai UAB	Code 302890482 Residence address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 12.10.2012		Telephone +370 2 73 6607 E-mail prieziura@inreal.lt
Aktyvo UAB	Code 301206846 Registration address Seimyniskiu str. 3. Vilnius; Residence address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 31.10.2007	bad debt activity	Telephone +370 2 63 6129 Fax +370 2 79 0530
ENTE UAB	Code 301206860 Registration address Seimyniskiu str. 3. Vilnius; Residence address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 31.10.2007	investment activities	Telephone +370 2 63 6129 Fax +370 2 79 0530
Finansu Rizikos Valdymas UAB	Code 300045450 Residence address Seimyniskiu str. 1A. Vilnius; Legal form – private limited liability company Registration date 04.08.2004	investment activities	Telephone +370 2 63 6129 Fax +370 2 79 0530

Company	Registration information	Type of activity	Contact details
OTHER COMPANIES			
Invetex AB	Code 133190113 Address Seimyniskiu str. 1A. Vilnius Legal form – public limited liability company Registration date 31.01.1992	investment activities	Telephone +370 2 63 6129 Fax +370 2 79 0530
Investiciju Tinklas UAB	Code 301206885 Registration address Seimyniskiu str. 3. Vilnius; Residence address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 31.10.2007	investment activities	Telephone +370 2 63 6129 Fax +370 2 79 0530
FORTINA UAB	Code 301673789 Residence address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 07.04.2008	investment activities	Telephone +370 2 63 6129 Fax +370 2 79 0530
Cedus Invest UAB	Code 302576631 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 20.12.2010	investment activities	Telephone +370 2 63 6129 Fax +370 2 79 0530
Aktyvus Valdymas UAB	Code 301673764 Registration address Seimyniskiu str. 3. Vilnius; Residence address Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 07.04.2008	investment in real estate companies	Telephone +370 2 63 6129 Fax +370 2 79 0530
Deltuvis[14] UAB	Code 303010376 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 28.02.2013	investment in real estate companies	Telephone +37068756082 Fax +370 2 79 0530
Justum[15] UAB	Code 303010376 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 21.03.2013	investment in real estate companies	Telephone +37061447949 Fax +370 2 79 0530
ZVF Projektai UAB	Code 300137062 Address Smolensko str. 10. Vilnius Legal form – private limited liability company Registration date 16.08.2005	investments into agricultural land	Telephone +370 2 33 5369 Fax +370 2 13 8594 E-mail info@zvf.lt
MBGK UAB	Code 300083611 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 27.012005	carries no activity	Telephone +370 2 63 6129 Fax +370 2 79 0530

[14] Registration date is February 28, 2013
[15] Registration date is March 21, 2013

Company	Registration information	Type of activity	Contact details
OTHER COMPANIES			
MGK Invest UAB	Code 302531757 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 27.07.2010	carries no activity	Telephone +370 2 63 6129 Fax +370 2 79 0530
RPNG UAB	Code 302575892 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370263 6129 Fax +370279 0530
Consult Invalda UAB	Code 302575814 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 2 63 6129 Fax +370 2 79 0530
Regenus UAB	Code 302575821 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 2 63 6129 Fax +370 2 79 0530
Via Solutions UAB	Code 302617188 Address Palangos str. 4. Vilnius Legal form – private limited liability company Registration date 19.04.2011	carries no activity	Telephone +370 2 63 6129 Fax +370 2 79 0530
Invalda LUX S.a.r.l. (Luxembourg)	Code B158274 Address 560A. rue de Neudorf. L-22200 Luxembourg Legal form – ribotos atsakomybes bendrove Registration date 25.01.2011	carries no activity	Telephone +352 26 43661 Fax +352 26 4366300
Cedus UAB	Code 302656796 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 18.08.2011	carries no activity	Telephone +370 2 63 6129 Fax +370 2 79 0530

Appendix 2. Disclosure concerning the compliance with the Governance Code

Invalda AB, following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules NASDAQ OMX Vilnius, discloses its compliance with the Governance Code, approved by NASDAQ OMX Vilnius for the companies listed on the regulated market, and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES / NO / NOT APPLI-CABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a Company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company constantly discloses information about group's activities and objectives in notifications on material event, annual information.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	The Board's and the President's activities are concentrated on the fulfillment of the Company's strategic objectives taking count of the shareholders' equity increase.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board is not formed. Nevertheless, the Board and the President acts in close cooperation seeking to obtain the maximum benefit for the Company and its shareholders. The Board periodically reviews and assesses Company's activity results. The President may conclude the transactions referred to in subparagraphs 3, 4, 5 and 6, paragraph 4, Article 34 of the Law on Companies of the Republic of Lithuania, provided that there is a decision of the Board to enter into these transactions.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	The Company respects all rights and interests of the persons other than the Company's shareholders participating in or connected with the Company's operation.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the Company, the effective oversight of the Company's management bodies, an appropriate balance and distribution of functions between the Company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a General Shareholders' Meeting and the Chief Financial Officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the Chief Executive Officer, who, in its turn, facilitate a more efficient and transparent management process.	No	Due to its size, it is not expedient to form the Supervisory Board. Considering that only collegial management body - the Board is formed in the Company. The President of the Company is accountable to the Board.

