

**Public joint-stock company Invalda LT**

**CONFIRMATION OF RESPONSIBLE PERSONS**

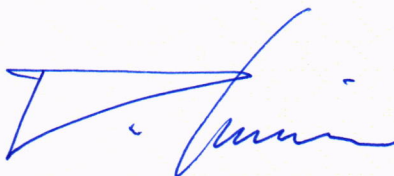
7 April 2014

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 21) of the Republic of Lithuania, management of Invalda LT, AB hereby confirms that, to the best of our knowledge, the attached Consolidated and Company's Financial Statements for 2013 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss of Invalda LT and Consolidated Group. Presented Consolidated Annual Report includes a fair review of the development and performance of the business and position of the company and the consolidated group in relation to the description of the main risks and contingencies faced thereby.

**ENCLOSURE:**

1. Consolidated and Company's Financial Statements for 2013.
2. Consolidated Annual Report for 2013.

President



Darius Šulnis

Chief Financier



Raimondas Rajeckas

# AB INVALIDA LT

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2013 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.

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*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 LT AB

### **Report on the financial statements**

We have audited the accompanying stand-alone and consolidated financial statements of Invalda LT AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 105, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2013 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 2013, 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

A large, stylized blue ink signature of Rimvydas Jogėla, consisting of several loops and a long horizontal stroke extending to the right.

Rimvydas Jogėla  
Partner

Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
7 April 2014

A stylized blue ink signature of Rasa Radzevičienė, written in a cursive script.

Rasa Radzevičienė  
Auditor's Certificate No.000377

## GENERAL INFORMATION

### Board of Directors

Mr. Alvydas Banys (Chairman of the Board)

Mrs. Indrė Mišeikytė

Mr. Darius Šulnis

### Management

Mr. Darius Šulnis (President)

Mr. Raimondas Rajeckas (Chief Financial Officer)

### Principal place of business and company code

Šeimyniškių Str. 1A,

Vilnius,

Lithuania

Company code 121304349

### Bankers

AB DNB Bankas

Šiaulių Bankas AB

Nordea Bank Finland Plc Lithuania Branch

AB SEB Bankas

Danske Bank A/S Lithuania Branch

Bankas Finasta AB

"Swedbank", AB

Citadele bankas AB

UAB Medicinos Bankas

DNB Bank Polska S. A.

### Auditor

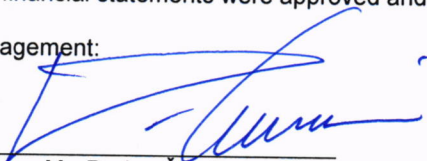
UAB PricewaterhouseCoopers

J. Jasinskio Str. 16B,

Vilnius, Lithuania

The financial statements were approved and signed by the Management and the Board of Directors on 7 April 2014.

Management:



Mr. Darius Šulnis  
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		Company	
		2013	2012	2013	2012
		Restated			
<b>Continuing operations</b>					
Revenue	5	98,700	96,556	-	-
Other income	6.3	1,715	3,632	23,244	40,795
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	4	1,333	1,282	(517)	(1,052)
Net gains (losses) from fair value adjustments on investment property	12	10,736	(8,709)	-	-
Net changes in fair value of financial instruments at fair value through profit loss	6.1	1,540	3,567	1,426	836
Gain on the split-off	3	780	-	68,071	-
Changes in inventories of finished goods, work in progress and residential real estate		(2,019)	(5,040)	-	-
Raw materials and consumables used	5	(33,597)	(26,715)	(21)	(22)
Employee benefits expenses	5	(24,226)	(24,906)	(2,242)	(2,858)
Impairment, write-down and provisions	6.2	3,640	867	(5,745)	(13,156)
Premises rent and utilities		(13,215)	(14,277)	(167)	(171)
Depreciation and amortisation	11, 13	(4,046)	(4,328)	(41)	(72)
Repairs and maintenance cost of premises		(6,933)	(5,061)	(54)	-
Other expenses		(14,364)	(16,155)	(938)	(1,212)
<b>Operating profit (loss)</b>		<b>20,044</b>	<b>713</b>	<b>83,016</b>	<b>23,088</b>
Finance costs	6.4	(2,208)	(3,865)	(335)	(906)
Share of profit of associates and joint ventures	4	5,425	8,665	-	-
<b>Profit (loss) before income tax</b>		<b>23,261</b>	<b>5,513</b>	<b>82,681</b>	<b>22,182</b>
Income tax expense	7	(3,274)	(365)	(1,691)	(1,235)
<b>Profit (loss) for the year from continuing operations</b>		<b>19,987</b>	<b>5,148</b>	<b>80,990</b>	<b>20,947</b>
<b>Discontinued operations</b>					
Profit after tax for the year from discontinued operations	8	88,545	26,997	-	-
<b>PROFIT FOR THE YEAR</b>		<b>108,532</b>	<b>32,145</b>	<b>80,990</b>	<b>20,947</b>
<b>Attributable to:</b>					
Equity holders of the parent					
Profit (loss) for the period from continuing operations		19,834	5,296	80,990	20,947
Profit for the period from discontinued operations		87,441	19,475	-	-
Profit for the period attributable to equity holders of the parent		107,275	24,771	80,990	20,947
Non - controlling interest					
Profit for the period from continuing operations		153	(148)	-	-
Profit for the period from discontinued operations		1,104	7,522	-	-
Profit for the period attributable to non – controlling interests		1,257	7,374	-	-
		<b>108,532</b>	<b>32,145</b>	<b>80,990</b>	<b>20,947</b>
Basic earnings per share (in LTL)	9	3.12	0.47	2.36	0.40
Basic earnings (deficit) per share (in LTL) from continuing operations		0.54	0.47	2.36	0.40
Diluted earnings per share (in LTL)	9	3.12	0.47	2.36	0.40
Diluted earnings (deficit) per share (in LTL) from continuing operations		0.54	0.47	2.36	0.40

## Consolidated and Company's statements of comprehensive income

	Group		Company	
	2013	2012	2013	2012
	Restated			
<b>Profit (loss) for the year</b>	<b>108,532</b>	<b>32,145</b>	<b>80,990</b>	<b>20,947</b>
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that may be subsequently reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	(120)	43	-	-
Share of other comprehensive income (loss) of associates	4 (4)	(6)	-	-
<b>Net other comprehensive income (loss) that may be subsequently reclassified to profit or loss</b>	<b>(124)</b>	<b>37</b>	<b>-</b>	<b>-</b>
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss</i>				
Re-measurement gains (losses) on defined benefit plans	-	(161)	-	-
Share of other comprehensive income (loss) of associates - re-measurement gains (losses) on defined benefit plans	4 26	-	-	-
<b>Net other comprehensive income (loss) not to be reclassified to profit or loss</b>	<b>26</b>	<b>(161)</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income (loss) for the period, net of tax</b>	<b>(98)</b>	<b>(124)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income (loss) for the period, net of tax</b>	<b>108,434</b>	<b>32,021</b>	<b>80,990</b>	<b>20,947</b>
Attributable to:				
Equity holders of the parent				
Income (loss) for the period from continuing operations	19,760	5,324	80,990	20,947
Income for the period from discontinued operations	87,441	19,359	-	-
Income for the period attributable to equity holders of the parent	107,201	24,683	80,990	20,947
Non - controlling interest				
Income for the period from continuing operations	129	(139)	-	-
Income for the period from discontinued operations	1,104	7,477	-	-
Income for the period attributable to non – controlling interests	1,233	7,338	-	-
	<b>108,434</b>	<b>32,021</b>	<b>80,990</b>	<b>20,947</b>



**Consolidated and Company's statements of financial position**

		Group		Company	
	Notes	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	5,410	47,471	33	127
Investment properties	12	180,548	225,587	-	-
Intangible assets	13	8,263	11,390	50	13
Investments into subsidiaries	1	-	-	52,487	98,119
Investments into associates and joint ventures	1	85,686	48,799	25,108	685
Investments available-for-sale	16	1,705	2,859	1,705	1,817
Loans granted	17	-	-	21,396	82,862
Trade and other receivables long term	19	1,867	5,156	1,202	-
Other non-current assets	30	2,848	2,848	-	-
Deferred income tax asset	7	8,289	19,624	7,652	17,401
<b>Total non-current assets</b>		<b>294,616</b>	<b>363,734</b>	<b>109,633</b>	<b>201,024</b>
<b>Current assets</b>					
Inventories	18	2,688	39,564	-	-
Trade and other receivables	19	19,566	35,833	1,710	273
Current loans granted	17	30,323	31,730	55,061	104,193
Prepaid income tax		438	1,521	-	3
Prepayments and deferred charges		610	3,441	45	155
Deposits	20	-	21,418	-	41
Financial assets at fair value through profit loss	16	5,602	32,974	5,602	32,974
Restricted cash	21	5,640	3,602	-	-
Cash and cash equivalents	20	6,463	56,092	2,515	33,530
<b>Total current assets</b>		<b>71,330</b>	<b>226,175</b>	<b>64,933</b>	<b>171,169</b>
<b>Assets of disposal group classified as held-for-sale</b>					
		-	-	-	-
<b>TOTAL ASSETS</b>		<b>365,946</b>	<b>589,909</b>	<b>174,566</b>	<b>372,193</b>

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

		Group		Company	
	Notes	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital	1, 22	24,834	51,802	24,834	51,802
Own shares		(20,813)	-	(20,813)	-
Share premium		33,139	60,747	33,139	60,747
Reserves	23	97,292	241,523	95,685	220,967
Retained earnings (accumulated deficit)		84,374	38,883	27,138	27,045
		<b>218,826</b>	<b>392,955</b>	<b>159,983</b>	<b>360,561</b>
Non - controlling interest		360	23,241	-	-
<b>Total equity</b>		<b>219,186</b>	<b>416,196</b>	<b>159,983</b>	<b>360,561</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Non-current borrowings	24	55,824	98,737	-	-
Finance lease liabilities	25	145	423	-	-
Government grants		46	152	-	-
Provisions	27	-	396	-	-
Deferred income tax liability	7	15,296	15,116	-	-
Other non-current liabilities	28	2,627	4,831	-	-
<b>Total non-current liabilities</b>		<b>73,938</b>	<b>119,655</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings	24	44,597	6,071	-	-
Current portion of financial lease liabilities	25	69	206	-	-
Current borrowings	24	9,313	549	12,682	9,125
Trade payables	26	10,417	28,373	305	55
Income tax payable		92	114	-	-
Provisions	27	-	227	-	-
Advances received	18	2,026	4,272	-	-
Other current liabilities	28	6,308	14,246	1,596	2,452
<b>Total current liabilities</b>		<b>72,822</b>	<b>54,058</b>	<b>14,583</b>	<b>11,632</b>
<b>Total liabilities</b>		<b>146,760</b>	<b>173,713</b>	<b>14,583</b>	<b>11,632</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>365,946</b>	<b>589,909</b>	<b>174,566</b>	<b>372,193</b>

(the end)

## Consolidated and Company's statements of changes in equity

Group	Notes	Equity attributable to equity holders of the parent								
		Share capital	Share premium	Own shares	Reserves		Retained earnings (accumulated deficit)	Subtotal	Non - controlling interest	Total equity
					Legal and other reserves	Foreign currency translation reserve				
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
Re-measurement gains (losses) on defined benefit plans		-	-	-	-	-	(116)	(116)	(45)	(161)
Share of other comprehensive income of associates	4	-	-	-	-	-	(6)	(6)	-	(6)
Net profit for the year 2012	9	-	-	-	-	-	24,771	24,771	7,374	32,145
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	22	5,898	26,542	-	-	-	6,098	38,538	-	38,538
Changes in reserves	22, 23	-	-	-	275,093	-	(275,093)	-	-	-
Acquired own shares		-	-	(59,659)	-	-	-	(59,659)	-	(59,659)
Decrease of share capital		(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	4	-	-	-	-	-	-	-	-	-
Acquisition of the non-controlling interest	4	-	-	-	-	-	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

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

Group	Notes	Equity attributable to equity holders of the parent								Non - controlling interest	Total equity
		Share capital	Share premium	Own shares	Reserves		Retained earnings (accumulated deficit)	Subtotal			
					Legal and other reserves	Foreign currency translation reserve					
Balance as at 31 December 2012		51,802	60,747	-	241,489	34	38,883	392,955	23,241	416,196	
Currency translation differences		-	-	-	-	(96)	-	(96)	(24)	(120)	
Share of other comprehensive income (loss) of associates - re-measurement gains (losses) on defined benefit plans		-	-	-	-	-	26	26	-	26	
Share of other comprehensive income (loss) of associates		-	-	-	-	-	(4)	(4)	-	(4)	
Net profit for the year 2013	9	-	-	-	-	-	107,275	107,275	1,257	108,532	
Total comprehensive income for the year		-	-	-	-	(96)	107,297	107,201	1,233	108,434	
Share of movements in equity of associates		-	-	-	-	-	512	512	-	512	
Value of employee services		-	-	-	-	-	-	-	(344)	(344)	
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(311)	(311)	
Disposal of subsidiaries		-	-	-	9	-	(9)	-	-	-	
Changes in reserves	23	-	-	-	23	-	(23)	-	-	-	
Acquired own shares	22	-	-	(72,658)	-	-	-	(72,658)	-	(72,658)	
Decrease of share capital	22	(6,279)	-	51,845	(45,566)	-	-	-	-	-	
Distribution as a result of split-off	3	(20,689)	(27,608)	-	(98,601)	-	(62,282)	(209,180)	(23,270)	(232,450)	
Total contributions by and distributions to owners of the Company		(26,968)	(27,608)	(20,813)	(144,135)	-	(61,802)	(281,326)	(23,925)	(305,251)	
Non-controlling interest arising on business combination	4	-	-	-	-	-	-	-	7	7	
Acquisition of the non-controlling interest	4	-	-	-	-	-	(4)	(4)	(196)	(200)	
Total transactions with owners of the Company, recognised directly in equity		(26,986)	(27,608)	(20,813)	(144,135)	-	(61,806)	(281,330)	(24,114)	(305,444)	
Balance as at 31 December 2013		24,834	33,139	(20,813)	97,354	(62)	84,374	218,826	360	219,186	

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

Company	Notes	Share capital	Own shares	Share premium	Legal reserve	Reserves	Retained earnings (accumulated deficit)	Total
						Reserve for acquisition of own shares		
<b>Balance as at 31 December 2011</b>		<b>51,660</b>	<b>-</b>	<b>34,205</b>	<b>-</b>	<b>-</b>	<b>274,870</b>	<b>360,735</b>
Conversion of convertible bonds into share capital		5,898	-	26,542	-	-	6,098	<b>38,538</b>
Acquired own shares		-	(59,659)	-	-	-	-	<b>(59,659)</b>
Decrease of share capital		(5,756)	59,659	-	-	(53,903)	-	<b>-</b>
Changes in reserves	23	-	-	-	5,756	269,114	(274,870)	<b>-</b>
Total comprehensive income for the year		-	-	-	-	-	20,947	<b>20,947</b>
<b>Balance as at 31 December 2012</b>		<b>51,802</b>	<b>-</b>	<b>60,747</b>	<b>5,756</b>	<b>215,211</b>	<b>27,045</b>	<b>360,561</b>
Acquired own shares	22	-	(72,658)	-	-	-	-	<b>(72,658)</b>
Decrease of share capital	22	(6,279)	51,845	-	-	(45,566)	-	<b>-</b>
Distribution as a result of split-off	3	(20,689)	-	(27,608)	(2,616)	(77,100)	(80,897)	<b>(208,910)</b>
Total comprehensive income for the year		-	-	-	-	-	80,990	<b>80,990</b>
<b>Balance as at 31 December 2013</b>		<b>24,834</b>	<b>(20,813)</b>	<b>33,139</b>	<b>3,140</b>	<b>92,545</b>	<b>27,138</b>	<b>159,983</b>

(the end)



**Consolidated and Company's statements of cash flows**

		Group		Company	
		2013	2012	2013	2012
		Restated			
<b>Cash flows from (to) operating activities</b>					
Profit (loss) after tax from continuing operations		19,987	5,148	80,990	20,947
Profit after tax from discontinued operations		88,545	26,997	-	-
Net profit for the year		108,532	32,145	80,990	20,947
Adjustment to reconcile result after tax to net cash flows:					
Non-cash:					
Valuation (gain) loss, net	12	(10,736)	8,709	-	-
Depreciation and amortisation	11, 13	6,075	9,715	41	72
Loss (gain) on disposal of property, plant and equipment		37	(159)	-	-
Realized and unrealized loss (gain) on investments	6.1	(1,540)	(3,567)	(1,426)	(836)
Loss (gain) on disposal of subsidiaries and associates	4	(1,333)	(1,282)	517	1,052
Gain on the split-off	3	(85,363)	-	(68,071)	-
Share of net loss (profit) of associates and joint ventures	4	(5,425)	(8,665)	-	-
Interest income	6.3	(1,560)	(3,656)	(6,331)	(12,025)
Interest expenses	6.4	2,211	3,716	335	906
Deferred taxes	7	3,273	1,597	1,687	1,235
Current income tax expenses	7	352	1,587	4	-
Allowances	6.2	(3,610)	(793)	5,745	13,156
Change in provisions	27	(30)	(73)	-	-
Share based payment	23	(344)	(93)	-	-
Dividend income	6.3	(71)	(18)	(16,841)	(28,758)
Profit (loss) from bargain purchase		-	-	-	-
Loss (gain) from other financial activities		(29)	140	(24)	140
		10,439	39,303	(3,374)	(4,111)
Working capital adjustments:					
Decrease (increase) in inventories		(1,670)	(1,613)	-	-
Decrease (increase) in trade and other receivables		(3,087)	(2,824)	(3,215)	172
Decrease (increase) in other current assets		2	(804)	28	(32)
Increase (decrease) in trade payables		1,869	(6,104)	49	(563)
Increase (decrease) in other current liabilities		(90)	3,276	(45)	(553)
Transfer to/from restricted cash		(2,044)	(681)	-	-
<b>Cash flows from (to) operating activities</b>		<b>5,419</b>	<b>30,553</b>	<b>(6,557)</b>	<b>(5,087)</b>
Income tax paid		(199)	(554)	(4)	-
<b>Net cash flows from (to) operating activities</b>		<b>5,220</b>	<b>29,999</b>	<b>(6,561)</b>	<b>(5,087)</b>

(cont'd on the next page)

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

		Group		Company	
		2013	2012	2013	2012
		Restated			
<b>Cash flows from (to) investing activities</b>					
Acquisition of non-current assets (except investment properties)		(6,076)	(17,506)	(46)	(21)
Proceeds from sale of non-current assets (except for investment properties)		42	383	(46)	-
Acquisition of investment properties	12	(4,464)	(3,427)	-	-
Proceeds from sale of investment properties	12	1,636	6,129	-	-
Acquisition and establishment of subsidiaries, net of cash acquired	4	(6)	-	(4,432)	-
Proceeds from sales of subsidiaries, net of cash disposed	4	(63)	-	74	-
Acquisition of associates and joint ventures	4	(12,070)	-	(12,070)	-
Proceeds from sales of associates and joint ventures	4	-	3,797	-	3,797
Cash of the subsidiaries left the Group in the split-off	3	(23,402)	-	-	-
Payment according to terms of split-off	3	(13,200)	-	(13,200)	-
Acquisition of loans	6.2	(7,769)	-	(7,769)	-
Loans granted		(9,905)	(30,825)	(19,402)	(65,081)
Repayment of granted loans		41,513	41,711	55,237	58,684
Transfer to/from term deposits		13,382	77,171	-	48,339
Dividends received	6.3	15,940	15	16,830	28,756
Interest received		1,332	4,928	3,299	3,329
Sale of financial assets designated at fair value through profit and loss on initial recognition	16	2,483	6,503	2,483	6,503
(Acquisition) of held-for-trading financial assets	16	(4,368)	(25,361)	(4,368)	(28,234)
Sale of held-for-trading financial assets	16	22,016	30,413	22,016	26,989
<b>Net cash flows from (to) investing activities</b>		<b>17,021</b>	<b>93,931</b>	<b>38,606</b>	<b>83,061</b>
<b>Cash flows from (to) financing activities</b>					
Cash flows related to company shareholders:					
Dividends paid to equity holders of the parent		(567)	(99)	(567)	(99)
Payments from bondholders upon conversion of bonds into share capital	22	-	4,788	-	4,788
(Acquisition) of own shares	22	(72,658)	(59,659)	(72,658)	(59,659)
(Acquisition) of non – controlling interest	4	(200)	(14)	-	(155)
Dividends paid to non – controlling interest		(311)	(9,817)	-	-
		<u>(73,736)</u>	<u>(64,801)</u>	<u>(73,225)</u>	<u>(55,125)</u>
Cash flows related to other sources of financing:					
Proceeds from loans		27,441	4,060	31,178	150
Repayment of loans		(23,193)	(25,009)	(20,599)	(1,217)
Interest paid		(2,202)	(2,929)	(438)	-
Finance lease payments		(204)	(388)	-	-
		<u>1,842</u>	<u>(24,266)</u>	<u>10,141</u>	<u>(1,067)</u>
<b>Net cash flows to financial activities</b>		<b>(71,894)</b>	<b>(89,067)</b>	<b>(63,084)</b>	<b>(56,192)</b>
<b>Impact of currency exchange on cash and cash equivalents</b>					
		<b>24</b>	<b>(117)</b>	<b>24</b>	<b>(140)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(49,629)</b>	<b>34,746</b>	<b>(31,015)</b>	<b>21,642</b>
<b>Cash and cash equivalents at the beginning of the year</b>	20	<b>56,092</b>	<b>21,346</b>	<b>33,530</b>	<b>11,888</b>
<b>Cash and cash equivalents at the end of the year</b>	20	<b>6,463</b>	<b>56,092</b>	<b>2,515</b>	<b>33,530</b>

(the end)

## Notes to the financial statements

### 1. General information

AB Invalda LT (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 LT is one of the major asset management companies in Lithuania whose 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, agricultural land, agriculture, information technology (IT) infrastructure and facility management 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.

On 31 May 2013 was completed split-off of the Company and as consequence approximately 45.45 % of the total assets, liabilities and the equity were transferred to AB Invalda Privatus Kapitalas (Note 3). Therefore, the shareholders structure has changed.

As at 31 December 2013 and 2012 the shareholders of the Company were (by votes)\*:

	2013		2012	
	Number of votes held	Percentage	Number of votes held	Percentage
UAB LJB Investments	6,939,824	30.44%	-	-
Mrs. Irena Ona Mišeikiene	6,588,732	28.90%	12,434,159	24.00%
UAB Lucrum Investicija	5,145,647	22.57%	3,836,621	7.41%
Mr. Alvydas Banyš	1,750,000	7.68%	2,029,624	3.92%
Mrs. Indrė Mišeikytė	455,075	2.00%	-	-
Mr. Vytautas Bučas	-	-	8,198,367	15.83%
Mr. Algirdas Bučas	-	-	4,234,709	8.18%
Mr. Darius Šulnis	-	-	3,984,762	7.69%
UAB RB finansai	-	-	3,279,972	6.33%
Mrs. Daiva Baniienė	-	-	1,836,234	3.54%
Other minor shareholders	1,918,019	8.41%	11,967,698	23.10%
Total	22,797,297	100.00%	51,802,146	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 2013 and 2012. Subsidiaries, joint ventures and associates did not hold any shares of the Company as at 31 December 2013 and 2012.

As at 31 December 2013 the number of employees of the Group was 497 (as at 31 December 2012 – 1,051). As at 31 December 2013 the number of employees of the Company was 10 (as at 31 December 2012 – 13).

The financial statements were approved and signed by the Management and the Board of Directors on 7 April 2014.

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.

## CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(all amounts are in LTL thousand unless otherwise stated)

## 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 2013		As at 31 December 2012		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)	
<b>Furniture production segment:</b>						
AB Vilniaus Baldai	Lithuania	-	-	72.14	13,900	Furniture manufacturing
UAB Ari-Lux**	Lithuania	-	-	72.14	17	Fitting packing
<b>Real estate segment:</b>						
AB Invalidos Nekilnojamojo Turto Fondas	Lithuania	100.00	116,908	100.00	116,908	Real estate investor
UAB Naujoji Švara****	Lithuania	-	-	100.00	26,528	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	Real estate investor
UAB Elniakampio Namai****	Lithuania	-	-	100.00	725	Real estate investor
UAB IBC Logistika****	Lithuania	-	-	100.00	15,000	Real estate investor
UAB Saistas****	Lithuania	-	-	100.00	3,648	Real estate investor
UAB Dizaino Institutas****	Lithuania	-	-	100.00	2,677	Real estate investor
UAB Riešės Investicija****	Lithuania	-	-	100.00	6,500	Real estate investor
UAB Minijos Valda****	Lithuania	-	-	100.00	1,050	Real estate investor
UAB Rovelija	Lithuania	100.00	600	100.00	600	Real estate investor
UAB BNN****	Lithuania	-	-	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	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	Dormant
UAB Inreal****	Lithuania	-	-	100.00	3,801	Intermediation in operation with real estate, property valuation
UAB Inreal Valdymas****	Lithuania	-	-	100.00	10,049	Real estate management and administration
UAB Inreal Geo****	Lithuania	-	-	100.00	10	Geodesy, cadastral measurements and territory planning
<b>Agricultural land segment:</b>						
UAB Ekotra	Lithuania	-	-	100.00	1,750	Agricultural land investor
UAB Šimtamargis****	Lithuania	-	-	100.00	300	Agricultural land investor
UAB Žemvesta****	Lithuania	-	-	100.00	950	Agricultural land investor
UAB Agrobītė**	Lithuania	-	-	100.00	700	Agricultural land investor
UAB Puškaitis**	Lithuania	-	-	100.00	340	Agricultural land investor
UAB Žemynėlė**	Lithuania	-	-	100.00	900	Agricultural land investor
UAB Žemėpatis**,*	Lithuania	-	-	100.00	610	Agricultural land investor
UAB IŽB 1*****	Lithuania	-	-	100.00	930	Agricultural land investor
UAB Lauksėja**,*	Lithuania	-	-	100.00	300	Agricultural land investor
UAB Avižėlė*	Lithuania	100.00	217	-	-	Agricultural land investor
UAB Beržytė*	Lithuania	100.00	164	-	-	Agricultural land investor
UAB Dirvolika*	Lithuania	100.00	643	-	-	Agricultural land investor
UAB Duonis*	Lithuania	100.00	437	-	-	Agricultural land investor

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## 1 General information (cont'd)

Company	Registration by the Group country	31 December 2013	31 December 2012	Share of the stock held (%)	Size of investment (acquisition cost)	Main activities
		Share of the stock held (%)	Size of investment (acquisition cost)			
<b>Agricultural land (cont'd):</b>						
UAB Ekotra* (former UAB Vilkaviškio Ekotra)	Lithuania	100.00	323	-	-	Agricultural land investor
UAB Kvietukas* (former UAB Pakruojo Kvietukas)	Lithuania	100.00	235	-	-	Agricultural land investor
UAB Laukaitis* (former UAB Pakruojo Laukaitis)	Lithuania	100.00	243	-	-	Agricultural land investor
UAB Lauknešys* (former UAB Pasvalio Lauknešys)	Lithuania	100.00	160	-	-	Agricultural land investor
UAB Linažiedė*	Lithuania	100.00	232	-	-	Agricultural land investor
UAB Pušaitis*	Lithuania	100.00	163	-	-	Agricultural land investor
UAB Puškaitis* (former UAB Marijampolės Puškaitis) *	Lithuania	100.00	342	-	-	Agricultural land investor
UAB Sėja*	Lithuania	100.00	189	-	-	Agricultural land investor
UAB Vasarojus* (former UAB Panevėžio Vasarojus)	Lithuania	100.00	954	-	-	Agricultural land investor
UAB Žalvė*	Lithuania	100.00	468	-	-	Agricultural land investor
UAB Žemgalė* (former UAB Kupiškio Žemgalė)	Lithuania	100.00	488	-	-	Agricultural land investor
UAB Žemynėlė* (former UAB Vilkaviškio Žemynėlė)	Lithuania	100.00	134	-	-	Agricultural land investor
UAB Žiemkentys* (former UAB Pasvalio Žiemkentys)	Lithuania	100.00	710	-	-	Agricultural land investor
<b>Information technology segment:</b>						
UAB BAIP Grupė	Lithuania	80.00	4,003	80.00	4,003	Information technology solutions
UAB Informatikos Pasaulis**	Lithuania	80.00	939	80.00	939	Information technology solutions
UAB Vitma**	Lithuania	80.00	8,357	80.00	8,357	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	61.20	1,059	56.95	859	Information technology solutions
NRD EA	Tanzania	56.00	12	-	-	Information technology solutions
UAB NRD CS*	Lithuania	80.00	10	-	-	Information technology solutions
<b>Facility management segment:</b>						
UAB Inservis (former UAB Inreal Pastatų Priežiūra)	Lithuania	100.00	500	100.00	500	Facilities management
UAB IPP Integracijos Projektai**	Lithuania	100.00	10	100.00	10	Facilities management
UAB Cmanagement	Lithuania	-	-	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	1,154	Facilities management
<i>(cont'd in the next page)</i>						

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**1 General information (cont'd)**

Company	Registration country	31 December 2013	31 December 2012	Main activities
		Share of the stock held by the Group (%)	Size of investment (acquisition cost)	
<b>Facilities management segment: (cont'd):</b>				
UAB Naujosios Vilnios Turgavietė**	Lithuania	100.00	94	Market place management
<b>Other production and services segment (cont'd):</b>				
UAB Kelio Ženkilai	Lithuania	100.00	6,554	Road signs production, wood manufacturing
UAB Lauko Gėlininkystės Bandyimų Stotis*****	Lithuania	-	-	Cultivation and trade of ornamental plants, flowers
VšĮ Iniciatyvos Fondas	Lithuania	100.00	10	Social initiatives activities
UAB Finansų Rizikos Valdymas	Lithuania	54.55	1,831	Investment activities
UAB Fortina****,****	Lithuania	-	-	Investment activities
UAB Ente****	Lithuania	-	-	Investment activities
UAB Aktyvo	Lithuania	54,55	513	Management of bad debt
UAB Investicijų Tinklas****	Lithuania	-	-	Investment activities
UAB Aktyvus Valdymas	Lithuania	100.00	701	Investment activities
UAB Įmonių Grupė Inservis (former UAB Inreal Pastatų Priežiūros Grupė)	Lithuania	100.00	1,050	Investment activities
UAB Cedus Invest	Lithuania	-	-	Investment activities
AB Invetex*****	Lithuania	-	-	Investment activities
UAB MGK Invest	Lithuania	100.00	25	Dormant
UAB MBGK**	Lithuania	100.00	4,720	Dormant
UAB RPNG	Lithuania	100.00	10	Dormant
UAB Regenus	Lithuania	100.00	10	Dormant
UAB Consult Invalida	Lithuania	100.00	10	Dormant
UAB Cedus	Lithuania	100.00	10	Dormant
UAB Via Solutions***	Lithuania	-	-	Dormant
Invalida Lux S.A.R.L	Luxembourg	-	-	Dormant
			177,160	315,969
Less indirect ownership			(31,351)	(58,556)
Less impairment			(93,322)	(159,294)
Investments into subsidiaries (Company)			52,487	98,119

(the end)

\*These companies were newly established in 2013.

\*\*These companies are owned indirectly by the Company as at 31 December 2013 and/or 2012.

\*\*\*The Company has invested LTL 1,100 thousand directly and LTL 3,250 thousand indirectly.

\*\*\*\*The Company had left the Group during split-off

## 1 General information (cont'd)

As of 31 December 2013 and 2012 investments into real estate segment subsidiaries were impaired by LTL 85,759 thousand and LTL 150,743 thousand, into other segments' companies by LTL 7,563 thousand and LTL 8,551 thousand, respectively.

The subsidiaries UAB Invalidos 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 and UAB BAIP and UAB NRD has 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 Invalidos Nekilnojamojo Turto Fondas is allowed to pay dividends only if covenants would be met after repayment.

Associates of the Group as at 31 December 2013 were as follows (amounts provided below 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*	20.12	19,579	9,376	353,069	150,051	203,018	452,532	Agriculture
AB Vilniaus Baldai	45.40	19,653	8,149	169,430	127,396	42,033	166,116	Furniture production
		39,232						
Less indirect ownership		(19,579)						
Investment into associates (Company)		19,653						

Associates of the Group as at 31 December 2012 were as follows (amounts provided below 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)		-						

\*The associate is owned indirectly by the Company as at 31 December 2013 and 2012.

The information provided in the tables above reflects the respective amounts presented in the financial statements of the associates (and not the Group's share of these amounts) adjusted for the differences in accounting policies of the Group and the associates' and for the differences arising from fair value adjustments recognised during acquisition accounting.

The market value of AB Vilniaus Baldai shares was LTL 85,290 thousand as at 31 December 2013.

The Group had a 50 % interest in the jointly controlled entity UAB Dommo Nerija as at 31 December 2012 (owned directly by the Company). As at 31 December 2013 the Group has a 54.55 % interest in the jointly controlled intermediate special purpose entity UAB Cedus Invest, which owns UAB Litagra shares.

The Company's interest in jointly controlled entities as at 31 December 2013 and 2012 amounted to LTL 5,455 thousand (not impaired) and LTL 685 thousand (after impairment of LTL 365 thousand), respectively.

**1 General information (cont'd)**

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

	<u><b>2012</b></u>
Current assets	60
Non-current assets	<u>7,270</u>
<b>Total assets</b>	<u><b>7,330</b></u>
Current liabilities	5,947
Non-current liabilities	<u>14</u>
<b>Total liabilities</b>	<u><b>5,961</b></u>
Revenue	452
Expenses	<u>(540)</u>
Profit (loss) before income tax	(88)
Income tax	<u>13</u>
<b>Net profit (loss) for the period</b>	<u><b>(75)</b></u>

## 2. Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's financial statements for the year ended 31 December 2013 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 2013:

- IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* effective 1 July 2012
- IAS 19 *Employee Benefits (Amendment)* effective 1 January 2013
- IAS 12 *Deferred Tax: Recovery of Underlying Assets* effective 1 January 2013 in the EU
- IFRS 13 *Fair value measurement* effective 1 January 2013
- IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* effective 1 January 2013
- Improvements to IFRS (issued in May 2012) effective 1 January 2013
- Amendments to IAS 36 - *Recoverable amount disclosures for non-financial assets* effective 1 January 2014 (early adopted)

The principal effects of these changes are as follows:

#### *Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

The amendments change the disclosure of items presented in other comprehensive income. They 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 amended standard resulted in changed presentation of Group's financial statements, but did not have any impact on measurement of transactions and balances.

#### *IAS 19 Employee Benefits (Amendment)*

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 was done before. The retrospective application impact was not material to these financial statements and the Group reclassified accumulated amount of these remeasurements from "Employee benefits" to "Other comprehensive income that will not be reclassified to profit or loss" for the year ended 31 December 2012.

#### *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*

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 had no impact on the Group's financial statements for the year ended 31 December 2013, as there are no differences in the income tax rates.

#### *IFRS 13 Fair value measurement*

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 Standard resulted in additional disclosures in these consolidated financial statements (see Notes 12, 15), but had no impact on the Group's measurement of transactions and balances.

## 2 Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

#### *Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

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 had no impact on the Company's and Group's financial statements for the year ended 31 December of 2013.

#### Improvements to IFRS (issued in May 2012)

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 amendments had no impact on the Company's and Group's financial statements for the year ended 31 December 2013.

#### *Amendments to IAS 36 - Recoverable amount disclosures for non-financial assets*

The amendments remove the requirement to disclose the recoverable amount when a cash-generating unit (CGU) contains goodwill or indefinite lived intangible assets but where there has been no impairment. The Group early adopted this amendment in 2013 and had not disclosed the recoverable amount of the information technology segment CGU containing goodwill in these financial statements.

The following amendments of the standards and interpretations were effective, but are not relevant for the Group:

- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* effective 1 January 2013
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* effective 1 January 2013
- Amendments to IFRS 1 *Government Loans* effective 1 January 2013



## 2 Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

#### Standards adopted by the EU but not yet effective

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 not expecting that the changes of the definition of control would have an impact on its consolidation structure.

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 resulting from new standard on its financial statements, but has no indication that the standard would have material impact on the Group's 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.

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 Company is currently assessing the impact of the amended standard on its financial statements, but has no indication that the standard would have a material impact on the 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 has no indication that the standard would have an impact on measurement of items in its financial statements, but will have an impact on disclosures.

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.

## **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)

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, but has no indication that the amendments would have material impact on the Group financial statements.

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

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, analysing whether it could apply investment entity definition and related exemption. Management has made judgement that the Group has not met all requirements to be an investment entity starting from 1 January 2014, but the Group might be meeting these requirements after intended reorganisation of its structure and activities in the future (see Note 32).

Amendments to IAS 39 - *Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning 1 January 2014).

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

## 2 Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

#### Standards not yet adopted by the EU

IFRS 9 *Financial Instruments Part 1: Classification and Measurement* (effective voluntary)

Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

- 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.
- 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.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. In subsequent phases, the IASB will address impairment of financial assets. The Group does not intend to adopt the existing version of IFRS 9, unless all phases are passed and standard adopted by EU.

IFRIC 21 - *Levies* (effective for annual periods beginning 1 January 2014 once adopted by the EU).

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the likely impact of the interpretation on its financial statements.

Amendments to IAS 19 – *Defined benefit plans: Employee contributions* (effective for annual periods beginning 1 July 2014 once adopted by the EU).

The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group is currently assessing the likely impact of the amendment on its financial statements.

## **2 Summary of significant accounting policies (cont'd)**

### **2.1 Basis of preparation (cont'd)**

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

*Annual Improvements* to IFRSs 2012 (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below, once adopted by the EU).

The improvements consist of changes to seven standards.

- IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

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

*Annual Improvements* to IFRSs 2013 (effective for annual periods beginning on or after 1 July 2014 once adopted by the EU)

The improvements consist of changes to four standards.

- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

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

The following new standard is not relevant for the Group:

- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016 once adopted by the EU)

## **2 Summary of significant accounting policies (cont'd)**

### **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	8-15 years
Machinery and equipment	5 years
Vehicles	4-10 years
Other non-current assets	3-6 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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 annual 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.

When the group ceases to have control over subsidiary any retained interest in the entity is not remeasured to its fair value at the date when control is lost, but the retained interest in an associate is carried at historical cost less impairment in Company's stand-alone financial statements.

### **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, e.g. subsidiary becomes an associate.

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:

#### Goodwill

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.

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

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 17, 19, 20, 21).

#### 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 2013 and 2012 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 21).

## **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).

#### Financial lease

##### *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.

#### Operating lease

##### *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.

#### Sale of goods

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.

#### Disposal of investments

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

#### Sales of services and long-term contracts

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.

#### Rental income

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.

#### Interest income

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

#### Dividends income

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

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

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

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

### **2.26. 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 2013 and in 2012. 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 %. The standard income tax rate in Tanzania is 30 %.

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 group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to their 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 subsidiary AB Vilniaus Baldai (from 31 May 2013 became an associate) 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. The cost of providing benefits under this plan is determined using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Past-service costs are recognised immediately as expenses. Service costs and net interest 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. Comparative figures**

The comparative figures of the consolidated income statements for the year 2012 were changed due to reason that results of furniture production segment were presented as discontinued operation. As a result of the amendment of IAS 19 the re-measurements gains (losses) on defined benefit plans for the year 2012 were presented in other comprehensive income that will not be reclassified to profit or loss in the subsequent periods, not in the income statement. Therefore, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows were amended for the year ended 31 December 2012.

### **2.37. 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.



## **2 Summary of significant accounting policies (cont'd)**

### **2.37 Significant accounting judgements and estimates (cont'd)**

#### **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:

#### **Accounting of split-off**

Management has made a judgement that split-off completed in 2013 had to be accounted according to IFRIC 17 „Distribution of Non-cash Assets to Owners“, that is recognising a profit or loss arising from the difference between the carrying amount of the split-off liability (measured at the fair value of the assets to be distributed) and the carrying amount of the transferred assets in the income statement, and not accounting for the transfer of assets at carrying amounts. IFRIC 17 includes an exemption that the Interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party or parties before and after the distribution. During the split-off part of major shareholders had not retained proportionate stakes in the Company and newly separated entity, therefore this exemption could not be applied.

#### **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 the distributed assets due to split-off**

Management has made estimates of the fair value of transferred assets during the split-off. More detailed is described in Note 3.

#### **Fair value of investment properties**

Fair value of investment properties was based either on the market approach by reference to sales in the market of comparable properties or the income approach by reference to rentals obtained from the subject property or similar properties. Market approach refers to the prices of the analogous transactions in the market. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. Discounted cash flow projections in the income approach 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 fair value of the investment properties as at 31 December 2013 was LTL 180,548 thousand (as at 31 December 2012 – LTL 225,587 thousand), from which the fair value of the investment properties valued using the sales comparison approach was LTL 36,798 thousand and fair value of the investment properties valued using income approach was LTL 143,750 thousand (2012: LTL 61,885 thousand and LTL 163,702 thousand, respectively) (described in more details in Note 12).

#### **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 4).

## **2 Summary of significant accounting policies (cont'd)**

### **2.37 Significant accounting judgements and estimates (cont'd)**

#### **Estimates and assumptions (cont'd)**

##### 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 17 and 19.

##### 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 13).

##### 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 13. 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 556 thousand for the year ended 31 December 2013.

##### 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 16,054 thousand as 31 December 2013 (as at 31 December 2012 – LTL 23,162 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2013 the Company has not recognised deferred tax asset from LTL 6,177 thousand tax losses arising from disposal of securities, as they mature in 2014. As at 31 December 2013 in the total deferred tax asset balance of the Group the amount of LTL 7,412 thousand (as at 31 December 2012 – LTL 6,894 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and only LTL 595 thousand (as at 31 December 2012 – LTL 2,643 thousand) was recognized from the taxable losses of other group entities, net of transferred tax losses within the Group (Note 7).

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. Split-off

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 made available to public. The Extraordinary General Shareholders Meeting approved the terms of the Company's split-off on 9 April 2013. The new name of the Company after the split-off is AB Invalda LT. The name of newly established company after split-off is AB Invalda Privatus Kapitalas. During the split-off approximately 45.45 % of the total assets, liabilities and the equity of the Company were allocated to AB Invalda Privatus Kapitalas. According to the split-off terms some assets were allocated not proportionally (in full to either one or the other side), some assets were allocated proportionally (i.e. investment into furniture production, agricultural land and agriculture segments). Remaining assets were allocated under the principle that total transferred assets to AB Invalda Privatus Kapitalas would constitute approximately 45.45 % of the carrying amount of the total assets of the Company as of the day of executing the Transfer – acceptance certificates.

Split-off of was completed on 31 May 2013.

#### The Company

The split-off of the balance sheet of the Company as at 31 May 2013 according to the split-off terms is as follows:

	The Company before split-off	AB Invalda LT	AB Invalda Privatus Kapitalas
<b>Non-current asset</b>			
Property, plant and equipment	151	43	108
Intangible assets	11	11	-
Investments into subsidiaries	97,653	71,837	25,816
Investments into associates and joint ventures	631	-	631
Investments available-for-sale	1,817	1,705	112
Non-current loans granted	96,683	56,223	40,460
Trade and other receivables long term	2,405	2,405	-
Deferred income tax asset	16,977	9,237	7,740
<b>Total non-current assets</b>	<b>216,328</b>	<b>141,461</b>	<b>74,867</b>
<b>Current asset</b>			
Trade and other receivables	791	791	-
Current loans granted	69,893	18,834	51,059
Prepaid income tax	13	13	-
Prepayments and deferred charges	111	28	83
Financial assets at fair value through profit loss	12,647	3,852	8,795
Cash and cash equivalents	25,873	12,673	13,200
<b>Total current assets</b>	<b>109,328</b>	<b>36,191</b>	<b>73,137</b>
<b>TOTAL ASSETS</b>	<b>325,656</b>	<b>177,652</b>	<b>148,004</b>
<b>Equity</b>			
Share capital	45,523	24,834	20,689
Share premium	60,747	33,139	27,608
Reserves	175,401	95,685	79,716
Retained earnings	28,221	15,395	12,826
<b>Total equity</b>	<b>309,892</b>	<b>169,053</b>	<b>140,839</b>
<b>Current liabilities</b>			
Current borrowings	13,907	6,988	6,919
Trade payables	120	56	64
Other current liabilities	1,737	1,555	182
<b>Total current liabilities</b>	<b>15,764</b>	<b>8,599</b>	<b>7,165</b>
<b>Total liabilities</b>	<b>15,764</b>	<b>8,599</b>	<b>7,165</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>325,656</b>	<b>177,652</b>	<b>148,004</b>

### 3 Split-off (cont'd)

According to IFRIC 17 the gain on the split-off has to be recognised in the profit or loss being the difference between the carrying amount of the split-off liability (measured at the fair value of the assets to be distributed) and the carrying amount of the transferred assets. Based on the management assessment of the fair value of the transferred assets, the Company has recognised a split-off gain of LTL 66,413 thousand. The largest part of this gain, equal to LTL 57,030 thousand, resulted from the transfer of 32.78% AB Vilniaus Baldai shares (the fair value of the shares was determined as the closing market price on 31 May 2013 in the NASDAQ OMX exchange). Remaining part of the split-off gain relates to the transfer of the entities investing in the agricultural land and real estate (LTL 5,021 thousand), a transferred portion of investment in associate UAB Litagra (LTL 5,387 thousand) and the entities of other production and service segments (LTL 633 thousand).

#### The Group

The carrying amounts of the assets and liabilities of the Group transferred according to the terms of the split-off and derecognised from the statement of financial position are follows (inter-group balances are eliminated, but the numbers below do not include the retained interest in entities where control was lost):

	<b>Carrying amount at the transfer date</b>
Intangible assets	1,013
Investment properties	58,603
Property, plant and equipment	44,071
Investment into associates and joint ventures	24,509
Investments available-for-sale	1,154
Deferred income tax assets	9,655
Inventories	38,075
Trade and other receivables	21,409
Loans granted	936
Prepaid income tax	1,445
Prepayments and deferred charges	2,642
Financial assets at fair value through profit loss	8,795
Term deposits	7,958
Cash and cash equivalents	36,602
<b>Total assets</b>	<b>256,867</b>
Deferred income tax liability	(1,471)
Borrowings	(1,438)
Trade payables	(19,824)
Income tax payable	(82)
Advance received	(2,392)
Other liabilities	(9,596)
<b>Total liabilities</b>	<b>(34,803)</b>
<b>Total net assets</b>	<b>222,064</b>

The Group has recognised gain on the split-off of LTL 84,802 thousand, from which the gain on loss of control of AB Vilniaus Baldai amounted to LTL 84,583 thousand and was presented within "Profit after tax for the year from discontinued operations". The calculation of the gain on the loss of control of AB Vilniaus Baldai as at 31 May 2013 is presented below (the fair value is within level 1 of the fair value hierarchy):

The fair value of the transferred shares of AB Vilniaus Baldai	63,347
The carrying amount of the proportion of the net assets	24,906
Gain on the transferred shares	38,441
The fair value of the retained shares of AB Vilniaus Baldai	76,038
The carrying amount of the proportion of the net assets	29,896
Gain on re-measurement of the retained interest at fair value	46,142
<b>Total gain recognized within discontinued operations</b>	<b>84,583</b>

### 3 Split-off (cont'd)

Due to split-off the Group transferred 16.76 % of UAB Litagra shares. The fair value of UAB Litagra shares was measured based on the EBITDA multiples (range 6 – 8) and approximated their carrying amount, therefore, no gain was recognised in profit or loss of the Group. The fair value is within level 3 of the fair value hierarchy. The Group has also transferred these entities: UAB Dizaino Institutas, UAB IBC Logistika, UAB Minijos Valda, UAB Riešės Investicija, UAB Naujoji Švara, UAB Ineturas, UAB Elniakampio Namai, UAB projektavimo firma Saistas, UAB BNN, UAB Trakų Kelias, UAB Inreal Valdymas, UAB Inreal, UAB Inreal GEO, UAB Aikstentis. UAB Ente, UAB Justum, UAB Kvietnešys, UAB Šimtamargis, UAB Žemvesta, UAB Deltuvai, UAB Investicijų Tinklas, UAB Fortina, UAB Via Solutions, AB Invetex, UAB Agrobite, UAB Lauko Gėlininkystės Bandymų Stotis, UAB Žemėpatis, UAB IŽB 1, UAB Lauksėja, UAB Žiemgula, UAB Žemėja, UAB Kopų Vėtrungės, UAB Danės Gildija, UAB Justiniškių Valda, UAB Justiniškių Aikštelė. These entities are mainly investing in agricultural land and real estate. The main assets of these entities were investment properties, which are carried at fair value in the financial statements. The fair value of these investments was measured at the fair value of their net assets. The fair values are within level 3 of the fair value hierarchy. The Group has recognised LTL 780 thousand gain from the distribution of these entities.

The reconciliation between distributed net assets of the Company and the Group during the split-off is presented below:

The fair value of net assets of the Company transferred during split-off	208,910
Intercompany impaired loans of subsidiaries recognised as a liability, as these loans were transferred and became external borrowings during the split-off	1,250
Retained losses of the subsidiaries allocated to non-controlling interest:	
Increase in retained earnings	(980)
Decrease in non-controlling interest	980
Derecognition of non-controlling interest where control over subsidiaries was lost	22,290
Net assets of the Group distributed during split-off	232,450

45.45 % of UAB "Finansų rizikos valdymas" shares and 45.45 % of UAB "Aktyvo" shares were transferred during the split-off, but the control over these subsidiaries was retained. The equity of these subsidiaries was negative, therefore the Group's non-controlling interest was reduced by LTL 980 thousand and the retained earnings attributable to the equity holders of the parent were increased by the same amount.