2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions set forth in this recommendation are performed by the collegial management body – the Board.
2.3. When a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the Supervisory Board. In such a case, the Supervisory Board is responsible for the effective monitoring of the functions performed by the company's Chief Financial Officer.	No	Only one collegial body is formed in the Company - the Board. It performs all essential management functions and ensures accountability and control of the President of the Company. The Supervisory Board is not formed in the Company.
2.4. The collegial supervisory body to be elected by the General Shareholders' Meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the Board, Principles III and IV should apply to the Board as long as that does not contradict the essence and purpose of this body.	Yes	The provisions set forth in III and IV principles are applied on the Board's formation and activity as long as that does not contradict with the essence and purpose of this body.
2.5. Company's management and supervisory bodies should comprise such number of Board (executive directors) and Supervisory (non-executive directors) Board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	There are 3 independent Board members in the Company who do not have any other mutual interests but only activity within the Board and who act seeking benefit to the Company and its shareholders.
2.6. Non-executive directors or members of the Supervisory Board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the Management Board.	No	The Supervisory Board is not formed in the Company, and there are no non–executive directors either.
2.7. Chairman of the collegial body elected by the General Shareholders' Meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a Supervisory Board but rather the Board, it is recommended that the chairman of the Board and Chief Financial Officer of the company should be a different person. Company's Chief Financial Officer should not be immediately nominated as the chairman of the collegial body elected by the General Shareholders' Meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Board is not and has not been the manager of the Company. His current or past office constitutes has no obstacles to conduct independent and impartial supervision.

Principle III: The order of the formation of a collegial body to be elected by a General Shareholders' Meeting.

The order of the formation a collegial body to be elected by a General Shareholders' Meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the Company's operation and its management bodies.		
3.1. The mechanism of the formation of a collegial body to be elected by a General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Board operates impartially, objectively and represents the interests of all shareholders equally.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the General Shareholders' Meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	According to the Board's procedures and regulations approved by the Board's decision of March 1, 2007 at least 10 days before the General Shareholders' Meeting, where it is planned to elect Board members (member), the information about the candidates to the Board will be fully disclosed to the shareholders with the indication of the candidates' names, surnames, their membership in supervisory and management bodies of other companies, shareholding of other companies exceeding 1/20, and all other circumstances that can affect the independence of the candidate as well as the data on their education, qualifications, professional experience, other important information. The Board members obligate to inform the Chairman of the Board in case of the changes of the data. The information of these changes shall be disclosed to the shareholders in the Company's periodical reports. Information about current members of the Board, their educational background, qualification, professional experience, participation in other companies is disclosed in Company's website.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the composition of the Board, members' education, work experience and participation in other companies is disclosed in Company's periodical reports and website.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the Audit Committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the	Yes	The composition of the Board is regularly assessed with consideration to the nature of Company's activity and structure. The Audit Committee members have the required experience. The Remuneration Committee is formed.

Remuneration Committee should have knowledge of and experience in the field of remuneration policy.		
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	Presently, members of the Board do not perform the assessment of their skills and knowledge.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Independency of the elected Board members is not assessed and the content of independent members' sufficiency isn't set either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) he/she is not an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) of the company or any associated company and has not been such during the last five years; 2) he/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) he/she is not a controlling shareholder or representative of such shareholder (control	No	Members of the Board are elected by the General Shareholders' Meeting. They are independent and in their actions seek the benefit to the Company and its shareholders, however fail to meet the recommendation on independency.

as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) he/she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated companies; 7) he/she is not an executive director or member of the Board in some other company where executive director of the company or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) is non-executive director or member of the Supervisory Board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) he/she has not been in the position of a member of the collegial body for over than 12 years; 9) he/she is not a close relative to an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he can not be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the	No	No Board members' independency assessment and announcement practice is applicable in the Company.