### 4. 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	
	2013	2012	2013	2012
<b>At 1 January</b>	<b>48,799</b>	<b>39,269</b>	<b>685</b>	<b>724</b>
Share of profit (loss) of associates	5,953	7,160	-	-
Profit from bargain purchases of associates	-	1,542	-	-
Share of profit (loss) of joint ventures	(528)	(37)	-	-
Share of exchange differences	(4)	(6)	-	-
Acquisition of non-controlling interest in subsidiary held by associate	512	871	-	-
Share of other comprehensive income of associates	26	-	-	-
Acquisition of additional shares in associate	12,070	-	12,070	-
Impairment	-	-	(54)	(39)
Dividends received	(15,880)	-	-	-
Partial disposal of an associate during split-off retaining significant influence (Note 3)	(24,509)	-	(631)	-
Reclassification of subsidiaries to associates and joint ventures during split-off	59,247	-	13,038	-
<b>At 31 December</b>	<b>85,686</b>	<b>48,799</b>	<b>25,108</b>	<b>685</b>
Associates	81,865	48,114	19,653	-
Joint ventures	3,821	685	5,455	685

**4 Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals (cont'd)**

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

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
<b>At 1 January</b>	<b>98,119</b>	<b>99,607</b>
Acquisition	4,166	-
Establishment of subsidiaries and increase of share capital (mainly nominal amount of loans capitalised)	266	18,805
Reclassification of allowance on loans capitalized within share capital of subsidiaries	-	(6,620)
Reversal of impairment due to increase of recoverable amount of the investments	93	2,808
Disposals	(592)	-
Reversal of impairment due to disposals	517	-
Split-off (Note 3)	(25,816)	-
Reclassification of subsidiaries to associates and joint ventures during split-off	(13,038)	-
Additional impairment charge for the year	(11,228)	(16,481)
<b>At 31 December</b>	<b>52,487</b>	<b>98,119</b>

In 2013 the Company recognised impairment losses of investments to subsidiaries of LTL 9,798 thousand that operate in real estate segment because of decreased carrying amount of net assets of these subsidiaries (2012 – LTL 16,306 thousand). 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 12) 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 12. 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 15.

Acquisitions in 2013 and 2012

In April 2013 the Group acquired 70% of the shares of 360° Smart Consulting Ltd for LTL 12 thousand to implement the projects of the information technology segment in Tanzania as a local country resident. Later the entity changed its name to Norway Registers Development East Africa Limited. The net assets of the entity were LTL 25 thousand, the non-controlling interest increased by LTL 7 thousand due to the acquisition.

There were no business combinations in 2012.

Establishment of companies (increase of share capital) in 2013 and 2012

During the 1<sup>st</sup> Quarter of 2013 the subsidiaries, which invest in agricultural land, and two subsidiaries, which hold investments, were reorganized through legal demerger while preparing for the Company's split-off. Therefore, the Group had these subsidiaries UAB Kvietnešys, UAB Kvietukas, UAB Laukaitis, UAB Lauknešys, UAB Vasarojus, UAB Žiemkentys, UAB Žiemgala, UAB Žemėja, UAB Žemgalė, UAB Deltuvīs, UAB Justum.

In August 2013 the Group has established a new subsidiary UAB NRD CS in the information technology infrastructure segment by investing LTL 10 thousand into share capital.

In November 2013 the Company and the Group have additionally invested LTL 96 thousand to increase share capital of UAB MGK Invest and UAB Įmonių Grupė Inservis.

#### **4 Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals (cont'd)**

##### Establishment of companies (increase of share capital) in 2013 and 2012 (cont'd)

In March 2012 the Company has invested LTL 155 thousand to increase share capital of Invalida 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 Rovelijs, 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 4<sup>th</sup> 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.

##### Reorganisation of companies investing in agricultural land

On 31 July 2013 the Company has acquired 100% of shares of UAB Puškaitis, UAB Žemynėlė, UAB Žemgalė, UAB Kvietukas, UAB Vasarojus, UAB Lauknešys from subsidiary UAB Aktyvus Valdymas for LTL 4,166 thousand.

In order to reorganise the parcels owned by the companies investing in agricultural land so that each company manages geographically close parcels located in one or several regions of Lithuania and at the same time to simplify management of the land and reduce operating expenses, the companies' legal demerger was initiated. For this purpose, 17 companies were incorporated in August 2013 by investing LTL 170 thousand: UAB Avižėlė, UAB Beržytė, UAB Dirvolika, UAB Duonis, UAB Kupiškio Žemgalė (after reorganization was renamed to UAB Žemgalė), UAB Linažiedė, UAB Marijampolės Puškaitis (after reorganization was renamed to UAB Puškaitis), UAB Pakruojo Kvietukas (after reorganization was renamed to UAB Kvietukas), UAB Pakruojo Laukaitis (after reorganization was renamed to UAB Laukaitis), UAB Panevėžio Vasarojus (after reorganization was renamed to UAB Vasarojus), UAB Pasvalio Lauknešys (after reorganization was renamed to UAB Lauknešys), UAB Pasvalio Žiemkentys (after reorganization was renamed to UAB Žiemkentys), UAB Pušaitis, UAB Sėja, UAB Vilkaviškio Ekotra (after reorganization was renamed to UAB Ekotra), UAB Vilkaviškio Žemynėlė (after reorganization was renamed to UAB Žemynėlė) and UAB Žalvė. On 30 September 2013 mentioned above entities were taken over the assets and liabilities of the nine companies, which have ended activities as consequence of reorganisation: UAB Ekotra, UAB Puškaitis, UAB Žemynėlė, UAB Žemgalė, UAB Kvietukas, UAB Laukaitis, UAB Vasarojus, UAB Lauknešys, UAB Žiemkentys.

##### Non – controlling interest acquisition in 2013

In January 2013 the Group acquired 5.27 % of the shares of AB NRD for LTL 200 thousand. The carrying amount of the additional non-controlling interest acquired was LTL 196 thousand. The negative difference equal to LTL 4 thousand between the consideration and the carrying amount of the non-controlling interest acquired was recognised directly in the shareholders equity.

##### 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.

#### **4 Business combinations and acquisition of non-controlling interests, investments into associates and joint ventures, disposals (cont'd)**

##### Acquisition of associates and joint ventures in 2013

AB Vilniaus Baldai became an associate as a consequence of the split-off (see Note 3). The acquisition cost of the associate in the financial statements of the Group is equal to the fair value of retained 39.35 %shares of AB Vilniaus Baldai after split-off (LTL 76,038 thousand). The fair value of the retained part of identifiable net assets was LTL 62,226 thousand at the date of split-off and the resulting goodwill amounts to LTL 13,812 thousand.

The official tender offer to buy up shares of AB Vilniaus Baldai took place from 15 July 2013 until 29 July 2013, during which the Company acquired additional 6.05% of shares (235,093 shares) of AB Vilniaus Baldai with par value of LTL 4, for the total amount of LTL 12,070 thousand. The fair value of the acquired part of identifiable net assets is LTL 9,638 thousand and the resulting goodwill amounts to LTL 2,432 thousand. After the tender offer completion AB Invalida LT owns 45.40 % of shares of AB Vilniaus Baldai.

##### Acquisition of associates and joint ventures in 2012

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

##### Disposals

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net gain (loss) on sale of subsidiaries	1,333	-	(517)	-
Net gain (loss) on sale of associates and joint ventures	-	1,282	-	(1,052)
	<u>1,333</u>	<u>1,282</u>	<u>(517)</u>	<u>(1,052)</u>

There were no disposals of subsidiaries in 2012.

##### Disposals of subsidiaries in 2013

In May 2013 the 100% of the shares of UAB Cmanagement was sold for the LTL 1. The Company suffered loss of LTL 367 thousand on the sale of the shares, because there was an impairment loss of LTL 367 thousand recognised for this investment in previous years. The impairment loss was reversed and as a result the overall impact of this sale on profit of the Company was equal to nil. The Group had earned the profit of LTL 1,333 thousand, because the equity of the subsidiary was negative. In addition, the liquidation of Invalida Lux S.a.r.l., which was established in Luxembourg, was completed in May. The Company recognised the loss of LTL 150 thousand in the caption "Gains (losses) on disposal of subsidiaries, associates and joint ventures", but the impairment of the same amount was reversed through 'Impairment, write-down and provisions'.

On 31 May 2013 the split-off of AB Invalida was completed, due to this the structure of the Group had changed significantly (many of subsidiaries was sold as consequence). The split-off is described in detail in note 3.

##### 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.



## **5. 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 income) 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:

### Furniture production

The furniture segment includes flat-pack furniture mass production and sale. Due to split-off of the Company the subsidiary operating in this segment became an associate of the Group.

### Real estate

The real estate segment is investing in investment properties held for future development and in commercial real estate and its rent. The subsidiaries activities of which have been management and administration, intermediation in buying, selling and valuation of real estate, and in the geodesic measurement of land were transferred from the Group during the split-off of the Company. In these financial statements the agricultural land segment is newly identified and separately disclosed, including comparative information.

### Agricultural land

The agricultural land segment is involved in investment in agricultural land and its rent.

### Agriculture

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.

### Information technology infrastructure

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 and in the development and implementation of software for government register systems, including consultation.

### Facility management

The facility management segment includes facility management of dwelling-houses, commercial and public real estate properties.

### Other production and service segment

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 to 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.

## 5 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 2013:

	Furniture production	Real estate	Agricul- tural land	Agricul- ture	Information technology infrastruc- ture	Facility manage- ment	Other production and service	Inter-segment transactions and consolidation adjustments	Total continuing operations
<b>Year ended 31 December 2013</b>									
<b>Revenue</b>									
Sales to external customers	-	23,396	1,258	-	50,670	14,595	8,781	-	98,700
Inter-segment sales	-	495	-	-	79	933	2	(1,509)	-
<b>Total revenue</b>	<b>-</b>	<b>23,891</b>	<b>1,258</b>	<b>-</b>	<b>50,749</b>	<b>15,528</b>	<b>8,783</b>	<b>(1,509)</b>	<b>98,700</b>
<b>Results</b>									
Interest income	-	228	1	-	3	34	5,441	(4,203)	1,504
Other income	-	30	9	-	52	31	141	(52)	211
Net loss from fair value adjustment on investment property	-	(567)	11,303	-	-	-	-	-	10,736
Net gains (loss) on disposal of subsidiaries, associates and joint ventures	-	-	-	-	-	1,333	-	-	1,333
Gain on split-off	-	-	-	-	-	-	780	-	780
Net changes in fair value of financial assets	-	-	-	-	114	-	1,426	-	1,540
Impairment, write-down, allowances and provisions	-	5,171	(74)	-	(178)	(907)	(372)	-	3,640
Employee benefits expense	-	(1,627)	(168)	-	(10,369)	(6,744)	(5,318)	-	(24,226)
Raw materials and consumables used	-	(35)	(8)	-	(27,349)	(1,013)	(5,192)	-	(33,597)
Changes in residential real estate	-	(1,967)	-	-	-	-	-	-	(1,967)
Depreciation and amortization	-	(142)	(8)	-	(2,498)	(832)	(566)	-	(4,046)
Interest expenses	-	(3,452)	(1,079)	-	(1,345)	(89)	(344)	4,203	(2,106)
Other expenses	-	(18,206)	(533)	-	(8,283)	(6,671)	(2,534)	1,561	(34,666)
Share of profit (loss) of the associates and joint ventures	1,826	(95)	-	4,163	-	-	(469)	-	5,425
Profit (loss) before income tax	1,826	3,229	10,701	4,163	896	670	1,776	-	23,261
Income tax credit (expenses)	-	452	(1,636)	-	(179)	(217)	(1,694)	-	(3,274)
Profit from discontinued operations	3,962	-	-	-	-	-	84,583	-	88,545
<b>Net profit for the year</b>	<b>5,788</b>	<b>3,681</b>	<b>9,065</b>	<b>4,163</b>	<b>717</b>	<b>453</b>	<b>84,665</b>	<b>-</b>	<b>108,532</b>
Attributable to:									
Equity holders of the parent	4,684	3,681	9,065	4,163	536	453	84,693	-	107,275
Non-controlling interest	1,104	-	-	-	181	-	(28)	-	1,257

(cont'd on the next page)

**5 Segment information (cont'd)**

	<b>Furniture production</b>	<b>Real estate</b>	<b>Agricul- tural land</b>	<b>Agricul- ture</b>	<b>Information technology infrastruc- ture</b>	<b>Facility manage- ment</b>	<b>Other production and service</b>	<b>Inter-segment transactions and consolidation adjustments</b>	<b>Total continuing operations</b>
<b>As at 31 December 2013</b>									
<b>Assets and liabilities</b>									
Segment assets	-	156,067	36,447	-	27,732	9,084	97,848*	(46,918)	280,260
Investment in associates and joint ventures	74,079	-	-	11,607	-	-	-	-	85,686
<b>Total assets</b>	<b>74,079</b>	<b>156,067</b>	<b>36,447</b>	<b>11,607</b>	<b>27,732</b>	<b>9,084</b>	<b>97,848</b>	<b>(46,918)</b>	<b>365,946</b>
<b>Segment liabilities</b>	<b>-</b>	<b>125,437</b>	<b>19,124</b>	<b>-</b>	<b>26,199</b>	<b>5,464</b>	<b>17,454</b>	<b>(46,918)</b>	<b>146,760</b>
<b>Other segment information</b>									
Capital expenditure:									
• Property, plant and equipment	4,597	27	5	-	706	148	352	-	5,835
• Investment properties	-	206	2,723	-	-	-	-	-	2,929
• Intangible assets	138	18	26	-	62	36	45	-	325
									(the end)

\* LTL 91,551 thousand from this amount are attributable to the Company.

## 5 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	Agricul- tural land	Agricul- ture	Information technology infrastruc- ture	Facility manage- ment	Other production and service	Inter-segment transactions and consolidation adjustments	Total continuing operations
<b>Year ended 31 December 2012</b>									
<b>Revenue</b>									
Sales to external customers	-	30,980	1,476	-	40,718	11,708	11,674	-	96,556
Inter-segment sales	-	1,529	-	-	51	1,426	1	(3,007)	-
<b>Total revenue</b>	<b>-</b>	<b>32,509</b>	<b>1,476</b>	<b>-</b>	<b>40,769</b>	<b>13,134</b>	<b>11,675</b>	<b>(3,007)</b>	<b>96,556</b>
<b>Results</b>									
Interest income	-	242	1	-	3	91	10,071	(7,247)	3,161
Other income	-	190	12	-	56	156	57	-	471
Net gain (loss) from fair value adjustment on investment property	-	(12,840)	4,131	-	-	-	-	-	(8,709)
Net gains 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	-	883	(68)	-	(88)	73	67	-	867
Employee benefits expense	-	(3,532)	(50)	-	(9,129)	(6,123)	(6,072)	-	(24,906)
Raw materials and consumables used	-	(91)	-	-	(19,660)	(783)	(6,197)	16	(26,715)
Changes in residential real estate	-	(4,973)	-	-	-	-	-	-	(4,973)
Depreciation and amortization	-	(205)	-	-	(2,601)	(666)	(856)	-	(4,328)
Interest expenses	-	(6,721)	(1,839)	-	(1,292)	(158)	(931)	7,247	(3,694)
Other expenses	-	(19,521)	(782)	-	(9,186)	(6,077)	(3,156)	2,991	(35,731)
Share of profit (loss) of the associates and joint ventures	-	(37)	-	8,675	-	-	27	-	8,665
Profit (loss) before income tax	-	(14,851)	2,881	8,675	(1,128)	(353)	10,289	-	5,513
Income tax credit (expenses)	-	1,380	(443)	-	9	59	(1,370)	-	(365)
<b>Discontinued operation</b>	<b>26,997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,997</b>
<b>Net profit for the year</b>	<b>26,997</b>	<b>(13,471)</b>	<b>2,438</b>	<b>8,675</b>	<b>(1,119)</b>	<b>(294)</b>	<b>8,919</b>	<b>-</b>	<b>32,145</b>
Attributable to:									
Equity holders of the parent	19,475	(13,470)	2,438	8,675	(942)	(294)	8,889	-	24,771
Non-controlling interest	7,522	(1)	-	-	(177)	-	30	-	7,374
<b>As at 31 December 2012</b>									
<b>Assets and liabilities</b>									
Segment assets	98,504	231,698	43,778	-	27,236	9,853	249,236*	(119,195)	541,110
Investment in associates and joint ventures	-	685	-	48,114	-	-	-	-	48,799
<b>Total assets</b>	<b>98,504</b>	<b>232,683</b>	<b>43,778</b>	<b>48,114</b>	<b>27,236</b>	<b>9,853</b>	<b>249,236</b>	<b>(119,195)</b>	<b>589,909</b>
<b>Segment liabilities</b>	<b>26,495</b>	<b>188,208</b>	<b>31,276</b>	<b>-</b>	<b>25,453</b>	<b>7,654</b>	<b>13,822</b>	<b>(119,195)</b>	<b>173,713</b>
<b>Other segment information</b>									
Capital expenditure:									
• Property, plant and equipment	14,588	87	-	-	1,195	673	365	-	16,908
• Investment properties	-	452	2,975	-	-	-	-	-	3,427
• Intangible assets	703	-	-	-	66	74	10	-	853

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

## 5 Segment information (cont'd)

In 2013 employee benefits expense included LTL 5,004 thousand social security contribution paid by employer (2012: LTL 6,104 thousand) and LTL 1,446 thousand social security contribution paid by employee (2012: LTL 1,768 thousand).

Analysis of revenue by category:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
<b>Sales of goods</b>		
Sales of residential real estate	2,380	6,968
IT sector revenue	29,722	21,407
Sales of other production	8,613	11,073
<b>Total</b>	<b>40,715</b>	<b>39,448</b>
<b>Revenue from services</b>		
Rent and other real estate income	21,016	24,012
Agricultural land sector income	1,258	1,476
IT sector revenue	20,948	19,311
Facilities management revenue	14,595	11,708
Other services revenue	168	601
<b>Total</b>	<b>57,985</b>	<b>57,108</b>
<b>Total revenue</b>	<b>98,700</b>	<b>96,556</b>

The entity is domiciled in the Lithuania. The result of its revenue from external customers in the Lithuania is LTL 84,628 thousand (2012: LTL 84,132 thousand), and the total of revenue from external customers from other countries is LTL 14,072 thousand (2012: LTL 12,424 thousand).

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

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
European Union countries	3,355	11,071
Other than European Union countries	10,717	1,353
<b>Total</b>	<b>14,072</b>	<b>12,424</b>

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 2013 and 2012:

	<b>Lithuania</b>	<b>Foreign countries</b>	<b>Total continuing operations</b>
Year ended 31 December 2013	194,198	23	194,221
Year ended 31 December 2012	284,250	198	284,448

## 6. Other income and expenses

### 6.1. Net changes in fair value on financial instruments

	Group		Company	
	2013	2012	2013	2012
Net gain (loss) from financial assets designated upon initial recognition at fair value through profit or loss	278	970	278	970
Net gain (loss) from financial assets held for trading	1,148	2,555	1,148	(134)
<i>Net gain (loss) from financial assets at fair value through profit or loss, total</i>	<i>1,426</i>	<i>3,525</i>	<i>1,426</i>	<i>836</i>
<i>Net gain from financial liabilities at fair value through profit or loss (contingent consideration from the acquisition of NRD AS)</i>	<i>114</i>	<i>42</i>	<i>-</i>	<i>-</i>
	<b>1,540</b>	<b>3,567</b>	<b>1,426</b>	<b>836</b>

### 6.2. Impairment, write-down and provisions

	Group		Company	
	2013	2012	2013	2012
Change in provision for impairment of loans granted	4,452	939	5,025	258
Change in provision for impairment of trade receivables	(553)	(76)	(98)	-
<i>Impairment on financial assets, total</i>	<i>3,899</i>	<i>863</i>	<i>4,927</i>	<i>258</i>
Impairment of investments in subsidiaries, associates and joint ventures	-	-	(10,672)	(16,520)
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	(289)	(69)	-	-
Provisions	30	73	-	-
<i>Impairment on non-financial assets and provisions, total</i>	<i>(259)</i>	<i>4</i>	<i>(10,672)</i>	<i>(13,414)</i>
	<b>3,640</b>	<b>867</b>	<b>(5,745)</b>	<b>(13,156)</b>

In 2013 and in 2012 the Company recognised additional impairment losses of investments to subsidiaries that operate in real estate segment due to the decrease in fair value of net assets of these subsidiaries (see Note 4). In 2012 fair value of net assets of these subsidiaries decreased mainly due to fall of fair value of owned investment properties. In 2013 the decrease mainly resulted from the increase of the fair value of borrowings. In 2013 additional impairment losses were recognised for the entity operating in the other production and services segment due to decrease in future projected cash flows.

In 2013 the Company acquired for LTL 7,769 thousand from the bank 50 % of the rights to receive a repayment of borrowings provided by the bank to Latvian entity SIA Dommo Biznesa Parks, the bank operates in Latvia and previously financed the investment property of the entity. In addition, the rights to receive a repayment of borrowings from Latvian entity SIA Dommo Grupa were acquired from AB Invalda Privatus Kapitalas in exchange to the rights to receive a repayment of borrowings from UAB Broner. The above mentioned rights (relating to UAB Broner) were proportionally allocated between the Company and AB Invalda Privatus Kapitalas during the split-off. The two Latvian entities SIA Dommo Biznesa Parks and SIA Dommo Grupa comprise one group and own about 12,800 square meters of warehouse space and over 58 hectares of land around Riga, suitable for the development of logistics hub. These assets are pledged to secure acquired borrowings. Due to economic crisis these entities were in the process of bankruptcy. After acquisition of the rights to borrowings from the bank, the bankruptcy process will be terminated and the entities will continue to operate, as a result the Company and the Group will have the right to 50 % of entities' generated cash flows. Until the acquisition of the rights, the Company impaired to nil the loans granted in the past to these Latvian entities. Because of changed circumstances allowing the recovery of debt and a portion of loans paid back during the year, the Company and the Group recognised a reversal of impairment loss of previously granted loans amounting to LTL 4,799 thousand.

**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

**6.3. Other income**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Interest income from loans, receivables, term deposit and cash	1,348	2,168	6,175	11,032
Interest income from held to maturity financial assets	-	187	-	187
Interest income from held-for-trading financial assets	156	806	156	806
Dividend income	71	18	16,841	28,758
Other income	140	453	72	12
	<u>1,715</u>	<u>3,632</u>	<u>23,244</u>	<u>40,795</u>

In 2013 the Company recognised LTL 845 thousand interest income on impaired loans (2012: LTL 2,667 thousand). In 2013 the Group recognised LTL 14 thousand interest income on impaired loans (2012: LTL 5 thousand).

**6.4. Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Interest expenses of convertible bonds	-	(768)	-	(768)
Other interest expenses	(2,106)	(2,926)	(292)	(138)
Other finance costs	(102)	(171)	(43)	-
	<u>(2,208)</u>	<u>(3,865)</u>	<u>(335)</u>	<u>(906)</u>

**7. Income tax**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Components of the income tax credit (expenses)</b>				
Current year income tax	(149)	(208)	(4)	-
Prior year current income tax correction	122	52	(33)	-
Income tax credit arising from tax losses sold to discontinued operation	-	1,524	-	-
Deferred income tax credit (expenses)	(3,247)	(1,733)	(1,654)	(1,235)
Income tax credit (expenses) charged to the income statement – continuing operation	<u>(3,274)</u>	<u>(365)</u>	<u>(1,691)</u>	<u>(1,235)</u>
Current year income tax	(326)	(1,431)	-	-
Prior year current income tax correction	1	-	-	-
Income tax expenses arising from tax losses purchased from continuing operation	-	(1,524)	-	-
Deferred income tax credit (expenses)	(26)	136	-	-
Income tax credit (expenses) charged to the income statement – discontinued operation	<u>(351)</u>	<u>(2,819)</u>	<u>-</u>	<u>-</u>
Income tax credit (expenses) charged to the income statement – total	<u>(3,625)</u>	<u>(3,184)</u>	<u>(1,691)</u>	<u>(1,235)</u>

There are no income tax expenses (credit) recognised in other comprehensive income in 2013 and 2012.

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Consolidated statement of changes in equity</b>				
Current year income tax (conversion of bonds)	-	(1,076)	-	(1,076)
Income tax credit (expenses) recognised in statement of changes in equity	<u>-</u>	<u>(1,076)</u>	<u>-</u>	<u>(1,076)</u>

## 7 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2013, except for temporary differences arising from entities operating in Norway (28 %, respectively).

The movement in deferred income tax assets and liabilities of the Group during 2013 is as follows:

	Balance as at 31 December 2012	Recognised in the income statement	Disposed subsidiaries	Correction of transfer of tax losses within group	Split-off (Note 3)	Currency transla- tion	Balance as at 31 December 2013
<b>Deferred tax asset</b>							
Tax loss carry forward for indefinite period of time	7,578	508	(230)	(56)	(4,005)	-	3,795
Tax loss carry forward till 2014 – 2018	5,453	2,094	-	-	-	-	7,547
Property, plant and equipment	113	(10)	-	-	-	-	103
Investment properties	2,747	(299)	-	-	(1,628)	-	820
Receivables	585	57	-	-	(500)	-	142
Investments at fair value through profit and loss	10,496	(2,557)	-	-	(7,285)	-	654
Inventories	43	26	-	-	(8)	-	61
Accruals	202	(32)	-	-	(80)	-	90
Intangible assets	36	(13)	-	-	(1)	(3)	19
Other	617	46	(90)	-	(267)	-	306
Deferred tax asset available for recognition	27,870	(180)	(320)	(56)	(13,774)	(3)	13,537
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(3,494)	(435)	230	-	1,291	-	(2,408)
Less: unrecognised deferred tax asset from tax losses carried forward till 2014 – 2018	-	(927)	-	-	-	-	(927)
Less: unrecognised deferred tax asset due to future uncertainties	(2,841)	304	89	-	1,628	-	(820)
Recognised deferred income tax asset, net	21,535	(1,238)	(1)	(56)	(10,855)	(3)	9,382
Asset netted with liability of the same legal entities	(1,911)	(382)	-	-	1,200	-	(1,093)
<b>Deferred income tax asset, net</b>	<b>19,624</b>	<b>(1,620)</b>	<b>(1)</b>	<b>(56)</b>	<b>(9,655)</b>	<b>(3)</b>	<b>8,289</b>
<b>Deferred tax liability</b>							
Property, plant and equipment	(269)	9	-	-	188	-	(72)
Intangible assets	(487)	159	-	-	-	2	(326)
Investment properties	(15,745)	(2,061)	-	-	2,259	-	(15,547)
Investments at fair value through profit and loss	-	(82)	-	-	20	-	(62)
Inventories	(30)	18	-	-	12	-	-
Other	(496)	(78)	-	-	192	-	(382)
Deferred income tax liability	(17,027)	(2,035)	-	-	2,671	2	(16,389)
Liability netted with asset of the same legal entities	1,911	382	-	-	(1,200)	-	1,093
<b>Deferred income tax liability, net</b>	<b>(15,116)</b>	<b>(1,653)</b>	<b>-</b>	<b>-</b>	<b>1,471</b>	<b>2</b>	<b>(15,296)</b>
<b>Deferred income tax, net</b>	<b>4,508</b>	<b>(3,273)</b>	<b>(1)</b>	<b>(56)</b>	<b>(8,184)</b>	<b>(1)</b>	<b>(7,007)</b>



## 7 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 of the Group during 2012 is as follows:

	Balance as at 31 December 2011	Recognised in the income statement	Recognise d in equity	Correction of transfer of tax losses within group	Currency translation	Balance as at 31 December 2012
<b>Deferred tax asset</b>						
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)
<b>Deferred income tax asset, net</b>	<b>22,372</b>	<b>(1,670)</b>	<b>(1,076)</b>	<b>(5)</b>	<b>3</b>	<b>19,624</b>
<b>Deferred tax liability</b>						
Property, plant and equipment	(296)	27	-	-	-	(269)
Intangible assets	(665)	183	-	-	(5)	(487)
Investment properties	(16,046)	301	-	-	-	(15,745)
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
<b>Deferred income tax liability, net</b>	<b>(15,178)</b>	<b>73</b>	<b>-</b>	<b>(6)</b>	<b>(5)</b>	<b>(15,116)</b>
<b>Deferred income tax, net</b>	<b>(7,194)</b>	<b>(1,597)</b>	<b>(1,076)</b>	<b>(11)</b>	<b>(2)</b>	<b>4,508</b>

## 7 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Company during 2013 is as follows:

	Balance as at 31 December 2012	Recognised in the income statement	Transfer of tax losses within group	Split-off (Note 3)	Balance as at 31 December 2013
<b>Deferred tax asset</b>					
Tax loss carry forward for indefinite period of time	1,441	(536)	-	(469)	436
Investments at fair value through profit and loss	10,496	(2,557)	-	(7,285)	654
Tax loss carry forward till 2014 - 2018	5,453	2,449	(355)	-	7,547
Accruals	11	(1)	-	(6)	4
Deferred tax asset available for recognition	17,401	(645)	(355)	(7,760)	8,641
Less: unrecognised deferred tax asset from tax losses carried forward till 2014 – 2018	-	(927)	-	-	(927)
Recognised deferred income tax asset, net	17,401	(1,572)	(355)	(7,760)	7,714
Asset netted with liability of the same legal entities	-	(82)	-	20	(62)
<b>Deferred income tax asset, net</b>	<b>17,401</b>	<b>(1,654)</b>	<b>(355)</b>	<b>(7,740)</b>	<b>7,652</b>
<b>Deferred tax liability</b>					
Investments at fair value through profit and loss	-	(82)	-	20	(62)
Deferred income tax liability	-	(82)	-	20	(62)
Liability netted with asset of the same legal entities	-	82	-	(20)	62
<b>Deferred income tax liability, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax, net</b>	<b>17,401</b>	<b>(1,654)</b>	<b>(355)</b>	<b>(7,740)</b>	<b>7,652</b>

The movement in deferred income tax assets and liabilities of 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
<b>Deferred tax asset</b>					
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	-	-	-	-	-
<b>Deferred income tax asset, net</b>	<b>19,941</b>	<b>(1,235)</b>	<b>(1,076)</b>	<b>(229)</b>	<b>17,401</b>
<b>Deferred income tax, net</b>	<b>19,941</b>	<b>(1,235)</b>	<b>(1,076)</b>	<b>(229)</b>	<b>17,401</b>

## 7 Income tax (cont'd)

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Deferred tax assets</b>				
Deferred tax assets to be recovered after more than 12 months	7,566	19,178	7,055	17,307
Deferred tax assets to be recovered within 12 months	723	446	597	94
	<u>8,289</u>	<u>19,624</u>	<u>7,652</u>	<u>17,401</u>
<b>Deferred tax liabilities</b>				
Deferred tax liability to be recovered after more than 12 months	15,296	14,954	-	-
Deferred tax liability to be recovered within 12 months	-	162	-	-
	<u>15,296</u>	<u>15,116</u>	<u>-</u>	<u>-</u>

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:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Accounting profit before tax from continuing operations	23,261	5,513	82,681	22,182
(Loss) profit before tax from a discontinued operation	88,896	29,816	-	-
<b>(Loss) profit before income tax</b>	<b>112,157</b>	<b>35,329</b>	<b>82,681</b>	<b>22,182</b>
Tax calculated at the tax rate of 15 %	(16,824)	(5,299)	(12,402)	(3,328)
Tax non-deductible (expenses) / non-taxable income	14,299	2,901	11,803	2,093
Deferred tax expenses arising from write-down or reversal of previous write-down	(1,082)	(152)	(927)	-
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	(121)	(785)	(128)	-
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	2	102	-	-
Tax loss carry forward expiry (derecognition)	-	-	-	-
Withholding income tax	(4)	-	(4)	-
Correction of prior year current income tax	122	52	(33)	-
Different income tax rate in foreign subsidiaries	(17)	(3)	-	-
Income tax credit (expenses) recorded in the income statement	(3,625)	(3,184)	(1,691)	(1,235)
Income tax attributable to a discontinued operation	(351)	(2,819)	-	-
Income tax attributable to a continuing operation	<u>(3,274)</u>	<u>(365)</u>	<u>(1,691)</u>	<u>(1,235)</u>

## 8. Discontinued operations

As a result of the split –off the Group lost control over AB Vilniaus Baldai, therefore according to IFRS 5, the results of this subsidiary are presented as discontinued operations.

Analysis of the result of discontinued operations, and the result recognised on the re-measurement of net assets is as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
Sales revenue	56,285	229,767
Other income	631	904
Changes in inventories of finished goods, work in progress and residential real estate	(143)	7,555
Raw materials and consumables	(36,457)	(157,986)
Employee benefits expenses	(7,912)	(27,381)
Impairment, write-down and provisions	-	(1)
Premises rent and utilities	(1,757)	(4,548)
Depreciation and amortization	(2,029)	(5,388)
Repairs and maintenance cost of premises	(1,912)	(5,188)
Other expenses	(2,390)	(7,895)
<b>Operating profit (loss)</b>	<b>4,316</b>	<b>29,839</b>
Finance cost	(3)	(23)
<b>Profit (loss) before income tax</b>	<b>4,313</b>	<b>29,816</b>
Income tax credit (expense)	(351)	(2,819)
<b>Profit (loss) for the period</b>	<b>3,962</b>	<b>26,997</b>
<b>Gain on the split-off (Note 3)</b>	<b>84,583</b>	<b>-</b>
<b>Total discontinued operations</b>	<b>88,545</b>	<b>26,997</b>

Earnings per share in LTL:	<b>2013</b>	<b>2012</b>
Basic from discontinued operations (LTL per share)	2.58	0.51
Diluted from discontinued operations (LTL per share)	2.58	0.50

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
Operating cash flows	5,157	26,603
Investing cash flows	(8,822)	13,906
Financing cash flows	13,318	(39,244)
<b>Total cash flows</b>	<b>9,653</b>	<b>1,265</b>

In 2013 employee benefits expense for discontinued operation included LTL 1,862 thousand social security contribution paid by employer (2012: LTL 5,594 thousand) and LTL 541 thousand social security contribution paid by employee (2012: LTL 1,626 thousand).

Revenues of LTL 55,916 thousand (2012: LTL 225,587 thousand) are derived from a single external customer in the furniture production segment.

## 9. 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 2013 and 2012 was as follows:

<b>Calculation of weighted average for the year 2013</b>	<b>Number of shares (thousand)</b>	<b>Par value (LTL)</b>	<b>Issued/365 (days)</b>	<b>Weighted average (thousand)</b>
Shares issued as at 31 December 2012	51,802	1	365/365	51,802
Acquired own shares as at 8 March 2013	(5,180)	1	298/365	(4,229)
Acquired own shares as at 27 May 2013	(1,099)	1	218/365	(656)
Decrease of shares capital as at 31 May 2013	(20,689)	1	214/365	(12,130)
Acquired own shares as at 10 October 2013	(1,843)	1	81/365	(414)
Acquired own shares as at 30 December 2013	(194)	1	1/365	(1)
Shares issued as at 31 December 2013	22,797	1	-	34,372

<b>Calculation of weighted average for 2012</b>	<b>Number of shares (thousand)</b>	<b>Par value (LTL)</b>	<b>Issued/366 (days)</b>	<b>Weighted average (thousand)</b>
Shares issued as at 31 December 2011	51,660	1	366/366	51,660
Shares issued as at 30 March 2012	5,989	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 2011	51,802	1	-	52,538

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net profit (loss), attributable to the equity holders of the parent from continuing operations	19,834	5,296	80,990	20,947
Net profit, attributable to the equity holders of the parent from discontinued operations	87,441	19,475	-	-
Net profit (loss), attributable to equity holders of the parent for basic earnings	107,275	24,711	80,990	20,947
Weighted average number of ordinary shares (thousand)	34,372	52,538	34,372	52,538
Basic earnings (deficit) per share (LTL)	3.12	0.47	2.36	0.40

For 2013 diluted earnings per share of the Group and the Company are the same as basic earnings per share.

## 9 Earnings per share (cont'd)

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

	<b>Number of shares (thousand)</b>	<b>Issued/366 (days)</b>	<b>Weighted average (thousand)</b>
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)	4,545	90/366	1,117
Potential shares from convertible bond of LTL 7.44 million (issued on 8 January 2010)	1,353	90/366	333
Weighted average number of ordinary shares for diluted earnings per share	-	-	53,988

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

	<b>Group 31 December 2012</b>	<b>Company 31 December 2012</b>
Net profit (LTL thousand), attributable to the equity holders of the parent for basic earnings	24,771	20,947
Interest on convertible bond	768	768
Net profit (LTL thousand), attributable to equity holders of the parent for diluted earnings	25,539	21,742
Weighted average number of ordinary shares (thousand)	53,988	53,988
Diluted earnings(deficit) per share (LTL)	0.47	0.40

## 10. Dividends per share

In 2013 and 2012 dividends were not declared.

## 11. Property, plant and equipment

### Group

	Land	Buildings	Machinery and equipment	Vehicles	Construction in progress	Other property, plant and equipment	Total
<b>Cost:</b>							
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
Additions	-	-	4,010	107	260	1,458	5,835
Acquisition of subsidiaries	-	-	-	-	-	6	6
Disposals and write-offs	-	-	(271)	(169)	-	(214)	(654)
Transfers between groups	-	722	1,799	33	(1,011)	(1,543)	-
Split-off (Note 3)	-	(26,828)	(77,244)	(749)	-	(5,295)	(110,116)
Balance as at 31 December 2013	157	7,659	4,782	1,016	7	6,046	19,667
<b>Accumulated depreciation:</b>							
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
Charge for the year	-	574	1,794	192	-	1,191	3,751
Disposals and write-offs	-	-	(264)	(118)	-	(192)	(574)
Split-off (Note 3)	-	(11,895)	(50,393)	(190)	-	(3,567)	(66,045)
Balance as at 31 December 2013	-	5,273	4,086	526	-	4,372	14,257
<b>Net book value as at 31 December 2012</b>	<b>157</b>	<b>17,171</b>	<b>23,539</b>	<b>1,152</b>	<b>758</b>	<b>4,694</b>	<b>47,471</b>
<b>Net book value as at 31 December 2013</b>	<b>157</b>	<b>2,386</b>	<b>696</b>	<b>490</b>	<b>7</b>	<b>1,674</b>	<b>5,410</b>

**11 Property, plant and equipment (cont'd)**

<b>Company</b>	<b>Vehicles</b>	<b>Other property, plant and equipment</b>	<b>Total</b>
<b>Cost:</b>			
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
Additions	-	46	46
Disposals and write-offs	-	(65)	(65)
Split-off (Note 3)	(154)	(56)	(210)
Balance as at 31 December 2013	0	337	337
<b>Accumulated depreciation:</b>			
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
Charge for the year	11	21	32
Disposals and write-offs	-	(65)	(65)
Split-off (Note 3)	(64)	(38)	(102)
Balance as at 31 December 2013	0	304	304
<b>Net book value as at 31 December 2012</b>	<b>101</b>	<b>26</b>	<b>127</b>
<b>Net book value as at 31 December 2013</b>	<b>0</b>	<b>33</b>	<b>33</b>

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2013 amounts to LTL 3,751 thousand and LTL 32 thousand, respectively (in the year 2012 LTL 7,472 thousand and LTL 67 thousand, respectively). Amounts of LTL 1,767 thousand and LTL 32 thousand for the year 2013 (LTL 2,031 thousand and LTL 67 thousand for the year 2012) have been included into operating expenses of continuing operations in the Group's and the Company's income statement, respectively. The depreciation charge of the Group is reduced by LTL 107 thousand of amortization of grants related to assets in 2013 in the income statement (2012: 127 thousand LTL).

Property, plant and equipment of the Group with a net book value of LTL 1,131 thousand as at 31 December 2013 (LTL 1,304 thousand as at 31 December 2012) was pledged to the banks as a collateral for the loans (Note 24).

There were no borrowing cost incurred by the Group and capitalised to the acquisition, construction or production of a qualifying asset for the years 2013 and 2012.

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 at 31 December 2012, there was no such property as at 31 December 2013. Such property was 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 was LTL 4,807 thousand as at 31 December 2012. There were no such open commitments as at 31 December 2013.



## 12. Investment properties

	Agricultural land	Other investment properties valued using sales comparison method	Group Leased investment properties	Investment properties held for future redevelopment	2013 Total	2012
Fair value hierarchy	Level 2	Level 2	Level 3	Level 3		
<b>Balance at the beginning of the year</b>	<b>41,787</b>	<b>20,098</b>	<b>121,502</b>	<b>42,200</b>	<b>225,587</b>	<b>248,957</b>
Additions	2,723	206	-	-	2,929	3,090
Subsequent expenditure	6	-	-	1,529	1,535	337
Disposals	(560)	(1,076)	-	-	(1,636)	(6,129)
Transfer to inventories	-	-	-	-	-	(11,959)
Split-off (Note 3)	(19,172)	(18,780)	(8,562)	(12,089)	(58,603)	-
Gain from fair value adjustment	11,661	263	1,919	594	14,437	5,988
Loss from fair value adjustment	(358)	-	(2,400)	(943)	(3,701)	(14,697)
<b>Balance at the end of the year</b>	<b>36,087</b>	<b>711</b>	<b>112,459</b>	<b>31,291</b>	<b>180,548</b>	<b>225,587</b>
<b>Unrealised gains and losses for the period included within 'Net gains (losses) from fair value adjustments on investment property' in the income statement</b>	<b>11,214</b>	<b>-</b>	<b>(1,170)</b>	<b>340</b>	<b>10,384</b>	<b>(10,669)</b>

Gains and losses from changes in fair value of investment properties are recognised in the caption "Net gains (losses) from fair value adjustments on investment property" in the income statement.

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 10,232 thousand in 2013 (LTL 11,907 thousand in 2012). The direct operating expenses arising from investment properties that generated rental income during the year 2013 amounted to LTL 3,128 thousand (LTL 3,731 thousand in 2012).

Investment properties are stated at fair value. Agricultural land and other investment properties are valued by management using sales comparison method. Leased investment properties and investment properties held for future redevelopment were valued using income approach by accredited valuer UAB OBER-HAUS Nekilnojamasis Turtas as at 26 -29 November 2013. There were no significant changes in the market in December 2013 that could have an effect on the value of those investment properties, therefore the updated valuation was not performed as at 31 December 2013. In previous year the fair value of the investment properties 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.

The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, in compliance with the International Valuation Standards set out by the International Valuation Standards Committee. An investment property's fair value was based either on the market approach by reference to sales in the market of comparable properties or the income approach by reference to rentals obtained from the subject property or similar properties. Market approach refers to the prices of the analogues transactions in the market. These values are adjusted for differences in key attributes such as property size and quality of interior fittings. The most significant input into this valuation approach is price per square metre.

Income approach is based on the assumption that defined correlation between net activity future income and fair value of the objects exists. For leased investment properties main inputs include:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any - existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

## 12 Investment properties (cont'd)

Investment properties held for future redevelopment were estimated taking into account the following estimates (in addition to the inputs noted above):

- Costs to complete that are based on the valuers' experience and knowledge of market conditions and term sheets outlined in approved detailed plans. Costs to complete also include a reasonable profit margin;
- Completion dates, as properties under construction require approval or permits from oversight bodies at various points in the development process, including approval or permits in respect of initial design, zoning, commissioning, and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals and any remedial action required by the Group.

There were no changes to the valuation techniques during the year.

The investment property with a carrying amount of LTL 14,000 thousand is used as leased property that is not its highest and best use, which would be a development into residential real estate. The subsidiary, which owns this investment property, has negative equity and is not capable to develop the property for highest and best use as it would require external financing - with current financial standing neither banks, nor shareholders would provide it. Therefore decision was made not to invest into the property but have stable income from renting it out.

Description of valuation techniques used and key inputs to valuation on investment properties as at November 2013:

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range (weighted average)</b>
Leased investment properties	Discounted cash flows	Discount rate (%)	8 – 11 (9)
		Capitalisation rate for terminal value (%)	7.5 – 10 (7.6)
		Vacancy rate (%)	5 – 10
		Rent price Lt per sq. m. (without VAT)	6 – 42 (27.90)
Investment properties held for future redevelopment	Discounted cash flows with estimated costs to complete	Discount rate (%)	
		Capitalisation rate for terminal value	15 – 18 (16.4)
		Cost to completion Lt per sq. m (without VAT)	1,900 – 2,250 (1,972)
		Sales price per Lt sq. m. (with VAT)	4,200 – 8,000 (4,869)

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 % Capitalisation rate used to determine the terminal value of the properties as at 30 September 2012 was 7.22- 10.82 % 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 was 15 - 20 %.

The sensitivity analysis of investment properties valued using income approach as at 31 December 2013 is as follows:

<b>Estimates</b>	<b>Increase of estimates</b>		<b>Decrease of estimates</b>	
	<b>Leased Investment properties</b>	<b>Investment properties held for future redevelopment</b>	<b>Leased Investment properties</b>	<b>Investment properties held for future redevelopment</b>
Change in future rental rates by 10 %	10,890	-	(10,790)	-
Change in future sale prices of developed properties by 10%	-	9,950	-	(8,940)
Change in construction costs by 10%	-	(5,410)	-	6,520
Change in expected vacancy rates by 20%	(1,260)	-	1,260	-
Change in discount and capitalization rate by 50 bps	(7,070)	(980)	7,930	220

## 12 Investment properties (cont'd)

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

During 2013 the Group has acquired investment properties for LTL 2,929 thousand (2012: LTL 3,090 thousand), including agricultural land for LTL 2,723 thousand (2012: LTL 2,976 thousand). During 2013 investment properties were sold for LTL 1,636 thousand (2012: LTL 6,129 thousand). In 2012 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. In 2013 the Group has disposed the investment properties with carrying amount of LTL 57,914 thousand due to split-off of the Company (Note 3).

In 3<sup>rd</sup> Quarter of 2012 assets located in Klaipėda and Nida, with carrying value LTL 11,959 thousand were reclassified from investment property to inventories.

As at 31 December 2013 investment properties with carrying amount of LTL 143,750 thousand (LTL 146,465 thousand as at 31 December 2012) were pledged to the banks as collateral for the loans (Note 24).

There were no restrictions on the realisation of investment properties or the remittance of income and proceeds of disposals as at 31 December 2013. No material contractual obligations to purchase, construct, repair or enhance investment properties existed at year end, except the Group has signed future purchase agreement regarding agricultural land, which was completed in January 2014 (purchase price LTL 883 thousand), and has signed future sale agreement regarding agricultural land with carrying amount of LTL 60 thousand.

### 13. Intangible assets

Group	Goodwill	Contracts and customer relationship	Software	Other intangible assets	Total
<b>Cost:</b>					
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
Additions	-	-	310	15	325
Disposals and write-offs	-	-	-	-	-
Transfers between groups	-	-	-	-	-
Split-off (Note 3)	-	-	(1,073)	(567)	(1,640)
Difference of foreign currency exchange	-	-	-	-	-
Balance as at 31 December 2013	1,600	15,385	1,264	116	18,365
<b>Accumulated amortisation:</b>					
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
Charge for the year	-	1,941	460	30	2,431
Disposals and write-offs	-	-	-	-	-
Transfers between groups	-	-	-	-	-
Split-off (Note 3)	-	-	(622)	(5)	(627)
Difference of foreign currency exchange	-	8	-	-	8
Balance as at 31 December 2013	-	9,081	947	74	10,102
<b>Net book value as at 31 December 2012</b>	<b>1,600</b>	<b>8,253</b>	<b>918</b>	<b>619</b>	<b>11,390</b>
<b>Net book value as at 31 December 2013</b>	<b>1,600</b>	<b>6,304</b>	<b>317</b>	<b>42</b>	<b>8,263</b>

### 13 Intangible assets (cont'd)

#### Company

	Software	Other intangible assets	Total
<b>Cost:</b>			
Balance as at 31 December 2011	27	-	27
Additions	11	-	11
Disposals and write-offs	-	-	-
Balance as at 31 December 2012	38	-	38
Additions	45	-	45
Disposals and write-offs	-	-	-
Balance as at 31 December 2013	83	-	83
<b>Accumulated amortisation:</b>			
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
Charge for the year	8	-	8
Disposals and write-offs	-	-	-
Balance as at 31 December 2013	33	-	33
<b>Net book value as at 31 December 2012</b>	<b>13</b>	<b>-</b>	<b>13</b>
<b>Net book value as at 31 December 2013</b>	<b>50</b>	<b>-</b>	<b>50</b>

The amortisation charge of the Group's and the Company's intangible assets for the year ended 31 December 2013 amounts to LTL 2,431 thousand and LTL 8 thousand, respectively (in the year 2012 LTL 2,554 thousand and LTL 5 thousand, respectively). Amounts of LTL 2,386 thousand and LTL 8 thousand for the year 2013 (LTL 2,424 thousand and LTL 5 thousand for the year 2012) have been included into operating expenses of continuing operations in the Group's and the Company's income statement, respectively.

The goodwill was acquired through business combination in the information – technology segment and has been allocated to cash-generating unit of NRD subgroup. In 2013 the recoverable amount of cash generating 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 11.35 % (2012: 11.90%), cash flows within the 5-year period are extrapolated using 5 % growth rate (2012: 5 %) and cash flows beyond 5-year period are extrapolated using 2 % growth rate (2012: 2%).

Main intangible assets of the Group are:

- Contracts and customer relationship acquired during acquisition of UAB BAIP in 2007 (information technology sector). Its carrying amount equals LTL 3,901 thousand and remaining estimated useful life is 4 years as of 31 December 2013.
- Dwelling-houses facilities management contracts acquired during acquisition of UAB Priemiestis in 2010. Their carrying amount equals LTL 550 thousand and remaining estimated useful life is 1.6 years as of 31 December 2013.
- The market management contract acquired during acquisition of UAB Priemiestis in 2010. Its carrying amount equals LTL 524 thousand and remaining estimated useful life is 7.6 years as of 31 December 2013.
- Contracts and customer relationship acquired during acquisition of NRD AS in 2011 (information technology sector). Its carrying amount equals LTL 1,033 thousand and remaining estimated useful life is 8 years as of 31 December 2013.