company should annually disclose which members of the collegial body it considers to be independent.		
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	No Board members' independency assessment and announcement practice is applicable in the Company.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The General Shareholders' Meeting should approve the amount of such remuneration.	Not applicable	The Board members are not remunerated for their work and participation in the meeting of the Board from the Company's funds.
Principle IV: The duties and liabilities of a collegial body elected by the General Shareholders' Meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the General Shareholders' Meeting, and the powers granted to the collegial body should ensure effective monitoring of the Company's management bodies and protection of interests of all the Company's shareholders.**		
4.1. The collegial body elected by the General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board submits Company's annual financial statement and consolidated annual financial statement, profit distribution drafts to the General Shareholders' Meeting, delivers consolidated annual report, also performs all other functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or Audit Committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the information held with the Company, all Board members act in good will with respect to the Company, are guided by the interests of the Company, not by the personal or third parties' interests, and seek to preserve their independency while adopting the decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships	Yes	The Board members perform their functions properly: they actively participate in the Board meetings and devote sufficient time for the performance of their duties as Board members. The Board members do not hold directorship in

held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.		any other companies.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	The Board treats all shareholders honestly and impartially. Essential obligations of the Company to the shareholders are set forth in the Shareholders' Policy approved by the Board (which is published in Company's website).
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	There were no significant transactions between the Company and its shareholders or management bodies. The Board's procedures and regulations establish that if such transactions are concluded, all Board members should be informed thereof. Prior approval of the Board is not required foragreements between the Company and the members of the management bodies
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes	The Board is independent while adopting decisions which are significant for the activity and strategy of the Company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of	No	Due to simplicity of the Company's management structure and small number of employees, it is not expedient to form the Nomination and Remuneration committees.

occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of the company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish Nomination, Remuneration, and Audit Committees. Companies should ensure that the functions attributable to the Nomination, Remuneration, and Audit Committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the Company chooses not to set up a Supervisory Board, Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee		

membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit Committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.		
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.		
4.12. Nomination Committee. 4.12.1. Key functions of the Nomination Committee should be the following: 1) identify and recommend, for the approval of the collegial body, candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies		

for selection and appointment of senior management. 4.12.2. Nomination Committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management, Chief Financial Officer of the company should be consulted by, and entitled to submit proposals to the Nomination Committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the Remuneration Committee should be the following: 1) make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the Committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of		

directors); 7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the Committee should: 1) consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; 2) examine the related information that is given in the company's annual report and documents intended for the use during the General Shareholders' Meeting; 3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the Remuneration Committee, the Committee should at least address the chairman of the collegial body and/or Chief Financial Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The Remuneration Committee should report on the exercise of its functions to the shareholders and be present at the Annual General Shareholders' Meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the Audit Committee should be the following: 1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by	Yes	The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Audit Committee should be the following: - provide recommendations with selection, appointment, reappointment and removal of an external Audit Company as well as the terms and conditions of engagement with the Audit Company; - monitor the process of external audit; - monitor how the external auditor and Audit Company follow the principles of independence and objectivity; - observe the process of preparation of financial reports of the Company; - monitor the efficiency of the internal control and risk management systems of the Company. Once a year review the need of the internal audit function. In conducting of the mentioned above functions, the Audit committee supervises the process of

monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the General Shareholders' Meeting) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the Committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16, 2002 Commission Recommendation 2002/590/EC, the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the Committee, and (c) permissible without referral to the Committee; 6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body, Chief Financial Officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be		preparation of annual accounts and gives recommendations to the Board on provision of the annual accounts for the approval of the shareholders. Furthermore, the Audit commitee analizes the independance and other criterias of the potential auditors and gives the necessary conclusions to the management. Each year the Audit committee prepares activity report on the main conclusions regarding Company's activity.

secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors. 4.14.5. The Audit Committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit. 4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	Once a year the Board conducts its performance evaluation. During the year 2012 the Board analyzed available information, discussed and adopted decisions concerning essential matters of Invalda AB and its group. The structure of the Board did not change within the last year, but from the beginning of the year the former member of the Board was elected to the position of the head of the company; consequently, the composition of the of the Board has changed. No essential changes in the activity of the Board did not take place in 2012.
Principle V: The working procedure of the Company's collegial bodies. **The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The	Yes	The activity of the Board is chaired by the chairman who is also resposible for convocation of the meetings as well as preparation of the agenda. Frequency of the meetings and questions of the agenda depend on the particular events or projects or they are related with ordinary functions of the Board prescribed by legal acts.

chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.		
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter, and the company's Board should meet at least once a month[16].	Yes	According to the Board's procedures and regulations, the Board meetings are held at least once per quarter.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The Board meetings are being convened by the Chairman. The Chairman of the Board informs members about the meeting at least 5 days prior to the meeting. Additional issues may be including into the agenda not later than 3 days prior to the meeting.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's Board should be free to attend meetings of the company's Supervisory Board, especially where issues concerning removal of the Board members, their liability or remuneration are discussed.	No	The Company may not implement this recommendation since only the Board is formed.
Principle VI: The equitable treatment of shareholders and shareholder rights. **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Shares which compose the authorised capital of the Company grant equal rights to all shareholders.