#### 14. Financial instruments by category

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
<b>31 December 2013</b>				
<b>Assets as per statement of financial position</b>				
Investments available-for-sale	1,705	-	-	1,705
Trade and other receivables long term	-	1,867	-	1,867
Trade and other receivables short term excluding tax receivables	-	19,211	-	19,211
Financial assets at fair value through profit and loss	-	-	5,602	5,602
Current loans granted	-	30,323	-	30,323
Restricted cash	-	5,640	-	5,640
Cash and cash equivalents	-	6,463	-	6,463
<b>Total</b>	<b>1,705</b>	<b>63,504</b>	<b>5,602</b>	<b>70,811</b>

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
<b>31 December 2012</b>				
<b>Assets as per statement of financial position</b>				
Investments available-for-sale	2,859	-	-	2,859
Trade and other receivables long term	-	5,156	-	5,156
Trade and other receivables 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
<b>Total</b>	<b>2,859</b>	<b>150,415</b>	<b>32,974</b>	<b>186,248</b>

Group	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
<b>31 December 2013</b>			
<b>Liabilities as per statement of financial position</b>			
Borrowings	109,734	-	109,734
Finance lease liabilities	214	-	214
Trade payables	10,417	-	10,417
Other liabilities excluding tax payables and employee benefit payables	2,735	-	2,735
<b>Total</b>	<b>123,100</b>	<b>-</b>	<b>123,100</b>

Group	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
<b>31 December 2012</b>			
<b>Liabilities as per statement of financial position</b>			
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
<b>Total</b>	<b>140,962</b>	<b>114</b>	<b>141,076</b>

#### 14 Financial instruments by category (cont'd)

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
<b>31 December 2013</b>				
<b>Assets as per statement of financial position</b>				
Investments available-for-sale	1,705	-	-	1,705
Non-current loan granted	-	21,396	-	21,396
Trade and other receivables	-	2,912	-	2,912
Financial assets at fair value through profit and loss	-	-	5,602	5,602
Current loans granted	-	55,061	-	55,061
Cash and cash equivalents	-	2,515	-	2,515
<b>Total</b>	<b>1,705</b>	<b>81,884</b>	<b>5,602</b>	<b>89,191</b>

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
<b>31 December 2012</b>				
<b>Assets as per statement of financial position</b>				
Investments available-for-sale	1,817	-	-	1,817
Non-current loan granted	-	82,862	-	82,862
Trade and other receivables	-	273	-	273
Financial assets at fair value through profit and loss	-	-	32,974	32,974
Current loans granted	-	104,193	-	104,193
Term deposits	-	41	-	41
Cash and cash equivalents	-	33,530	-	33,530
<b>Total</b>	<b>1,817</b>	<b>220,899</b>	<b>32,974</b>	<b>255,690</b>

Company	31 December 2013	31 December 2012
<b>Liabilities as per statement of financial position</b>		
	Financial liabilities at amortised cost	
Borrowings	12,682	9,125
Trade payables	305	55
Other current payables excluding tax payables and employee benefit payables	1,481	2,061
<b>Total</b>	<b>14,468</b>	<b>11,241</b>

#### 15. Fair value estimation

##### *Financial instruments that are not carried at fair value*

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, loans granted, trade and other payables, non-current and current borrowings and investments available-for-sale.

The fair value represents the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The carrying amount of the financial assets and financial liabilities of the Group and the Company as at 31 December 2013 and 2012 approximated their fair value, except for bank borrowings as at 31 December 2013. The fair value of bank borrowings as at 31 December 2013 was LTL 106,928 thousand (the carrying amount – LTL 107,465 thousand). The fair value of bank borrowings as at 31 December 2012 was LTL 98,659 thousand (the carrying amount – LTL 104,593 thousand). The fair values are based on cash flows discounted using 2.09 % and 4.47 % interest rate as at 31 December 2013 and 2012, respectively. It is Level 3 fair value measurement.

The carrying amount of loans granted by the Company approximates their fair value because the interest rates are reviewed and adjusted when market rates change. Their value are based on cash flows discounted using 5.9 % and 5.2 % interest rate as at 31 December 2013 and 2012, respectively. It is Level 3 fair value measurement.

## 15 Fair value estimation (cont'd)

### *Financial instruments carried at fair value*

The tables below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

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

See Note 12 for disclosures of the investment properties' fair value estimation.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on arm's length basis. The quoted market price used for financial assets held by the Group is the measurement date exchange closing price.

The following table presents the Group's and the Company's financial assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
<b>Financial assets designated upon initial recognition at fair value through profit or loss</b>				
- Infrastructure construction and energy sector – equity securities	1,609	-	-	1,609
<b>Financial assets held for trading</b>				
Equity securities				
- Food industry	2,126	-	-	2,126
- Bank sector	1,867	-	-	1,867
<b>Total Assets</b>	<b>5,602</b>	<b>-</b>	<b>-</b>	<b>5,602</b>
<b>Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Level 1	Level 2	Level 3	Total balance
<b>Assets</b>				
<b>Financial assets designated upon initial recognition at fair value through profit or loss</b>				
- Infrastructure construction and energy sector – equity securities	9,958	-	-	9,958
<b>Financial assets held for trading</b>				
Equity securities				
- Food industry	2,210	-	-	2,210
- Bank sector	2,870	-	-	2,870
Debt securities				
- Oil and gas exploration and production	2,668	-	-	2,668
- Bank sector		15,268		15,268
<b>Total Assets</b>	<b>17,706</b>	<b>15,268</b>	<b>-</b>	<b>32,974</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Contingent consideration	-	-	114	114
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>114</b>



## 15 Fair value estimation (cont'd)

During 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements. In 2012 Level 2 includes acquired unlisted bonds of financial institution which is listed on NASDAQ OMX Vilnius. They were sold in 2013.

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.

### Financial instruments in Level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2013.

	<b>Contingent consideration in business combination</b>	<b>Total</b>
Opening balance	114	114
Gains and losses recognised in profit or loss	(114)	(114)
Closing balance	-	-
<b>Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period</b>	<b>-</b>	<b>-</b>

The following table presents the changes in Level 3 instruments for the year ended 31 December 2012.

	<b>Contingent consideration in business combination</b>	<b>Total</b>
Opening balance	156	156
Gains and losses recognised in profit or loss	(42)	(42)
Closing balance	114	114
<b>Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period</b>	<b>(42)</b>	<b>(42)</b>

Gains and losses from Level 3 financial instruments are recognised in the caption "Net changes in fair value of financial instruments at fair value through profit loss".

Level 3 financial instruments represent the contingent consideration arrangement that required 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 fair value of the contingent consideration arrangement of LTL 156 thousand was estimated by applying the income approach at the date of acquisition. As at 31 December 2012, there was a decrease of LTL 42 thousand recognised in the income statement as the actual EBITDA for 2011 – 2012 was below the forecasted EBITDA. As at 31 December 2013, there was a further decrease of LTL 114 thousand recognised in the income statement for the contingent consideration arrangement, because the actual EBITDA for 2011 – 2013 was below the forecasted EBITDA and the Group has not paid any contingent consideration.

**16. Financial assets available-for-sale and at fair value through profit and loss**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<i>Available-for-sale</i>				
Ordinary shares – unquoted (carried at cost)	1,705	2,859	1,705	1,817
	<u>1,705</u>	<u>2,859</u>	<u>1,705</u>	<u>1,817</u>
<i>Held-for-trading</i>				
Ordinary shares - quoted	3,993	5,080	3,993	5,080
Bonds	-	17,936	-	17,936
	<u>3,993</u>	<u>23,016</u>	<u>3,993</u>	<u>23,016</u>
<i>Designated at fair value through profit and loss on initial recognition</i>				
Ordinary shares - quoted	1,609	9,958	1,609	9,958
	<u>1,609</u>	<u>9,958</u>	<u>1,609</u>	<u>9,958</u>
Total financial assets at fair value through profit and loss	<u>5,602</u>	<u>32,974</u>	<u>5,602</u>	<u>32,974</u>

The fair value of the quoted ordinary shares and listed bonds is determined by reference to published price quotations in the active market (level 1).

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.

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:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Moody's ratings				
Prime-2	-	2,668	-	2,668
Not Prime	-	15,268	-	15,268
	<u>-</u>	<u>17,936</u>	<u>-</u>	<u>17,936</u>

## 17. Loans granted

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Loans granted to third parties	18,454	31,669	16,161	28,164
Secured loans granted to third parties	7,800	30,209	7,769	30,179
Loans granted to subsidiaries	-	-	47,017	158,501
Loans granted to other related parties	22,336	7,329	22,337	6,621
	48,590	69,207	93,284	223,465
Less: long-term loans	-	-	(21,396)	(82,862)
Less: allowance for impairment to third parties	(12,459)	(31,669)	(10,167)	(28,164)
Less: allowance for impairment to subsidiaries	-	-	(852)	(2,438)
Less: allowance for impairment to other related parties	(5,808)	(5,808)	(5,808)	(5,808)
Total allowance for impairment	(18,267)	(37,477)	(16,827)	(36,410)
<b>Total short-term loans granted</b>	<b>30,323</b>	<b>31,730</b>	<b>55,061</b>	<b>104,193</b>

As at 31 December 2012 the Group and the Company had secured loans to third parties with the maturity term till March 2013. These loans were repaid on time.

As at 31 December 2013 the Group and the Company had the loan receivable from to SIA Dommo Bizness parks, which was acquired from the bank for LTL 7,769 thousand and is secured by the pledge of investment property owned by the debtor.

Loans granted to other related parties and to subsidiaries are disclosed in more details in Note 31.

As at 31 December 2013 the Group's and the Company's loans granted with nominal value of LTL 32,061 thousand and LTL 30,590 thousand, respectively, were impaired (as at 31 December 2012 LTL 37,508 thousand and LTL 46,135 thousand, respectively). The net amounts of impaired loans of LTL 13,794 thousand and LTL 13,763 thousand are recognised in the statement of financial position of the Group and the Company, respectively (LTL 31 thousand and LTL 9,725 thousand in 2012, respectively).

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

	<b>Individually impaired</b>	
	<b>Group</b>	<b>Company</b>
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
Charge for the year	816	241
Write-offs charged against the allowance	-	-
Recoveries of amounts previously written-off	(5,269)	(5,266)
Reclassification of allowance on loans capitalized within share capital of subsidiaries and joint ventures	-	-
Split-off (Note 3)	(14,757)	(14,558)
Balance as at 31 December 2013	18,267	16,827

Changes in allowance for impairment of loans granted for the year 2013 and 2012 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 6.2.). The Group and the Company have reversed part of impairment losses of loans granted to Latvian real estate entities (Note 6.2). In 2013 and 2012 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.

## 17 Loans granted (cont'd)

The ageing analysis of loans granted of the Group as at 31 December 2013 and 2012 is as follows:

	Granted loans neither past due not impaired	Granted loans past due but not impaired				Total
		Less than 30 days	30–90 days	90–180 days	More than 180 days	
<b>2013</b>	16,529	-	-	-	-	16,529
<b>2012</b>	31,699	-	-	-	-	31,699

The ageing analysis of loans granted of the Company as at 31 December 2013 and 2012 is as follows:

	Granted loans neither past due not impaired	Granted loans past due but not impaired				Total
		Less than 30 days	30–90 days	90–180 days	More than 180 days	
<b>2013</b>	62,693	-	-	-	-	62,693
<b>2012</b>	177,330	-	-	-	-	177,330

All granted loans neither past due nor impaired as at 31 December 2013 and 2012 have no history of counterparty defaults.

## 18. Inventories

	Group					
	2013			2012		
	Acquisition cost	Write-down	Carrying value	Acquisition cost	Write-down	Carrying value
Raw materials	1,793	-	1,793	5,176	(80)	5,096
Work in progress	48	-	48	2,488	-	2,488
Finished goods	568	(305)	263	12,859	(16)	12,843
Residential real estate	-	-	-	16,981	-	16,981
Goods for resale	683	(99)	584	2,227	(71)	2,156
	<u>3,092</u>	<u>(404)</u>	<u>2,688</u>	<u>39,731</u>	<u>(167)</u>	<u>39,564</u>

The acquisition cost of the Group's inventories excluding residential real estate accounted for at net realisable value as at 31 December 2013 amounted to LTL 694 thousand (LTL 252 thousand as at 31 December 2012). Changes in the allowance for inventories for the years ended 31 December 2013 and 2012 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 6.2.).

## 19. Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Trade and other receivables, gross	23,199	45,820	3,348	893
Taxes receivable, gross	355	3,416	-	-
Less: long term trade and other receivables	(1,867)	(5,156)	(1,202)	-
Less: allowance for doubtful trade and other receivables	(2,121)	(8,247)	(436)	(620)
	<u>19,566</u>	<u>35,833</u>	<u>1,710</u>	<u>273</u>

Changes in allowance for doubtful trade and other receivables for the year 2013 and 2012 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 6.2.).

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 31.

As at 31 December 2013 the Group's and the Company's trade and other receivables with nominal value of LTL 2,440 thousand and LTL 436 thousand, respectively, were impaired (as at 31 December 2012 LTL 8,247 thousand and LTL 620 thousand, respectively). The net amounts of LTL 319 thousand and LTL nil, respectively, are presented in the statement of financial position of the Group and the Company (as at 31 December 2012 LTL 39 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 in amount of LTL 2,405 thousand from this 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:

	<b>Individually impaired</b>	
	<b>Group</b>	<b>Company</b>
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	<u>8,247</u>	<u>620</u>
Charge for the year	577	98
Write-offs charged against the allowance	(7)	-
Recoveries of amounts previously written-off	(24)	-
Split-off (note 3)	(6,672)	(282)
Acquisition of subsidiaries	-	-
Balance as at 31 December 2013	<u>2,121</u>	<u>436</u>

## 19 Trade and other receivables (cont'd)

The ageing analysis of trade and other receivables of the Group as at 31 December 2013 and 2012 is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30–90 days	90–180 days	More than 180 days	
<b>2013</b>	16,674	1,347	658	599	1,481	20,759
<b>2012</b>	30,450	4,500	1,593	393	598	37,534

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

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30–90 days	90–180 days	More than 180 days	
<b>2013</b>	2,767	4	7	134	-	2,912
<b>2012</b>	224	-	-	-	49	273

### Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2013 and 2012 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.

### Long term contracts in progress

	<b>2013</b>	<b>2012</b>
Costs incurred on long term contracts in progress and profit earned *	20,621	12,017
Less: Progress billings	(18,820)	(10,332)
Revenue from long term contracts	12,042	10,946
Amounts due from customers for long term contract work	1,914	1,722
Amounts due to customers for long term contract work	209	-

Amounts due from customers for long term contracts work are included in the statement of financial position line 'Trade and other receivables'. Amounts due to customers for long term contract work are included in the statement of financial position line 'Other current liabilities'.

\* Costs incurred on long term contracts in progress and profit earned includes all contracts that were not finished at the end of the reporting period, but were ongoing during the current and earlier financial periods.

**20. Cash and cash equivalents, term deposits**

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cash at bank	6,298	32,194	2,515	9,719
Cash on hand	16	15	-	-
Cash in transit	149	72	-	-
Term deposits with the maturity up to 3 months	-	23,811	-	23,811
	<u>6,463</u>	<u>56,092</u>	<u>2,515</u>	<u>33,530</u>

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

The Group's foreign and local currency accounts in banks amounting to LTL 62 thousand as at 31 December 2013 (LTL 1,288 thousand as at 31 December 2012) are pledged to the banks as collateral in relation to the loan, respectively (Note 24).

As at 31 December 2013, the Group and the Company had term deposits at banks with the maturity of more than 3 months.

	<b>Group</b>	<b>Company</b>
Deposit's certificate of AB Bankas Snoras	10,910	10,910
Accumulated interest	55	55
Less allowance for impairment as consequence of AB Bankas Snoras insolvency	(10,965)	(10,965)
	<u>-</u>	<u>-</u>

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

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

	<b>Group</b>	<b>Company</b>
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)
	<b>21,418</b>	<b>41</b>

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:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Moody's ratings				
Prime-1	5,816	51,900	2,404	33,342
Prime-2	4	3,267	-	-
Not Prime	326	624	5	1
Not rated	152	214	106	187
	<b>6,298</b>	<b>56,005</b>	<b>2,515</b>	<b>33,530</b>

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Moody's ratings				
Prime-1	-	41	-	41
Prime-2	-	21,377	-	-
Not Prime	-	-	-	-
Not rated	-	-	-	-
	<b>-</b>	<b>21,418</b>	<b>-</b>	<b>41</b>

## 21. Restricted cash

The part of restricted cash amounting to LTL 1,353 thousand as at 31 December 2013 (LTL 1,353 thousand as at 31 December 2012) 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. Also the cash amounting to LTL 417 thousand was restricted for use in other subsidiaries based on conditions in agreements with Nordea Bank Finland Plc Lithuania Branch.

The other amount of restricted cash represents funds deposited at administrating entities by the residents of dwelling houses and was LTL 1,316 thousand as at 31 December 2013 (LTL 1,407 thousand as at 31 December 2012).

The amount of LTL 2,554 thousand of restricted cash represents frozen cash in other banks deposited to secure service contracts in information technology segment.



## **22. Share capital and share premium**

The total authorised number of ordinary shares is 24,833,551 (as of 31 December 2012: 51,802,146 shares) with a par value of LTL 1 per share (as of 31 December 2012: LTL 1 per share). All issued shares are fully paid.

### *Changes during 2012*

On 1 December 2008 non-public convertible bonds of LTL 25,000 thousand were issued. On 30 January 2010 non-public convertible bonds of LTL 7,440 thousand were issued. These issues were redeemed by the persons related with the shareholders of the Company.

The application from the bondholders to convert LTL 32,440 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 % of own shares for LTL 10.358 for each share. All 10 % 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.

### *Changes during 2013*

During the six month period ended 30 June 2013 the Company implemented two share buy-backs. The first share buy-back took place from 19 February until 5 March through the market of official offer. Maximum number of shares to be acquired was set at 5,180,214. Share acquisition price was established at LTL 8,287 per share. All offered shares were bought-back, and the Company has paid for own shares LTL 42,956 thousand, including brokerage fees. The second share buy-back took place from 10 April until 24 May through the market of official offer according to the split-off terms. 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 were limited according to the split – off terms, had a right to request that their shares are be redeemed by the Company within 45 days after approval of the split – off terms by the general meeting of shareholders (until 24 May 2013). The number of shares acquired during this buy-back was 1,099,343. Share acquisition price was established at LTL 8,076 per share. The Company has paid for own shares LTL 8,889 thousand, including brokerage fees.

According to the terms of the split-off 6,279,557 acquired own shares were cancelled, and the reserve for the acquisition of own shares was decreased by LTL 45,566 thousand. In addition, according to the terms of the split-off, 20,689,038 shares, which were owned by the shareholders, were transferred to the share capital of AB Invalda Privatus Kapitalas.

From 24 September 2013 until 7 October 2013 the third share buy-back took place. Maximum number of shares to be acquired was set at 2,000,000. Share acquisition price was established at EUR 2.90 (LTL 10.01) per share. During this buy-back 1,842,553 shares (7.42% of share capital) were acquired for LTL 18,465 thousand, including brokerage fees. The main shareholders had also sold some of their shares to the Company. The acquired shares were settled on 10 October 2013.

From 16 until 20 December 2013 the fourth share buy-back took place. Maximum number of shares to be acquired was set at 248,335. Share acquisition price was established at EUR 3.50 (LTL 12.08) per share. During this buy-back 193,701 shares (0.78% of share capital) were acquired for LTL 2,348 thousand, including brokerage fees. The shares were sold only by minor shareholders during the fourth share buy-back. The acquired shares were settled on 30 December 2013.

There was no decision of shareholders of the Company taken to further reduce the share capital by cancelling own shares, therefore own shares with a nominal value of LTL 2,036 thousand and acquisition value of LTL 20,813 thousand are presented on the balance sheet as at 31 December 2013.

## 23. Reserves

The movements in legal and other reserves are as follows:

Group	Legal reserve	Reserve for acquisition of own shares	Share based payments reserve	Other reserves	Foreign currency reserve	Total
<b>As at 31 December 2011</b>	<b>1,330</b>	<b>18,002</b>	<b>289</b>	<b>678</b>	<b>-</b>	<b>20,299</b>
Exchange differences on translation of foreign operations	-	-	-	-	34	34
Transfer to reserves	5,892	269,228	-	(27)	-	275,093
Decrease of share capital (Note 22)	-	(53,903)	-	-	-	(53,903)
<b>As at 31 December 2012</b>	<b>7,222</b>	<b>233,327</b>	<b>289</b>	<b>651</b>	<b>34</b>	<b>241,523</b>
Exchange differences on translation of foreign operations	-	-	-	-	(96)	(96)
Split-off (Note 3)	(3,499)	(95,102)	-	-	-	(98,601)
Sales of subsidiaries	9	-	-	-	-	9
Transfer to reserves	23	-	-	-	-	23
Decrease of share capital (Note 22)	-	(45,566)	-	-	-	(45,566)
<b>As at 31 December 2013</b>	<b>3,755</b>	<b>92,659</b>	<b>289</b>	<b>651</b>	<b>(62)</b>	<b>97,292</b>

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.

### 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, 2012 and 2013 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. In 2013 reversal of expenses of LTL 344 thousand was recognised within "employee benefits expenses". The reversal of expenses of LTL 93 thousand were recognised within "employee benefits expenses" in 2012.

## 24. Borrowings

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Non-current:</b>				
Non-current bank borrowings	55,824	98,520	-	-
Other borrowings	-	217	-	-
	<u>55,824</u>	<u>98,737</u>	<u>-</u>	<u>-</u>
<b>Current:</b>				
Current portion of non-current borrowings	43,608	6,071	-	-
Current bank borrowings	8,033	2	7,775	-
Other borrowings	2,269	547	-	-
Borrowings from related parties	-	-	4,907	9,125
	<u>53,910</u>	<u>6,620</u>	<u>12,682</u>	<u>9,125</u>
<b>Total borrowings</b>	<u>109,734</u>	<u>105,357</u>	<u>12,682</u>	<u>9,125</u>

Some of the Company's borrowings are from related parties. Please refer to Note 31 for more details.

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

	<b>Group</b>		<b>Company</b>	
<b>Borrowings denominated in:</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
EUR	105,100	101,480	7,775	8,601
LTL	4,634	3,877	4,907	524
	<u>109,734</u>	<u>105,357</u>	<u>12,682</u>	<u>9,125</u>

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

	<b>Group</b>		<b>Company</b>	
<b>Interest rate type:</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Fixed	11,179	38,383	12,682	9,125
Floating	98,555	66,974	-	-
	<u>109,734</u>	<u>105,357</u>	<u>12,682</u>	<u>9,125</u>

## 24 Borrowings (cont'd)

The amounts pledged to the banks are as follows:

	Group		Company	
	2013	2012	2013	2012
Property, plant and equipment	1,131	1,304	-	-
Investments into subsidiaries and associates	19,313	-	-	-
Investment properties	143,750	146,465	-	-
Cash	62	1,288	-	-
Restricted cash	1,618	1,865	-	-
Trade receivables	1,104	64	-	-
Granted loans	31	-	12,106	12,106

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

	Group		Company	
	2013	2012	2013	2012
Borrowings	1.91%	2.93%	3.03%	5%

In 2013 and 2012 all Group entities have complied with bank loan covenants.

After split-off the Company together with AB Invalda Privatus Kapitalas had announced a tender offer to buy up the shares of AB Vilniaus Baldai. Since, according to the law, it is required to have available all the cash that would be needed if all remaining shareholders of AB Vilniaus Baldai would respond to the tender offer, the loan of LTL 17,000 thousand was taken by the Company from DNB bank in June 2013. After completion of the tender offer the Company has repaid the loan in full in July 2013.

In December 2013 the Company has signed short-term loan agreement with Šiaulių bankas for the loan of LTL 8,632 thousand. Until the year-end the Company had used LTL 7,768 thousand of the loan. The loan was used to acquire claim to Latvian entity SIA Dommo Biznesa Parks (see Note 6.2).

During the 1<sup>st</sup> 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 2013, the Group and the Company repaid respectively LTL 23,193 thousand and LTL 20,599 thousand of loans (during the year of 2012 respectively LTL 25,009 thousand and LTL 1,217 thousand).

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 (this entity was transferred during split-off (see Note 3). 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. On 28 February 2014 the borrowings of LTL 36,509 thousand of subsidiaries UAB INTF Investicija and UAB Sago have matured. The agreement with bank regarding the extension of the terms of borrowings was not reached and the subsidiaries have defaulted (Note 32).

## 25. 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 2013 the Group has acquired vehicles of LTL 83 thousand (2012: LTL 320 thousand) through finance lease. The distribution of the net carrying amount of the assets acquired under financial lease is as follows:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
Other fixtures, fittings, tools and equipment	5	101
Vehicles	226	703
	<u>231</u>	<u>804</u>

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

	<b>Group</b>	
<b>Borrowings denominated in:</b>	<b>2013</b>	<b>2012</b>
EUR	6	446
LTL	208	183
	<u>214</u>	<u>629</u>

As at 31 December 2013 the interest rate on the financial lease liabilities denominated in EUR varies depending on the 6-month EUR LIBOR and EURIBOR and the margin is 1.3 % (2012: from 1.3 % to 2.5 %). As at 31 December 2013 the interest rates on the financial lease liabilities denominated in LTL are 6-month VILIBOR with the margin varying from 1.5 % to 2.7 % (2012: from 1.5 % to 4.5 %) and there are some fixed rate liabilities with interest rate of 8 % (2012: 8%).

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

	<b>Group</b>			
	<b>2013</b>		<b>2012</b>	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	62	69	224	206
From one to five years	164	145	445	423
Total financial lease obligations	<u>226</u>	<u>214</u>	<u>669</u>	<u>629</u>
Interest	(12)	-	(40)	-
Present value of financial lease obligations	<u>214</u>	<u>214</u>	<u>629</u>	<u>629</u>

Financial lease obligations are accounted for as:

- current	69	206
- non-current	145	423

## 26. 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 31.

## 27. Provisions

	<b>Group</b>	
	<b>Constructor claims</b>	<b>Total</b>
As of 1 January 2012	<b>696</b>	<b>696</b>
Changes during the year	(73)	(73)
<b>As of 31 December 2012</b>	<b>623</b>	<b>623</b>
Changes during the year	(30)	(30)
Sale of subsidiary	(593)	(593)
<b>As of 31 December 2013</b>	<b>-</b>	<b>-</b>
Non-current 2013	-	-
Current 2013	-	-
Non-current 2012	396	396
Current 2012	227	227

## 28. Other liabilities

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

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b><u>Financial liabilities</u></b>				
Dividends payable	1,412	3,934	1,412	1,980
Liability incurred in relation to business combination	-	114	-	-
Other amounts payable	1,323	2,669	69	81
	2,735	6,717	1,481	2,061
<b><u>Non – financial liabilities</u></b>				
Salaries and social security payable	2,545	7,095	109	386
Tax payable	1,136	1,179	6	5
Pensions and anniversary obligation	-	1,673	-	-
Other amounts payable	2,519	2,413	-	-
	6,200	12,360	115	391
<b>Total other current and non-current liabilities</b>	<b>8,935</b>	<b>19,077</b>	<b>1,596</b>	<b>2,452</b>
Non-current liabilities	2,627	4,831	-	-
Current liabilities	6,308	14,246	1,596	2,452

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. As at 31 December 2013 AB Vilniaus Baldai is an associate, therefore, in the Group financial statements for the year ended 31 December 2013 there is no pension and anniversary obligation liability.

## **29. Financial risk management**

### **29.1. 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, 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, investments 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 to the Company and the Group.

The Company's policy is to not provide 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.

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 economic 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 17, this resulted in significant increase in impairment levels of loans granted by the Group and the Company and the allowances for these loans remain significant.

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 17 and 19. 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 20).

## **29 Financial risk management (cont'd)**

### **29.1 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 seek for 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.

	<b>Increase/decrease in basic points</b>	<b>Group Effect on profit before tax</b>	<b>Company</b>
<b>2013</b>			
EUR	50	(480)	-
LTL	50	(13)	-
EUR	-10	96	-
LTL	-10	3	-
<b>2012</b>			
EUR	100	(650)	-
LTL	100	(20)	-
EUR	-10	65	-
LTL	-10	2	-



## 29 Financial risk management (cont'd)

### 29.1 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 2013 and 2012 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	-	39,696	15,597	56,807	-	112,100
Finance lease obligations	-	20	42	164	-	226
Trade and other payables	-	10,417	-	-	-	10,417
Other liabilities	1,412	425	798	54	87	2,776
<b>Balance as at 31 December 2013</b>	<b>1,412</b>	<b>50,558</b>	<b>16,437</b>	<b>57,025</b>	<b>87</b>	<b>125,519</b>
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
<b>Balance as at 31 December 2012</b>	<b>3,934</b>	<b>31,826</b>	<b>7,320</b>	<b>101,628</b>	<b>222</b>	<b>144,930</b>

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2013 and 2012 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	-	44	13,135	-	-	13,179
Finance lease obligations	-	-	-	-	-	-
Trade and other payables	-	305	-	-	-	305
Other current liabilities	1,412	69	-	-	-	1,481
<b>Balance as at 31 December 2013</b>	<b>1,412</b>	<b>418</b>	<b>13,135</b>	<b>-</b>	<b>-</b>	<b>14,965</b>
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
<b>Balance as at 31 December 2012</b>	<b>1,980</b>	<b>103</b>	<b>9,437</b>	<b>-</b>	<b>-</b>	<b>11,520</b>

## **29 Financial risk management (cont'd)**

### **29.1 Financial risk factors (cont'd)**

#### Liquidity risk (cont'd)

In 2013 and 2012 all Group entities have complied with bank loan covenants.

On 28 February 2014 the borrowings of LTL 36,509 thousand of subsidiaries UAB INTF Investicija and UAB Sago have matured. These borrowings are presented in the table above in the caption "within 3 months". The agreement with the bank regarding the extension of terms of borrowings was not reached and the subsidiaries have defaulted (note 32).

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 2013 was approximately 0.98 (4.18 as at 31 December 2012), the quick ratio ((total current assets – inventories) / total current liabilities) – 0.94 (3.45 as at 31 December 2012). The Company's liquidity ratio as at 31 December 2013 was approximately 4.45 (14.72 as at 31 December 2012), the quick ratio – 4.45 (14.72 as at 31 December 2012). 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) or WSE sWIG80 equity indexes.

The table below summarises the impact of increases/decreases of the two equity indexes on the Group's and the Company's 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:

<b>Index</b>	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
OMXBBGI	419	672	419	672
SWIG80	614	3,808	614	3,808

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.

## 29 Financial risk management (cont'd)

### 29.1 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 Effect on profit before tax	Company
<b>2013</b>			
PLN/LTL	+10 %	161	161
USD/LTL	+10 %	289	-
USD/NOK	+10 %	136	-
PLN/LTL	-10 %	(161)	(161)
USD/LTL	-10 %	(289)	-
USD/NOK	-10 %	(136)	-
<b>2012</b>			
PLN/LTL	+10 %	981	1,002
USD/LTL	+10 %	237	268
PLN/LTL	-10 %	(981)	(1,002)
USD/LTL	-10 %	(237)	(268)

### 29.2. 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 2013 and 2012.

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 2013 twelve subsidiaries (in real estate segment – four, information technology infrastructure segment – three, other production and service segment – five) did not comply with the above mentioned requirements (2012: twenty; real estate segment – thirteen, information technology infrastructure segment – one, facility management – one, other production and service segment – five). 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. If needed, the appropriate measures will be taken in order to increase share capitals of the above mentioned companies capitalising the loans granted by the Company to the equity of subsidiaries.

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.

### 30 Commitments and contingencies

#### Operating lease commitments – Group as a lessee

The Group and the Company concluded several contracts for 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 were estimated at fair value. Operating lease back term – 10 years, but the agreement might be unilaterally terminated by the parties. The Group paid a one off deposit in the amount of LTL 2,848 thousand corresponding to the 6 months amount of the monthly lease fee which will be set-off against the last part of lease payment at the termination of the lease.

In 2013 and 2012, the lease expenses of the Group amounted to LTL 8,006 thousand and LTL 7,986 thousand, respectively. In 2013 and 2012, the lease expenses of the Company amounted to LTL 152 thousand and LTL 271 thousand, respectively.

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

		<b>Group</b>		<b>Company</b>	
		<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Within one year					
	- lease of premises	5,654	5,620	-	-
	- other lease	223	468	18	101
		5,877	6,088	18	101
From one to five years					
	- lease of premises	12,754	18,262	-	-
	- other lease	248	670	4	137
		13,002	18,932	4	137
After five years					
	- lease of premises	-	-	-	-
	- other lease	-	-	-	-
		-	-	-	-
		<b>18,879</b>	<b>25,020</b>	<b>22</b>	<b>238</b>
Denominated in:					
	- EUR	18,214	23,424	-	56
	- LTL	665	1,596	22	182

### 30 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:

		2013	2012
Within one year			
	- non-cancellable	6,177	4,939
	- cancellable	1,824	4,070
		8,001	9,009
From one to five years			
	- non-cancellable	9,344	3,842
	- cancellable	1,024	2,666
		10,368	6,508
After five years			
	- non-cancellable	697	-
	- cancellable	8	301
		705	301
		<b>19,074</b>	<b>15,818</b>

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

		2013	2012
Within one year			
	- non-cancellable	691	2,678
	- cancellable	4,682	2,700
		5,373	5,378
From one to five years			
	- non-cancellable	606	5,779
	- cancellable	7,259	3,801
		7,865	9,580
After five years			
	- non-cancellable	-	-
	- cancellable	-	-
		-	-
		<b>13,238</b>	<b>14,958</b>

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 any time 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.

### 31 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 2013 and 2012 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 2013 and 2012 UAB Laikinosios Sostinės Projektai, over which the Group had lost joint control, is also attributed to the list of related parties (under the subgroup of joint ventures). Due to split-off the structure of the Group had changed significantly (many subsidiaries were transferred as a result, AB Vilniaus Baldai become an associate). The split-off is described in detail in Note 3, the details of changes in the composition of the Group are provided in Note 1.

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

Transactions of the Group with associates in 2013 and balances as at 31 December 2013 were as follows:

<b>2013 Group</b>	<b>Revenue and other income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
IT segment	113	-	8	-
Furniture production segment - dividends	15,880	-	-	-
Facilities management segment	2	-	-	-
Other segment	59	3	276	-
	<u>16,054</u>	<u>3</u>	<u>284</u>	<u>-</u>

Transactions of the Group with joint ventures in 2013 and balances as at 31 December 2013 were as follows:

<b>2013 Group</b>	<b>Revenue and other income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
Loans and borrowings	435	-	22,336	-
Other	-	-	1	-
	<u>435</u>	<u>-</u>	<u>22,337</u>	<u>-</u>

Transactions of the Group with shareholders and key management personnel in 2013 and balances as at 31 December 2013 were as follows:

<b>2013 Group</b>	<b>Revenue and other income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
Loans and borrowings	85	-	-	-
	<u>85</u>	<u>-</u>	<u>-</u>	<u>-</u>

The maturity of loans granted is 2014, effective interest rate is fixed at 4.5 %. Loans hold no collateral.

In June 2013 the Group has granted a loan of LTL 9 million to the Company's shareholder, which was fully repaid on July 2013.

### 31 Related party transactions (cont'd)

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

<b>2012 Group</b>	<b>Revenue and other income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
Loans and borrowings	-	-	-	-
Real estate income	22	-	-	-
	<u>22</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

<b>2012 Group</b>	<b>Interest income</b>	<b>Purchases from related parties</b>	<b>Loans granted</b>	<b>Payables to related parties</b>
Loans and borrowings	289	-	708	-
Sale of apartments	1,078	-	-	-
	<u>1,367</u>	<u>-</u>	<u>708</u>	<u>-</u>

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

During 2012 the Group and the Company has accrued interest expenses of LTL 768 thousand for owners of convertible bonds, which became the shareholders of the Company. Upon conversion of the bonds the accrued interest was reversed.

### 31 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 2013 and balances as at 31 December 2013 were as follows:

<b>2013 Company</b>	<b>Revenue and other income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
Loans and borrowings	5,274	217	47,170	4,907
Real estate income	-	70	-	-
Transfer of tax losses within Group	-	-	489	-
Dividends	890	-	-	-
Other	59	88	18	5
	<u>6,223</u>	<u>375</u>	<u>47,677</u>	<u>4,912</u>

In 2013 the Company has received LTL 15,880 thousand dividends from associate AB Vilniaus Baldai. There were no other transactions of the Company with associates in 2013 and any outstanding balances as at 31 December 2013.

Transactions of the Company with joint ventures in 2013 and balances as at 31 December 2013 were as follows:

<b>2013 Company</b>	<b>Revenue and other income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
Loans and borrowings	435	-	22,336	-
Other	-	-	1	-
	<u>435</u>	<u>-</u>	<u>22,337</u>	<u>-</u>

The maturity of loans granted is till 2014, effective interest rate 4.5 - 11 % and fixed, for borrowings received maturity is 2014, effective interest rate 5.50 % and fixed.

There were no transactions of the Company with other related parties in 2013 and balances as at 31 December 2013.



### 31 Related party transactions (cont'd)

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

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

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:

<b>2012 Company</b>	<b>Revenue and other income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
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.

The movements of loans granted to joint ventures were:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
At 1 January	<b>6,653</b>	<b>6,687</b>	<b>6,653</b>	<b>6,687</b>
Loans granted during year	109	818	109	818
Loans repayment received	(873)	(851)	(873)	(851)
Loans converted to increased share capital	-	-	-	-
Sale of loans to third parties (sale price equalled to the carrying amount)	-	-	-	-
Loans granted transferred during the split-off	(969)	-	(969)	-
Subsidiary became joint venture – reclassification loan granted*	16,981	-	16,981	-
Interest charged	435	48	435	48
Interest received	-	(49)	-	(49)
<b>At 31 December</b>	<b>22,336</b>	<b>6,653</b>	<b>22,336</b>	<b>6,653</b>

\*During the split-off the intermediate special purpose entity UAB Cedus Invest, which owns UAB Litagra shares, had become a joint ventures from subsidiary. The loan granted to this entity for the purpose of financing the acquisition of UAB Litagra was reclassified between categories in the Company and deconsolidated and presented within loans granted in the Group.

### 31 Related party transactions (cont'd)

There were no movements and balances outstanding of loans granted to associates in 2013 and 2012.

The movements of loans granted to subsidiaries were:

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
<b>At 1 January</b>	<b>160,030</b>	<b>157,177</b>
Loans granted during year	19,293	34,256
Loans repayment received	(24,136)	(27,534)
Loans and interest converted to increased share capital	-	(18,651)
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)
Loans granted transferred during the split-off	(93,829)	-
Subsidiary became joint venture – reclassification loan granted* (see in the page above)	(16,981)	-
Interest charged	5,274	10,153
Interest received	(2,481)	(940)
<b>At 31 December</b>	<b>47,170</b>	<b>160,030</b>

The movements of loans granted to shareholders were:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
<b>At 1 January</b>	<b>708</b>	<b>12,041</b>
Loans granted during year	9,796	-
Loans repayment received	(10,409)	(10,407)
Interest charged	85	289
Interest received	(180)	(1,215)
<b>At 31 December</b>	<b>-</b>	<b>708</b>

The movements of borrowings from subsidiaries were:

	<b>Company</b>	
	<b>2013</b>	<b>2012</b>
<b>At 1 January</b>	<b>9,124</b>	<b>353</b>
Borrowings received during year	6,409	150
Borrowings repaid during year	(3,598)	(1,212)
Borrowings originated from purchasing of granted loan within the Group without cash	-	9,695
Borrowings transferred during the split-off	(6,919)	-
Interest charged	217	138
Interest paid	(326)	-
<b>At 31 December</b>	<b>4,907</b>	<b>9,124</b>

### 31 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 2013 the Company has recognised additional impairment losses in respect of loans due from subsidiaries, amounting to LTL 241 thousand (LTL 823 thousand in 2012). As at 31 December 2013 the impairment allowance for the Company's loans granted to UAB Laikinosios Sostinės Projektai and subsidiaries, amounted to LTL 5,808 thousand and LTL 852 thousand, respectively (LTL 5,808 thousand and LTL 2,438 thousand, respectively, in 2012). The impairment allowance for the Company's loans granted to subsidiaries has decreased as a result of transferring loans granted during split-off (LTL 1,827 thousand). As at 31 December 2013 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 nil thousand and 153 thousand (LTL 31 thousand and LTL 1,529 thousand, respectively, in 2012). The above mentioned amount decreased as a result of transferring loans granted during split-off. 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.

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Wages, salaries and bonuses	2,545	3,028	1,164	1,548
Social security contributions	798	959	370	500
Bonus for the Board members	-	3,000	-	-
Share-based payments	(160)	(43)	-	-
<b>Total key management compensation</b>	<b>3,183</b>	<b>6,944</b>	<b>1,534</b>	<b>2,048</b>

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2013 and 2012 dividends were not paid.

**32 Events after the reporting period**

On 27 February 2014 the Company established the new subsidiary AB Invalda LT Investments that has applied for the asset management company licence to be issued by the Bank of Lithuania. The share capital of AB Invalda LT Investments amounts to LTL 1,381 thousand (EUR 400 thousand). The Company owns 100 % of AB Invalda LT Investments shares.

New split-off of the Company

The Extraordinary General Shareholders Meeting of the Company, held on 5 February 2014, adopted resolution to approve the preparation of the terms of split-off of AB Invalda LT. The approval of the shareholders of the Company to prepare the split-off terms will allow realizing the earlier announced plan to concentrate into asset management business. It is planned to separate agricultural land, real estate and information technologies entities from the Company. These entities will apply for closed-end investment company licenses. All shareholders of the Company (presently there are about 4000 shareholders of the Company) will proportionally own shares in the separated entities. All the shares of the newly established companies are planned to be listed on the NASDAQ OMX Vilnius Exchange. The split-off terms were announced on 21 March 2014. According to the terms, three entities AB INVLT Baltic Farmland, AB INVLT Baltic Real Estate and AB INVLT Technology, presently comprising 47.95% of the Company assets calculated at carrying amounts, will be split-off from the Company.

Below the split-off of the balance sheet of the Company as at 31 December 2013 is presented:

	<b>The Company before split-off</b>	<b>AB INVLT Baltic Real Estate</b>	<b>AB INVLT Baltic Farmland</b>	<b>AB INVLT Technology</b>	<b>The Company after the split-off</b>
Percent		30.90%	14.45%	2.60%	52.05%
Intangible assets	50	-	-	-	50
Property, plant and equipment	33	-	-	-	33
Investments into subsidiaries	52,487	38,722	6,102	4,003	3,660
Investments into associates and joint ventures	25,108	-	-	-	25,108
Investments available-for-sale	1,705	-	-	-	1,705
Loans granted	59,928	14,294	16,046	-	29,588
Loan granted to UAB Cedus Invest	16,529	143	2,646	470	13,270
Trade and other receivables	2,912	-	-	-	2,912
Deferred income tax assets	7,652	-	68	-	7,584
Prepayments and deferred charges	45	5	-	-	40
Financial assets at fair value through profit loss	5,602	-	-	-	5,602
Cash and cash equivalents	2,515	777	363	66	1,309
<b>Total assets</b>	<b>174,566</b>	<b>53,941</b>	<b>25,225</b>	<b>4,539</b>	<b>90,861</b>
Borrowings	(12,682)	(4,506)	(2,107)	(379)	(5,690)
Other liabilities	(1,901)	-	-	-	(1,901)
<b>Total liabilities</b>	<b>(14,583)</b>	<b>(4,506)</b>	<b>(2,107)</b>	<b>(379)</b>	<b>(7,591)</b>
<b>Net assets</b>	<b>159,983</b>	<b>49,435</b>	<b>23,118</b>	<b>4,160</b>	<b>83,270</b>

## 32 Events after the reporting period (cont'd)

New split-off of the Company (cont'd)

Below the split-off of the balance sheet of the Group as at 31 December 2013 is presented:

	The Company before split-off	AB INVL Baltic Real Estate	AB INVL Baltic Farmland	AB INVL Technology	The Company after the split- off	Loans that were eliminated on consolidation among group companies
Intangible assets	8,263	3	20	7,024	1,216	-
Property, plant and equipment	5,410	41	4	2,087	3,278	-
Investment properties	180,548	129,461	36,087	-	15,000	-
Investments into associates and joint ventures	85,686	-	-	-	85,686	-
Investments available-for-sale	1,705	-	-	-	1,705	-
Loans granted	30,323	13,906	2,646	470	36,920	(23,619)
Trade and other receivables	21,433	1,678	217	13,520	6,018	-
Deferred income tax assets	8,289	-	68	70	8,151	-
Inventories	2,688	-	-	809	1,879	-
Prepayments and deferred charges	3,896	2,952	5	551	388	-
Financial assets at fair value through profit loss	5,602	-	-	-	5,602	-
Cash and cash equivalents	12,103	2,527	477	3,737	5,362	-
<b>Total assets</b>	<b>365,946</b>	<b>150,568</b>	<b>39,524</b>	<b>28,268</b>	<b>171,205</b>	<b>(23,619)</b>
Borrowings	(109,734)	(91,941)	(2,107)	(13,943)	(25,362)	23,619
Financial lease liabilities	(214)	-	-	(64)	(150)	-
Trade payables	(10,417)	(313)	(54)	(7,893)	(2,157)	-
Deferred income tax liabilities	(15,296)	(12,072)	(2,971)	(74)	(179)	-
Income tax payable	(92)	-	-	(92)	-	-
Government grants	(46)	-	-	(46)	-	-
Advanced received	(2,026)	(157)	(24)	(966)	(879)	-
Other liabilities	(8,935)	(1,866)	(29)	(3,500)	(3,540)	-
<b>Total liabilities</b>	<b>(146,760)</b>	<b>(106,349)</b>	<b>(5,185)</b>	<b>(26,578)</b>	<b>(32,267)</b>	<b>23,619</b>
<b>Net assets</b>	<b>219,186</b>	<b>44,219</b>	<b>34,339</b>	<b>1,690</b>	<b>138,938</b>	<b>-</b>

**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013**

(all amounts are in LTL thousand unless otherwise stated)

**32 Events after the reporting period (cont'd)**New split-off of the Company (cont'd)

Below the split-off of the income statement of the Group as at 31 December 2013 is presented:

	The Company before split-off	AB INVL Baltic Real Estate	AB INVL Baltic Farmland	AB INVL Technology	The Company after the split- off	Interest that was eliminated on consolidation among group companies
Revenue	98,700	23,506	1,258	50,749	23,187	-
Other revenues	1,715	52	10	55	3,425	(1,827)
Net gains (losses) on disposal of subsidiaries, associates and joint ventures	1,333	-	-	-	1,333	-
Net gains (losses) from fair value adjustments on investment property	10,736	(1,567)	11,303	-	1,000	-
Net changes in fair value of financial instruments at fair value through profit loss	1,540	-	-	114	1,426	-
Gain of the split-off	219	-	-	-	219	-
Changes in inventories of finished goods, work in progress and residential real estate	(2,019)	(1,967)	-	-	(52)	-
Raw materials and consumables used	(33,597)	(35)	(8)	(27,349)	(6,205)	-
Employee benefits expenses	(24,226)	(1,625)	(168)	(10,369)	(12,064)	-
Impairment, write-down and provisions	4,457	5,171	(74)	(178)	(462)	-
Premises rent and utilities	(13,215)	(11,265)	(4)	(627)	(1,319)	-
Depreciation and amortization	(4,046)	(142)	(8)	(2,498)	(1,398)	-
Repair and maintenance of premises	(6,933)	(3,109)	-	(27)	(3,797)	-
Other expenses	(14,364)	(3,611)	(529)	(7,621)	(2,603)	-
<b>Operating profit</b>	<b>20,300</b>	<b>5,408</b>	<b>11,780</b>	<b>2,249</b>	<b>2,690</b>	<b>(1,827)</b>
Finance costs	(2,208)	(3,114)	-	(1,353)	432	1,827
Share of profit from associates and joint ventures	5,425	(95)	-	-	5,520	-
<b>Profit before income tax</b>	<b>23,517</b>	<b>2,199</b>	<b>11,780</b>	<b>896</b>	<b>8,642</b>	<b>-</b>
Income tax credit (expense)	(3,274)	458	(1,636)	(179)	(1,917)	-
<b>Profit for the period from continuing operation</b>	<b>20,243</b>	<b>2,657</b>	<b>10,144</b>	<b>717</b>	<b>6,725</b>	<b>-</b>
Profit/ (loss) after income tax for discontinued operation	88,545	-	-	-	88,545	-
<b>PROFIT FOR THE YEAR</b>	<b>108,788</b>	<b>2,657</b>	<b>10,144</b>	<b>717</b>	<b>95,270</b>	<b>-</b>

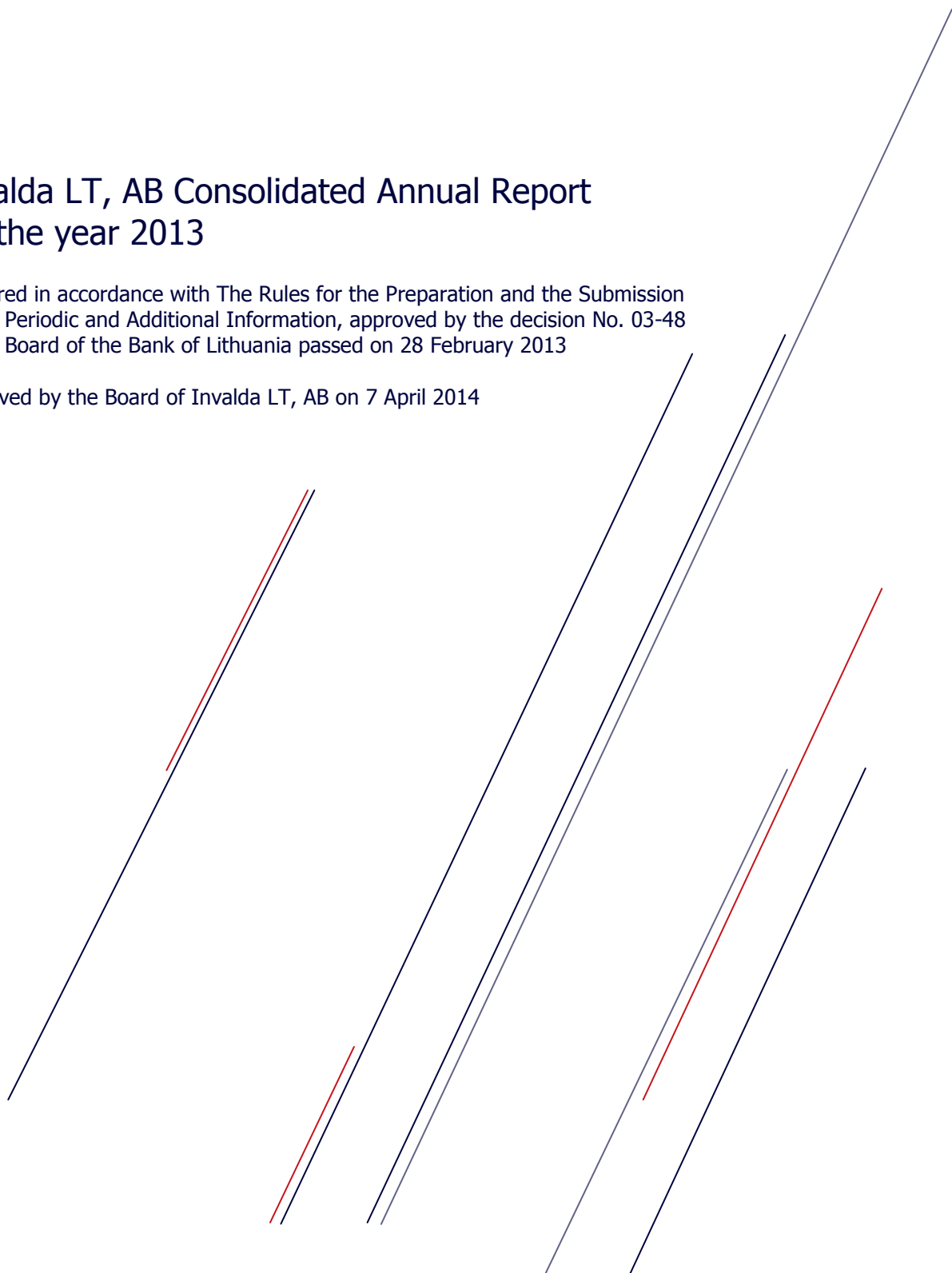
The default of borrowings in the subsidiaries

On 28 February 2014 the borrowings of LTL 36,509 thousand of subsidiaries UAB INTF Investicija and UAB Sago have matured. The agreement with the bank regarding the extension of terms of borrowings was not reached and the subsidiaries have defaulted. Therefore, the management of subsidiaries initiated bankruptcy procedures. The main creditors of subsidiaries are Nordea Bank Finland Plc Lithuania Branch and the Group. If the court approved the bankruptcy, the impact of this on the Company's income statement would be nil, because impairment allowance was already recognised in full and the impact on the Group's income statement would be positive of approximately LTL 6.8 million due to negative equity of subsidiaries that would be deconsolidated. The fair value of investment properties owned by these subsidiaries was LTL 29,000 thousand as at 31 December 2013.