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

6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company informs shareholders about the rights of newly issued shares. Information about the rights of already issued shares is provided in the Shareholders' Policy approved by the Board, the Articles of the Association, Company's annual report.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the General Shareholders' Meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	Yes	Shareholders of the Company have equal opportunities to get familiarised and participate in adopting decisions important to the Company. Approval of the General Shareholders' Meeting is also necessary in cases stipulated in Chapter V of the Law on Companies of the Republic of Lithuania. No other cases when the approval of the General Shareholders' Meeting should be obtained are foreseen, since it would impair Company's business considering the nature of the Company's activity.
6.4. Procedures of convening and conducting a General Shareholders' Meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the Company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Share-holders' Meeting and receive answers to them.	Yes	The procedures of convening and conducting of the General Shareholders' Meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meetings get familiarised with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the General Shareholders' Meeting, should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the General Shareholders' Meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The documents prepared for the General Shareholders' Meeting are published in Lithuanian and English on the Company's website. The decisions of General Shareholders' Meetings for the last 8 years are also published on Company's website.
6.6. Shareholders should be furnished with the opportunity to vote in the General Shareholders' Meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders are furnished with the opportunity to participate in the General Shareholders' Meeting both personally and via an attorney, if such a person has a proper authorisation or if an agreement on the transfer of voting rights was concluded in the manner set forth in the legal acts. The Company provides the shareholders with conditions to vote by

		completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at General Shareholders' Meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in General Shareholders' Meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Shareholders can vote via an attorney or by completing the general voting ballot but for the meantime shareholders can not participate and vote in General Shareholders' Meetings via electronic means of communication.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Board members fully comply with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Shareholders' Meeting or any other corporate body authorised by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory		

and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.		
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.**		
8.1. A Company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company. Information about the benefits and loans for the members of the management bodies is provided in the periodical reports, financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.		
8.3. Remuneration statement should leastwise include the following information: 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) sufficient information on the composition of peer groups of companies the remuneration		

policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.		
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: - the total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the Annual General Shareholders' Meeting; - the remuneration and advantages received from any undertaking belonging to the same group; - the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; - if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; - compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; - total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:		

- the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; - the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; - the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; - all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: - when the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; - when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.		
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions		

that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.		
8.13. Shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement		

should be put for voting in Annual General Shareholders' Meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	In 2012 the schemes, on which basis the managers were remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements were not applied in the Company.
8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting: 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; 5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.		
8.23. Prior to the Annual General Shareholders'		

Meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the Company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the Company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned events has been constantly discosed in line with reuirements of legal acts; therefore, the investors (shareholders) have enough opportunities to familiarize with necessary information as well as vote on decisions. More detailed explanation about disclosure procedure is provided below in the part 10.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the Company, including the financial situation, performance and governance of the Company.**		

10.1. The company should disclose information on: 1) the financial and operating results of the company; 2) company objectives; 3) persons holding by the right of ownership or in control of a block of shares in the company; 4) members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration; 5) material foreseeable risk factors; 6) transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) material issues regarding employees and other stakeholders; 8) governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information set forth in this recommendation is disclosed in the notifications on material event, periodical reports. This information is also published on Company's website.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the Company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, Chief Financial Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Financial Officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is	Yes	The company discloses information via NASDAQ OMX news distribution service so that the public in Lithuania and other EU countries should have equal access to the information. The information is disclosed in Lithuanian and English.

recommended that notices about material events should be announced before or after a trading session on the NASDAQ OMX Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.		The company publishes its information prior to or after the trade sessions on the NASDAQ OMX Vilnius. The company does not disclose information that may have an effect on the price of shares in the commentaries, interview or other ways as long as such information is publicly announced via NASDAQ OMX news distribution service.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The information is disclosed in Lithuanian and English simultaneously via NASDAQ OMX news distribution service. It is also published on company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company publishes all information indicated in this recommendation on its website.
Principle XI: The selection of the Company's auditor **The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The annual Company's and consolidated financial statements and consolidated annual report are conducted by the independent audit company. The interim financial statements are not conducted by the audit company.
11.2. It is recommended that the company's Supervisory Board and, where it is not set up, the company's Board should propose a candidate firm of auditors to the General Shareholders' Meeting.	Yes	The candidate audit company is suggested to the General Shareholders' Meeting by the Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's Supervisory Board and, where it is not formed, the company's Board upon their consideration which firm of auditors to propose for the General Shareholders' Meeting.	Not applicable	The audit company does not provide non-audit services to the Company.

The President Dalius Kaziunas