# Invalda LT, AB Consolidated Annual Report for the year 2013

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

Approved by the Board of Invalda LT, AB on 7 April 2014



## 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.**

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*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**

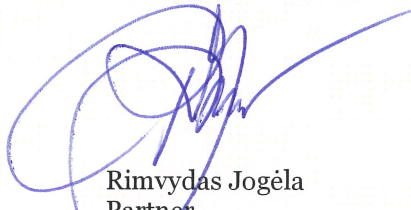
To the shareholders of Invalda LT AB

We have audited the accompanying stand-alone and consolidated financial statements of Invalda LT AB ("the Company") and its subsidiaries ("the Group"), which comprise the stand-alone and consolidated statements of financial position as of 31 December 2013 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 7 April 2014.

Furthermore, we have read the consolidated annual report for the year ended 31 December 2013 set out on pages 5 - 76 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 2013.

For a better understanding of the financial position of the Company and the Group as of 31 December 2013, and of their financial performance and their cash flows for the year then ended, the consolidated annual report for the year ended 31 December 2013 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

Vilnius, Republic of Lithuania  
7 April 2014



Rasa Radzevičienė  
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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.

## I. GENERAL INFORMATION

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

The report is prepared for 12 months of 2013 (January – December).

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

#### 2.1. Information about the Issuer

Name of the Issuer	Public joint-stock company Invalda LT, hereinafter Invalda LT, AB
Code	121304349
Address	Seimyniskiu str. 1A, LT-09312 Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	<a href="mailto:info@InvaldaLT.com">info@InvaldaLT.com</a>
Website	<a href="http://www.invaldalt.com">www.invaldalt.com</a>
Legal form	public joint-stock company
Date and place of registration	20 March 1992, Register of Enterprise of Vilnius
Register, in which data about the Company are accumulated and stored	Register of Legal Entities

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

##### About Invalda LT, AB

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

Invalda LT, AB started the activity in 1991 as the company Invalda, AB. From 1991 until 1997 it operated as an investment public company established during the state property privatization, which was implemented in accordance to the State Property Primary Privatization law of the Republic of Lithuania. From 1997 until 2003 the company operated as a licenced holding investment company (the license was issued by the Securities Commission of Lithuania). Company's equities have been traded on the NASDAQ OMX Vilnius Exchange since 1995. 31 May 2013 the split-off procedure of Invalda, AB was completed and the company continues its activity under the new name of Invalda LT, AB.

On 21 March 2014 Invalda LT, AB announced about drawn - up split-off terms of the public joint - stock company Invalda LT. According to the terms, three companies INVLT Baltic Farmland, INVLT Baltic Real Estate and INVLT Technology, presently comprising 47,95% of Invalda LT assets calculated in book values, will be split-off from Invalda LT. Invalda LT is split-off in order to redesign its business model according to classical asset management principles. The shareholders of Invalda LT will have to vote on approval of the split - off terms.

Currently, the major part of Invalda LT group assets is concentrated in Lithuania, and the key entities operate in the furniture manufacturing, real estate, agricultural land, agriculture, information technology (IT) infrastructure, facility management sectors.

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

In 2013 combined pro forma sales of entities controlled by or associated to Invalda LT, AB amounted to more than EUR 193.3 million (LTL 667.3 million) and controlled entities employed about 500 employees.

Since its incorporation Invalda LT, AB has executed several tens of entity acquisition, sale and capital attraction transactions, the total value whereof would reach approximately EUR 1.16 billion (LTL 4 billion).

## 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 LT, 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 LT, 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 in view of obligations assumed in respect of third parties, and/or the disclosure may adversely affect the Group's or business ability to compete.

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

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

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

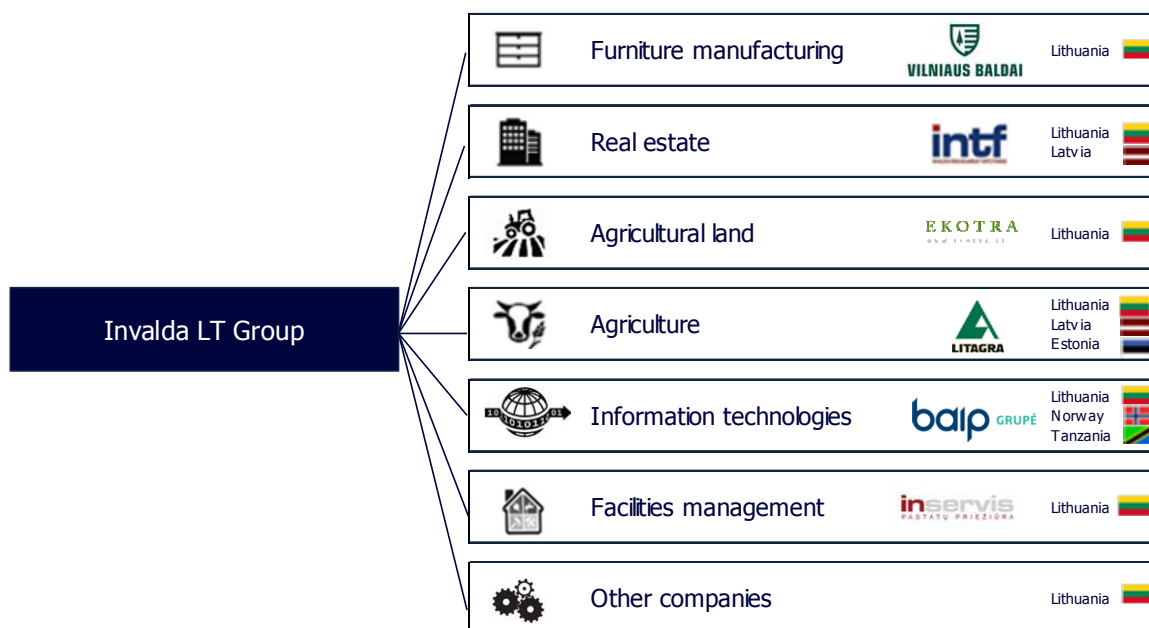
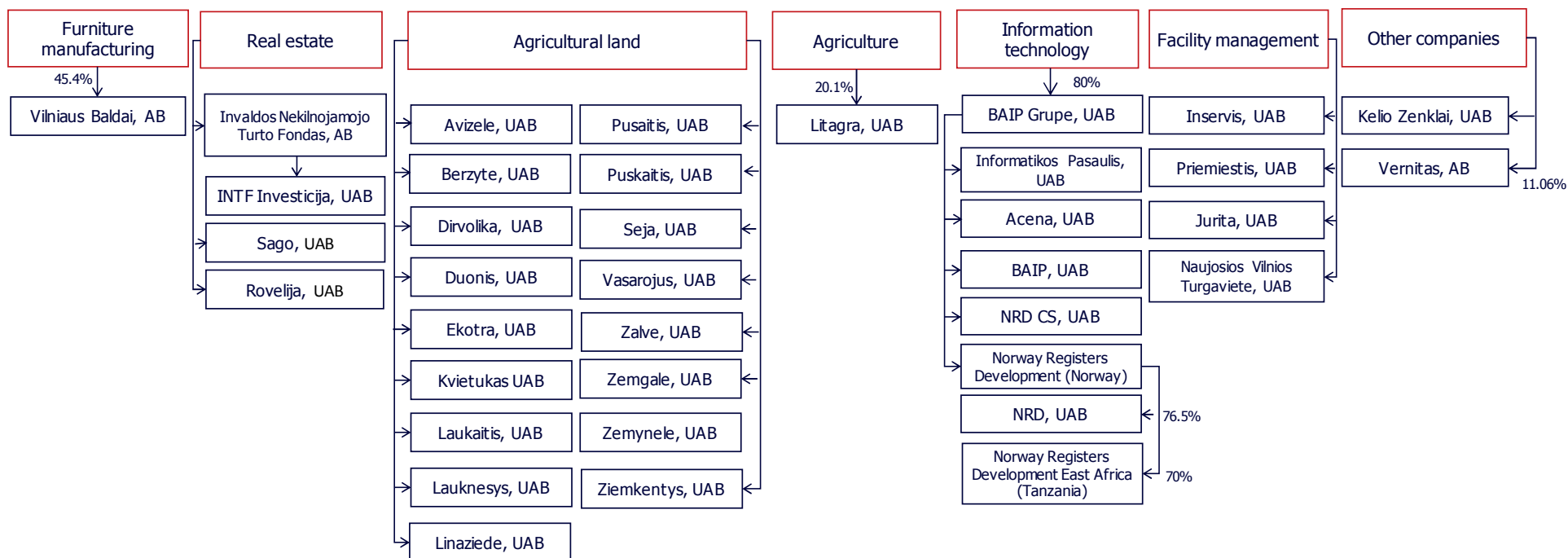


Fig. 2.3.1. The main sectors of Invalda LT, AB group as of 31 December 2013



# SIMPLIFIED MANAGEMENT STRUCTURE



If not stated otherwise, Invalda LT, AB owns 100% in the companies

Picture 2.2.2. Simplified structure of Invalda LT, AB group as of 31 December 2013



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

Invalda LT, 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;
- Danske Bank A/S, Lithuania branch (Saltoniskiu str. 2, Vilnius, Lithuania, tel. +370 5 521 6666) - the agreement on investment services;
- 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 LT, AB has no branches or representative offices.

## II. INFORMATION ABOUT SECURITIES

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

The Articles of Association of Invalda LT, AB may be amended by resolution of the General Shareholders' Meeting, passed by more than 2/3 of votes (except in cases provided for by the Law on Companies of the Republic of Lithuania). Actual wording of the Articles of Association is dated as of 31 May 2013. The document has been published on the company's website.

### 6. Information about Issuer's authorised capital

#### 6.1. Adjustments of the authorised capital

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

- During the period from 15 October 1996 till 1 October 2004 the authorised capital of Invalda, AB amounted to LTL 38,000,000. It was divided into 38,000,000 ordinary registered shares of nominal value of 1 litas.
- The increased authorised capital of LTL 40,417,339 was registered and divided into 40,417,339 ordinary registered shares of nominal value of 1 litas on 1 October 2004. The emission of 2,417,339 shares was issued during the process of reorganisation when Kreimi, AB shares were changed into Invalda, AB ones.
- Invalda, AB the General Shareholders' Meeting held on 21 November 2005 passed the resolution to increase the authorised capital of the company by LTL 1,317,323 from LTL 40,417,339 up to LTL 41,734,662, 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 24 November 2005. The increased authorised capital amounted to LTL 41,734,662 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 30 June 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 LTL 45,008,376 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 28 September 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 LTL 42,568,849 and was divided into 42,568,849 shares of nominal value of 1 litas.

- The share capital of Invalda, AB was increased by LTL 9,090,909, from LTL 42,568,849 till from LTL 51,659,758 issuing 9,090,909 ordinary registered shares of nominal value of 1 litas on 3 February 2010. New shares were issued after conversion of LTL 50,000,000 bonds issue.
- The share capital of Invalda, AB was increased by LTL 5,898,182, from LTL 51,659,758 till LTL 57,557,940 issuing 5,898,182 ordinary registered shares of nominal value of 1 litas on 30 March 2012. New shares were issued after conversion of LTL 32,440,000 bonds issue.
- On 6 August 2012 the share capital of Invalda, AB was decreased by LTL 5,755,794, from LTL 57,557,940 till LTL 51,802,146 canceling 5,755,794 ordinary registered shares of nominal value of 1 litas. The authorised capital of Invalda, AB decreased due to cancelling of own shares acquired by the company.
- The amended Articles of Association of Invalda, AB were registered with the Register of Legal Entities on 31 May 2013. The Articles of Association were amended due to split-off of the company and stated a new name of the company – public joint-stock company Invalda LT as well as a reduced authorized capital due to the split-off procedure. The authorised capital of Invalda LT, AB is LTL 24,833,551, it is divided into 24,833,551 ordinary registered shares with nominal value - 1 (one) litas per share. The total amount of voting rights in Invalda LT, AB equaled to 22,797,297 units on 31 December 2013.  
The nominal value of the share of Invalda LT, AB has not changed since the establishment of the company. The nominal value of the share of Invalda LT, AB remains LTL 1 (one).

## 6.2. Structure of the authorized capital

Table 6.2.1. Structure of Invalda LT, AB authorised capital as of 31 December 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	24,833,551	22,797,297	1	24,833,551	100

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

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

Since the beginning of the year 2013 the company implemented share acquisition process four times:

1. On 8 March 2013 former Invalda, AB acquired 10 % of its treasury shares at the total price of LTL 42.928 million (EUR 12.433 million). The share buy-back started on 19 February and lasted until 5 March. It was implemented through the market of the official offer of NASDAQ OMX Vilnius AB. Share acquisition price – LTL 8.287 (EUR 2.4) per share.
2. Invalda, AB carried out the implementation of the share redemption procedure on 10 April – 24 May 2013 after the resolution on company's split-off and split-off terms was issued by the General Meeting of Shareholders on 9 April 2013. 2.1 % of the company's shares were acquired during the above mentioned period for the total amount of LTL 8.878 million (EUR 2.571 million). Share acquisition price - LTL 8.076 (EUR 2.339).

All the above mentioned redeemed shares were annulled on the basis of the split-off terms due to reduction of the authorised capital of Invalda, AB.

On 30 August 2013 the General Shareholders Meeting of Invalda LT, AB made a decision to allocated a reserve of LTL 92.5 million (EUR 26.8 million) to acquire of own shares. The nominal value of the acquired treasury shares could not exceed 1/10 of the company's share capital. The period during which the company could acquire its treasury shares – 12 months from the day of the decision. The maximum share acquisition price – EUR 3.50 (LTL 12.08), minimum share acquisition price – EUR 2.50 (LTL 8.63). Invalda LT, AB during the second half of 2013 initiated the acquisition of own shares for two times. This was done in order to implement both the will of the shareholders which was expressed voting for the allocation of reserve for own shares, and a right of the shareholders to decide whether to hold or to sell shares to the company.

3. Invalda LT, AB acquired 7.42 % of own shares in the performance of own shares buy-back procedure on 10 October 2013. The total amount of EUR 5.343 million (LTL 18.45 million) was paid. Invalda LT, AB could purchase up to 2 million units of shares. During the share buy-back procedure it was offered to buy 1,842,553 units of shares. Share buy-back procedure started from 24 September and was implemented through the market of official tender offers of NASDAQ OMX Vilnius stock exchange until 7 October. The price paid for the investors was EUR 2.9 (LTL 10.013) per share.
4. The Board of Invalda LT, AB taking into account the Resolution of the Extraordinary General Shareholders meeting held on 30 August 2013, initiated an acquisition of own shares. The company acquired 0.78 % of own shares. The acquired shares were settled in euros on 30 December. The total amount of EUR 0.678 million (LTL 2.341 million) was paid. Share buy-back procedure started from 16 December and was implemented through the market of official tender offers of NASDAQ OMX Vilnius stock exchange until 20 December. Invalda LT, AB could purchase 248,335 units of shares. During the share buy-back procedure it was offered to buy 193,701 units of shares. The price paid for the investors was EUR 3.5 (LTL 12.08) per share.

As of 31 December 2013 the amount of own shares owned by the company equaled to 2,036,254 or 8.2 percent of the authorised capital.

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

### 7.1. Trading in securities of the Issuer

Table 7.1.1. Main characteristics of Invalda LT, AB shares admitted to trading

Shares issued, units	24,833,551
Shares with voting rights as from 30 December 2013, units	22,797,297
Nominal value, LTL	1
Total nominal value, LTL	24,833,551
ISIN code	LT0000102279
Name	IVL1L
Exchange	NASDAQ OMX Vilnius
List	Baltic Main List (since 1 January 2008)
Listing date	19 December 1995
List of indexes subsumed	OMXV (OMX Vilnius Index) EUETMP (STOXX EU Enlarged TMI, EUR) OMXBPI (OMX Baltic All Share Price Index) OMXBBPI (OMX Baltic Benchmark Price Index) OMXBBCPP (OMX Baltic Benchmark Capped Price Index) B8000PI (OMX Baltic Financials PI) B8700PI (OMX Baltic Finl Svc PI) B40PI (OMX Baltic Financials Price Index) TE1P (STOXX All Europe Total Market Price Index)

Company uses no services of liquidity providers.

Table 7.1.2. Trading in the company's shares during the period of 2009–2013 (quarterly) on NASDAQ OMX Vilnius:

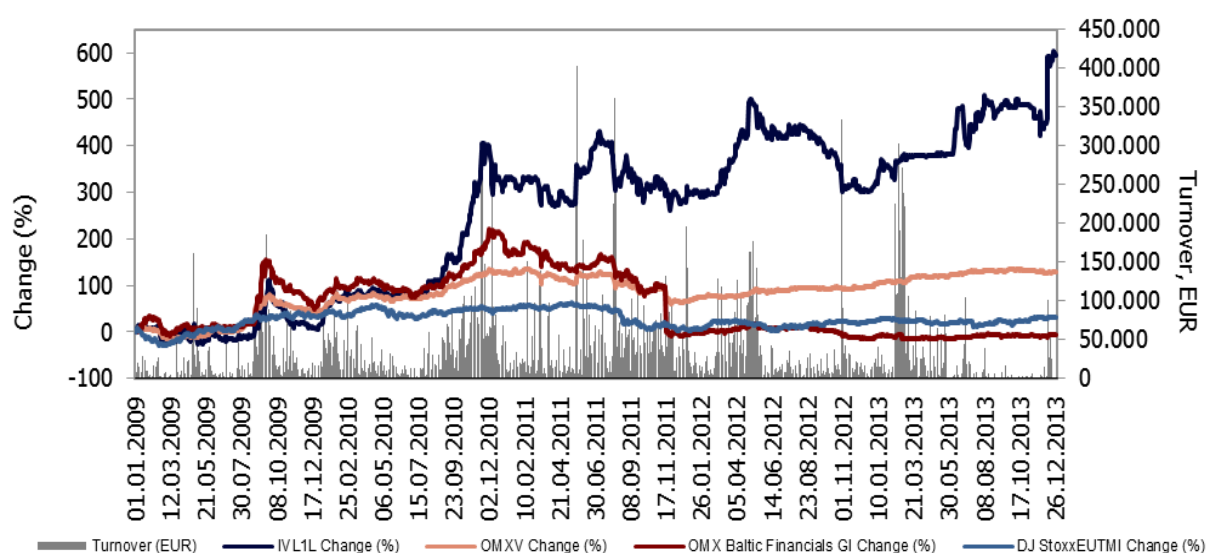
Reporting period	Price, €			Turnover, €			Last trading date	Total turnover	
	high	low	last	high	low	last		units	€
2009, 1 <sup>st</sup> Q	0.571	0.319	0.449	44,993	181	3,040	31-03-2009	825,996	400,801
2009, 2 <sup>nd</sup> Q	0.608	0.353	0.379	161,582	439	46,920	30-06-2009	1,907,207	836,172
2009, 3 <sup>rd</sup> Q	1.075	0.379	0.933	186,227	810	28,126	30-09-2009	2,948,823	1,884,303
2009, 4 <sup>th</sup> Q	0.933	0.501	0.533	90,785	730	16,183	30-12-2009	1,591,253	987,077
2010, 1 <sup>st</sup> Q	0.941	0.521	0.860	113,067	2,990	9,820	31-03-2010	2,227,864	1,804,818
2010, 2 <sup>nd</sup> Q	0.956	0.811	0.857	53,728	551	12,738	30-06-2010	768,037	676,519
2010, 3 <sup>rd</sup> Q	1.335	0.759	1.205	85,491	437	16,292	29-09-2010	1,197,017	1,310,740
2010, 4 <sup>th</sup> Q	2.546	1.196	1.989	267,088	5,745	17,358	30-12-2010	2,316,912	4,453,054
2011, 1 <sup>st</sup> Q	2.120	1.750	1.920	150,568	1,832	18,787	31-03-2011	796,183	1,582,474
2011, 2 <sup>nd</sup> Q	2.400	1.750	2.400	402,497	374	68,034	30-06-2011	1,099,505	2,309,339
2011, 3 <sup>rd</sup> Q	2.650	1.780	1.947	362,058	2,837	13,227	30-09-2011	1,554,598	3,284,869
2011, 4 <sup>th</sup> Q	2.135	1.733	1.943	195,457	6,726	143,223	30-12-2011	1,535,160	2,966,605
2012, 1 <sup>st</sup> Q	2.280	1.871	2.274	127,995	674	15,259	30-03-2012	670,763	1,373,701
2012, 2 <sup>nd</sup> Q	2.940	2.274	2.55	177,168	762	15,092	29-06-2012	20,800	2,629,952
2012, 3 <sup>rd</sup> Q	2.650	2.350	2.370	35,197	680	3,187	28-09-2012	234,143	593,480
2012, 4 <sup>th</sup> Q	1.900	2.390	1.970	333,019	689	10,931	28-12-2012	622,601	1,260,577
2013, 1 <sup>st</sup> Q	2.340	1.960	2.310	302,240	1,292	18,507	28-03-2013	1,544,840	3,491,797
2013, 2 <sup>nd</sup> Q	2.830	2.170	2.650	82,967	13	25,525	28-06-2013	390,915	911,640
2013, 3 <sup>rd</sup> Q	2.950	2.400	2.830	105,304	2,640	1,815	30-09-2013	151,216	395,465
2013, 4 <sup>th</sup> Q	3.450	2.520	3.450	100,699	20,300	96,900	30-12-2013	123,213	393,429



Table 7.1.3. Trading in Invalda LT, AB shares

	2009	2010	2011	2012	2013
Share price, EUR					
- open	0.484	0.533	2.000	1.930	1.970
- high	1.075	2.546	2.650	2.940	3.450
- low	0.319	0.521	1.733	1.871	1.960
- medium	0.565	1.130	2.050	2.308	2.539
- last	0.533	1.989	1.943	1.970	3.450
Turnover, units	7,273,279	6,509,830	4,985,446	2,514,347	2,210,184
Turnover, EUR	4,108,353	8,245,131	10,143,287	5,857,710	5,192,330
Traded volume, units	8,443	12,768	10,377	5,754	3,870

Fig. 7.1.1. Turnover of Invalda LT, AB shares, change of share price and indexes\*



\* 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 7.1.4. Capitalisation

Last trading date	Number of issued shares, units	Last price, €	Capitalisation, €
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
31-09-2011	51,659,758	1.947	100,581,549
30-12-2011	51,659,758	1.943	100,374,910
30-03-2012	57,557,940	2.274	130,886,756
29-06-2012	57,557,940	2.550	146,772,747
28-09-2012	51,802,146	2.370	122,771,086
28-12-2012	51,802,146	1.970	102,050,228
28-03-2013	46,621,932	2.310	107,696,663
28-06-2013	24,833,551	2.650	65,808,910
30-09-2013	24,833,551	2.830	70,278,949
30-12-2013	22,797,297	3.450	78,650,675

## 7.2. Trading Issuer's group companies securities as well as securities, which are deemed to be a significant financial investment to the Issuer

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

### 7.2.1. Trading in shares of Vilniaus Baldai, AB

Table 7.2.1.1. 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	5 June 2000
Share issue, units	3,886,267
Nominal value, LTL	4
Total nominal value, LTL	15,545,068

Table 7.2.1.2. Trading in Vilniaus Baldai, AB shares

	2009	2010	2011	2012	2013
Share price, EUR					
- open	3.475	2.604	9.401	10.300	14.500
- high	3.186	10.426	13.000	14.900	16.900
- low	1.741	2.462	7.800	10.300	13.200
- last	2.607	9.500	10.300	14.200	14.000
Turnover, units	136,738	206,393	113,526	81,859	119,891
Turnover, mln. EUR	0.32	1.22	1.15	1.07	1.81
Capitalization, mln. EUR	10.13	36.92	40.03	55.17	54.41

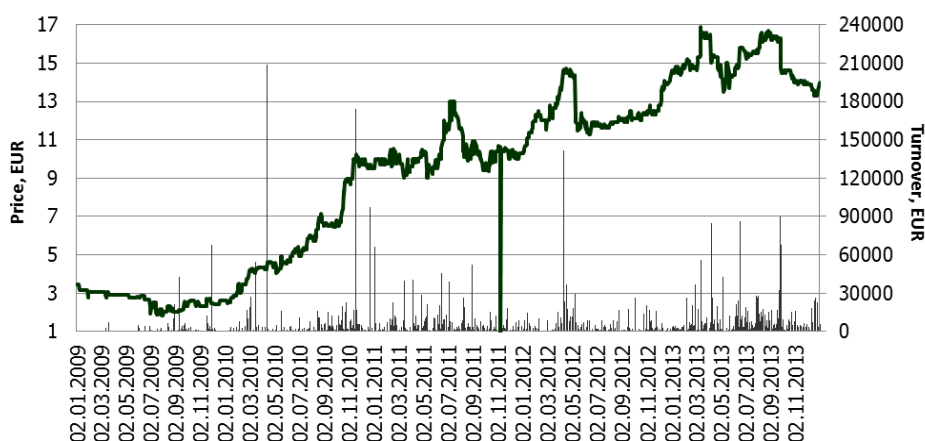


Fig. 7.2.1.1. Turnover and share price of Vilniaus Baldai, AB

## 8. 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. Starting from 2014, 15 % tax is applied to income from the distributable profit (including dividends). The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes<sup>1</sup>.

The company did not allocated dividends during the reporting period. Information about allocation of dividends since the establishment of the company is presented on the company's web page:

[http://www.invalidalt.com/en/main/for\\_investors/dividends](http://www.invalidalt.com/en/main/for_investors/dividends).

### 8.1. table. Ratios related with shares.

	2011	2012	2013
Earnings per share (EPS)	5.32	0.40	2.36
P/E ratio	1.26	17.06	5.06

<sup>1</sup>This information should not be treated as tax consultation.

## 9. Shareholders

### 9.1. Information about shareholders of the company

The Shareholders of Invalda LT, AB Alvydas Banyys, LJB Investments, UAB, Irena Ona Miseikiene, Indre Miseikyte, Greta Miseikyte-Myers, Darius Sulnis, Lucrum investicija, UAB, Ilona Sulniene and Tatjana Sulniene signed the agreement on the implementation of a long-term corporate governance policy. Therefore, they had the responsibility to issue the official Tender Offer to buy up all the remaining shares. No shares of Invalda LT, AB were provided for sale during the tender offer implementation period (from 2 July 2013 till 15 July 2013), i.e. the acquiring persons named in the tender offer circular did not acquire any shares of Invalda LT, AB. At the end of the reporting period Ilona Sulniene and Tatjana Sulniene were no longer parties of the above mentioned agreement, so their voices are not countable together with the other shareholders.

Table 9.1.1. Shareholders who held title to more than 5% of Invalda LT, AB authorised capital and/or votes as of 31 December 2013

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total (together with the persons acting in concert), %
LJB Investments, UAB code 300822575, Juozapavičiaus g. 9A, Vilnius	6,939,824	27.95	30.44	61.15	91.59
Irena Ona Mišeikienė	6,588,732	26.53	28.90	62.69	
Darius Šulnis	0,00	0.00	0.00	91.59	
Lucrum Investicija, UAB code 300806471, Šeimyniškių str. 3, Vilnius	4,690,572	18.89	20.58*	71.01	
Alvydas Banyys	1,750,000	7.05	7.68	83.91	
Indrė Mišeikytė	455,075	1.83	2.00	89.59	
Greta Mišeikytė-Myers	455,075	1.83	0.00	91.59	

\*Lucrum Investicija, UAB has additionally 2 % of votes granted by the shares sold by the repurchase agreement.

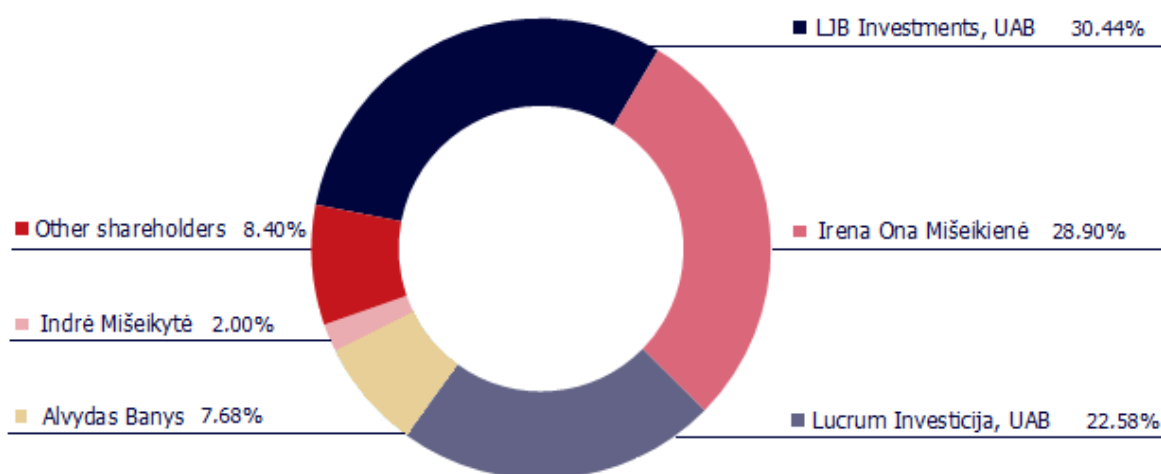


Fig. 9.1.1. Votes as of 31 December 2013

There are no shareholders entitled to special rights of control.

Invalda LT, 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 in 2013. As of 31 December 2013 the total number of shareholders was 3,977.

Table 9.1.2. Distribution of securities by investors' groups as of 31 December 2013

Investors	Shareholders		Share of votes given by the owned shares	
	amount	part, %	amount	part, %
Households	3,949	99.29	11,066,247	48.54
Private corporations	21	0.53	11,717,092	51.40
Financial institutions and insurance corporations	7	0.18	13,958	0.06
<b>Total</b>	<b>3,977</b>		<b>22,797,297</b>	

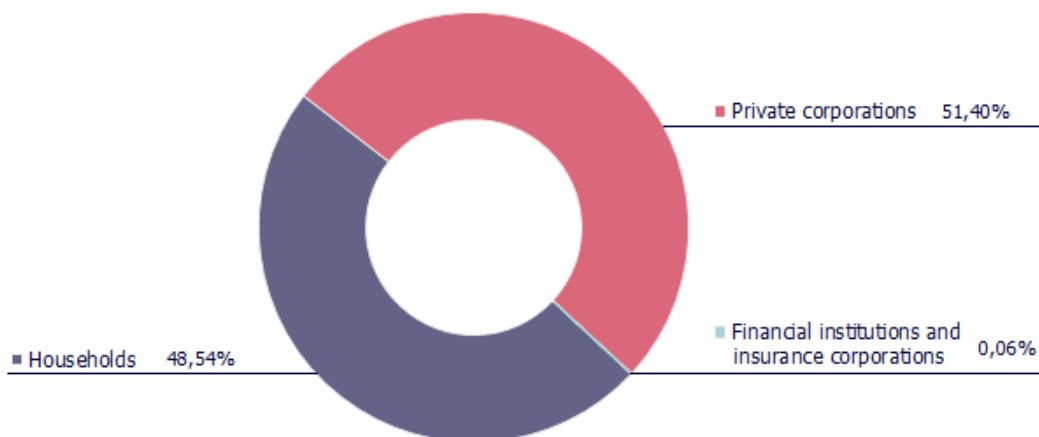


Fig. 9.1.2. Distribution of securities by investors' groups as of 31 December 2013

Table 9.1.3. Distribution of securities by investors' groups as of 31 December 2013

Regions	Shareholders		Share of votes given by the owned shares	
	amount	part, %	amount	part, %
Lithuania	3,917	98.49	22,759,976	99.83
Other EU members	37	0.93	28,797	0.13
Non- EU countries	23	0.58	8,524	0.04
<b>Total</b>	<b>3,977</b>		<b>22,797,297</b>	

## 9.2. Rights and obligations carried by the shares

### 9.2.1. 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 a part of assets of the company in liquidation;
- 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 law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders shall be prohibited from negotiating a higher interest rate;
- 6) other property rights provided by laws;
- 7) to attend the General Shareholders' Meetings;
- 8) to vote at the General Shareholders' Meetings according to voting rights carried by their shares;
- 9) to receive information on the Company specified in the Law on Companies of the Republic of Lithuania;
- 10) 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;
- 11) other non-property rights established by laws and the Company's Articles of Association.

### 9.2.2. 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.

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.

The person who acquired all shares in the company or the holder of all shares in the company who transferred a part of his shares to another person must notify the company of the acquisition or transfer of shares within 5 days from the conclusion of the transaction. The notice shall indicate the number of acquired or transferred shares, the nominal share price and the particulars of the person who acquired or transferred the shares (the natural person's full name, personal number and address; the name, legal form it has taken, registration number, address of the registered office of the legal person.)

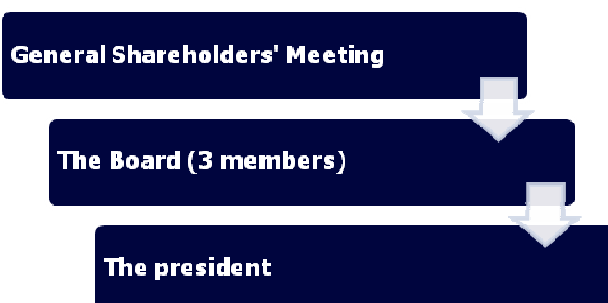
Contracts between the company and holder of all its share shall be executed in a simple written form, unless the Civil Code prescribes the mandatory notarised form.

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.

Shareholders of the public limited liability company shall have the right to submit an offer demanding a mandatory sale of shares held by other shareholders or to announce a mandatory offer to buy up the shares held by them in the cases and following the procedure laid down in the Law on Securities Market.

## III. ISSUER'S MANAGING BODIES

### 10. Structure, authorities, the procedure for appointment and replacement



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

## **10.1. General Shareholders' Meeting**

### **10.1.1. Powers of the General Shareholders' Meeting**

Persons who were shareholders of the Company at the close of the accounting day of the meeting (the 5<sup>th</sup> 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 1/2 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;
- 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;
- take a decision to replace private limited liability company share certificates by shares;
- approve the annual accounts and the report on company operations;
- 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.

### **10.1.2. Convocation of the General Shareholders' Meeting of Invalda LT, AB**

The documents related to the agenda, draft resolutions on every item of agenda, documents what have to be submitted to the General Shareholders Meeting and other information related to realization of shareholders rights are available at the registered office of the Company during working hours.

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, than there is no need to make a decision - explanation of the shareholder. Proposal to supplement the agenda is submitted in writing by registered mail or delivered in person against signature. The agenda is supplemented if the proposal is received no later than 14 before the General Shareholders



Meeting; (ii) to propose draft resolutions on the issues already included or to be included in the agenda of the General Shareholders Meeting at any time prior to the date of the General Shareholders meeting (in writing, by registered mail or delivered in person against signature) or in writing during the General Shareholders Meeting; (iii) to submit questions to the Company related to the issues of agenda of the General Shareholders Meeting in advance but no later than 3 business days prior to the General Shareholders Meeting in writing by registered mail or delivered in person against signature.

Shareholder participating at the General Shareholders Meeting and having the right to vote must submit documents confirming personal identity. Each shareholder may authorize either a natural or a legal person to participate and to vote on the shareholder's behalf at the General Shareholders Meeting. The representative has the same rights as his represented shareholder at the General Shareholders Meeting. The authorized persons must have documents confirming their personal identity and power of attorney approved in the manner specified by law which must be submitted to the Company no later than before the commencement of registration for the General Shareholders Meeting. Shareholder is entitled to issue power of attorney by means of electronic communications for legal or natural persons to participate and to vote on its behalf at the General Shareholders Meeting. The shareholders must inform the Company about power of attorney issued by means of electronic communications no later than before the commencement of registration for the General Shareholders Meeting. The power of attorney issued by means of electronic communications and notice about it must be written and submitted to the Company by means of electronic communications.

Shareholder or its representative may vote in writing by filling general voting bulletin, in such a case the requirement to deliver a personal identity document does not apply. The form of general voting bulletin is presented at the Company's webpage. If shareholder requests, the Company shall send the general voting bulletin to the requesting shareholder by registered mail or shall deliver it in person against signature no later than 10 days prior to the General Shareholders Meeting free of charge. The filled general voting bulletin must be signed by the shareholder or its authorized representative. Document confirming the right to vote must be added to the general voting bulletin if authorized person is voting. The filled general voting bulletin must be delivered to the Company by means of electronic communications, registered mail or in person against signature no later than before the day of the General Shareholders Meeting.

For the convenience of the shareholders of Invalda LT, AB the company provides notifications about convocation of General Shareholders Meeting, draft resolutions as well as general voting bulletins and resolutions adopted in the Meetings in the section For Investors reference Shareholders' Meeting Voting Results on the company's web page.

4 (four) Shareholders' Meetings of Invalda LT, AB were held in 2013. Ordinary Shareholders' Meeting of Invalda LT, AB was held on 30 April 2013. The president of the company attended the Meeting. He presented to the shareholders of the company annual report of the last year. The Chief Finance Officer of the company also attended the Meeting. CFO introduced shareholders with the main articles of the financial statements and distribution of the Company's profit.

#### **10.2.1. Powers of 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 (as well as the Chairman of the Board) 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 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.

The procedure of work of the Board shall be laid down in the rules of procedure of the Board.

### **10.2.2. Procedure of work of the Board**

The order of the formation of the Board of the company should ensure objective, impartial and fair representation of minority shareholders of the company: names and surnames of the candidates to become members of the Board of the company, information about their education, qualification, professional background, positions taken in supervisory and management Boards of other companies, owned block of shares in other companies, larger than 1/20, potential conflicts of interest, information on whether the candidates are applied to administrative sanctions or punishment for violations / crimes against the economy, business policy, property, property rights and property interests, or do they have no obligations neither functions which would threaten the safe and reliable operations of the company, or whether candidates meet the legal requirements made for the Managers, are disclosed not later than 10 days prior the General Shareholders' Meeting in which the election of the Members of the Board is intended, so that the shareholders would have sufficient time to make an informed voting decision

In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the Board of the company are determined with regard to the company's structure and activities, and are periodically evaluated once a year.

Any Member of the Board of the company must confound companies property with its own property and do not use it or information which they received while holding position as the Members of the Board for personal benefit or for the benefit of third party on other way than the General Shareholders Meeting and the Board allows it. Any Member of the Board of the company 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 the low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally in the meeting of the Board of the company. Members of the Board in accordance with law and the terms have to provide information about their and related parties transactions on company's securities.

Any Member of the Board of the company within 5 (five) days must inform the Manager or the Chairman of the company on any subsequent changes in provided information that have been submitted for shareholders prior to the election of the Member of the Board. Changes in provided information are disclosed in the company's annual report.

Each Member of the Board actively participates in the Meetings of Board and devotes sufficient time and attention to perform his duties as the Member of the Board. Regulation of the work of the Board of the company settles the statements that if the Member of the Board attended the Meetings of the Board less than 2/3 times in the financial year, such information must be disclosed to shareholders in the General Shareholders' Meeting. 36 Meetings of the Board of the company have been held in 2013. Since the beginning of the year until 27 May 2013 Vytautas Bučas, Indrė Mišeikytė and Darius Šulnis held position of Members of the Board of the company. Since 28 May 2013 Alvydas Banys, Indrė Mišeikytė and Darius Šulnis are elected to the Board of the company. Vytautas Bučas attended all the Meetings in person in 2013. Alvydas Banys attended all the Meetings of the Board: four of which attended by distance. Indrė Mišeikytė attended all the Meetings of the Board: four of which attended by distance. Darius Šulnis wasn't able to participate in three Meetings of Board, wherefore voted in advance in writing. He has abstained from voting due to a possible conflict of interest in two Meetings of the Board. All other Meetings of the Board he attended in person.

### **10.3. 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 organisation of activities and the implementation of objects of the company
- the drawing up of the annual accounts;
- the conclusion of the contract with the firm of auditors where the audit is mandatory or required under the Statutes of the company;
- the submission of information and documents to the General Meeting, the Supervisory Board and the Board in cases laid down in this Law or at their request;
- the submission of documents and particulars of the company to the administrator of the Register of Legal Persons;
- the submission of the documents of a public limited liability company to the Securities Commission and the Central Securities Depository of Lithuania;
- the publication of information referred to in this Law in the daily indicated in the Statutes;
- the submission of information to shareholders;
- the fulfilment of other duties laid down in this Law and other laws and legal acts as well as in the Statutes and the staff regulations of the manager of the company.

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

## **11. Information about members of the Board, CFO and the Audit Committee of the Company**

The Board of Invalda LT, AB was approved during the Extraordinary General Shareholders' Meeting on 28 May 2013. The Board was approved for the new 4 years term of office. Mr. Banys was appointed as the Chairman of the Board, Mr. Sulnis and Ms. Miseikyte were elected as the Members of the Board. Mr. Sulnis was appointed as the President of the company on 22 May 2013.



Alvydas Banys – Chairman of the Board

The term of office	From 2013 until 2016
Educational background and qualifications	Vilnius Gediminas Technical University, Faculty of Civil Engineering, Master in Engineering and Economics. Junior Scientific co-worker, Economic's Institute of Lithuania's Science Academy.
Work experience	Since 1 July 2013 Invalda LT, AB - Advisor Since 2007 LJB Investments, UAB - Director Since 2007 JLB Property, UAB - Director 1996 – 2006 Invalda, AB - Vice President 1996 – 2007 Nenuorama, UAB - President
Owned amount of shares in Invalda LT, AB	Personally: 1,750,000 units of shares, 7.05 % of authorised capital – 7.68 % of votes. Together with controlled company LJB Investments: - 8,689,824 units of shares, 34.99 % of authorized capital, 38.12 % of votes. Total votes (together with the persons acting in concert) – 91.59 %.
Participation in other companies	Cedus Invest, UAB – Member of the Board BAIP Grupe, UAB – Member of the Board Invalda LT Investments, UAB – Chairman of the Board
Owned shares and votes of other companies	LJB Property, UAB – 99.99 % LJB Investments, UAB – 82.26 % Gulbinu Turizmas, UAB – 7.7 %



Indre Miseikyte – Member of the Board

The term of office	From 2013 until 2016
Educational background and qualifications	Vilnius Gedimino Technical University, Faculty of Architecture. Master in Architecture.
Work experience	Since May 2012 Invalda LT, AB - Advisor Sinve June 2013 Invalda Privatus Kapitalas, AB - Advisor Since 2002 Inreal Valdymas, UAB - Architect 2000 – 2002 Gildeta, UAB - Architect

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Work experience	1996 – 2002 Invalda, AB - Architect 1996 – 1997 Gildeta, UAB - Architect 1996 – 1997 Kreimi, UAB - Architect 1994 – 1996 Vilniaus Baldai, AB - Architect
Owned amount of shares in Invalda LT, AB	Personally: 455,075 units of shares, 1.83 % of authorised capital – 2 % of votes Total votes (together with the persons acting in concert) – 91.59 %.
Participation in other companies	Invalda Privatus Kapitalas, AB – Member of the Board
Owned shares and votes of other companies	DIM Investment, UAB – 25 %. Tuta, UAB – 5.25 %.



Darius Sulnis – Member of the Board, the President

The term of office in the Board	From 2013 until 2016
Educational background and qualifications	Duke University (USA), Business Administration, Global Executive MBA. Vilnius University, Faculty of Economics, Master in Accounting and Audit. Financial broker's license (general) No. A109.
Work experience	2006 – 2011 Invalda, AB – President, 2011 – 2013 Invalda, AB – Advisor. Since May 2013 Invalda LT, AB – President. 2002 – 2006 Invalda Real Estate, UAB (current name Inreal Valdymas) – Director 1994 – 2002 FBC Finasta, AB – Director
Owned amount of shares in Invalda LT, AB	Personally: 0 units of shares, 0.00 % of authorised capital and votes Together with controlled company Lucrum Investicija: 4,690,572 units of shares, 18.89 % of authorised capital, 22.58 % of votes (including votes granted by the shares transferred by the repurchase agreement). Total votes (together with the persons acting in concert) – 91.59 %.
Participation in other companies	Vilniaus Baldai, AB – Member of the Board Invaldos Nekilnojamojo Turto Fondas, AB – Chairman of the Board Litagra, UAB – Member of the Board BAIP Grupe, UAB – Chairman of the Board Inservis, UAB – Member of the Board Kelio Zenklai – Member of the Board Invalda LT Investments, UAB – director, Member of the Board UAB „Cedus Invest“ – Member of the Board SIA „Dommo“ (Latvia) – Member of Supervisory Board SIA „Burusala“ (Latvia) – Member of Supervisory Board
Owned shares and votes of other companies	Lucrum Investicija, UAB – 100 %. Golfas, UAB – 31 %.



Raimondas Rajeckas – CFO

Educational background and qualifications	Vilnius University, Faculty of Economics.
Work experience	<p>Since 2006 Invalda LT, AB – CFO</p> <p>2001 – 2006 Valmeda, AB – CFO</p> <p>2000 – 2001 Galincius, AB – CFO</p> <p>2000 – 2001 Invalidos Marketingas, UAB (current name Inreal Valdymas, UAB) – CFO</p> <p>2000 – 2002 Gildeta, AB – Accountant</p> <p>1998 – 2000 Invalda, AB – Accountant</p>
Owned amount of shares in Invalda LT, AB	-
Participation in other companies	<p>Invalda LT Investments, UAB – Member of the Board</p> <p>INVL Baltic Real Estate, UAB – Director</p> <p>INVL Baltic Farmland, UAB - Director</p> <p>INVL Technology, UAB - Director</p> <p>Aktyvo, UAB – Director</p> <p>Aktyvus Valdymas, UAB – Director</p> <p>Finansu Rizikos Valdymas, UAB – Director</p> <p>Iniciatyvos Fondas, VSI – Director</p> <p>MBGK, UAB – Director</p> <p>MGK Invest, UAB – Director</p> <p>RPNG, UAB – Director</p> <p>Regenus, UAB – Director</p> <p>Cedus Invest, UAB – Director</p> <p>Consult Invalda, UAB – Director</p> <p>Cedus, UAB – Director</p>

## 12. 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 and dismissed by the General Shareholders' Meeting of Invalda LT, AB for a term not exceeding 4 years. 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.
- monitor the implementation of the audit firm's recommendations and comments imposed by the Board and the manager of the company.

The Member of the Audit Committee of the company may resign from his post before the expiry of term of office, notifying the Board of the company in writing at least 14 calendar days in advance. When the Board of the Company receives the notice of resignation and estimates all circumstances related to it, the Board may pass the decision either to convene the Extraordinary General Shareholders Meeting to elect the new member of the Audit Committee or to postpone the question upon the election of the new member of the Audit Committee until the nearest General

Shareholders Meeting. In any case the new member is elected till the end of term of office of the operating Audit Committee.

### Procedure of work of the audit committee

The Audit Committee is a collegial body, taking decisions during meetings. The Audit Committee may take decisions and its meeting should be considered valid, when both members of the Committee participate in it. The decision should be passed when both members of the Audit Committee vote for it. The Member of the Audit Committee may express his will – for or against the decision in question, the draft of which he is familiar with – by voting in advance in writing. Voting in writing should be considered equal to voting by telecommunication end devices, provided text protection is ensured and it is possible to identify the signature. The right of initiative of convoking the meetings of the Audit Committee is held by both Members of the Audit Committee. The other Member of the Audit Committee should be informed about the convoked meeting, questions that will be discussed there and the suggested drafts of decisions not later than 3 (three) business days in advance in writing (by e-mail or fax). The meetings of the Audit Committee should not be recorded, and the taken decisions should be signed by both Members of the committee. When both Audit Committee Members vote in writing, the decision should be written down and signed by the secretary of the Audit Committee who should be appointed by the Board of the Company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

The Audit Committee should have the right to invite the Manager of the Company, Member(s) of the Board, the chief financier, and employees responsible for finance, accounting and treasury issues as well as external auditors to its meetings. Members of the Audit Committee may receive remuneration for their work in the committee at the maximum hourly rate approved by the General Shareholders' Meeting

On 30 August 2013 the General Shareholders meeting removed the Audit Committee in corpore and elected new Committee members: Danute Kadanaite, a lawyer at Legisperitus, UAB and Tomas Bubinas, a Chief Operating Officer at Biotechpharma, UAB (independent member).



Danute Kadanaite – Member of the Audit Committee

The term of office	Since 2013 until 2016
Educational background and qualifications	2004 – 2006 Mykolas Romeris University, Faculty of Law, Master in Financial Law 2000 – 2004 m. Faculty of Law, BA in Law 1997 International School of Management
Work experience	Since 2009 Lawyer, Legisperitus, UAB 2008 – 2009 Lawyer, Finasta FBC 2008 – Lawyer, Invalda, AB 1999 – 2002 Administrator, Office of Attorney of Law Arturas Sukevicius 1994 – 1999 Legal Consultant, Financial brokerage company Apyvarta, UAB
Owned amount of shares in Invalda LT, AB	-





Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2013 until 2016
Educational background and qualifications	2004 – 2005 Baltic Management Institute (BMI), Executive MBA 1997 – 2000 Association of Chartered Certified Accountants, ACCA, Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 – 1993 Vilnius University, Msc. in Economics
Work experience	Since 2013 Chief Operating Officer at Biotechpharma, UAB 2010 – 2012 Senior Director, Operations, TEVA Biopharmaceuticals (USA) 1999 – 2001 Senior Manager, PricewaterhouseCoopers 1994 – 1999 Senior Auditor, Manager, Coopers & Lybrand,
Owned amount of shares in Invalda LT, AB	-

### 13. Information on the amounts calculated by the Issuer, other assets transferred and guarantees granted to the Members of the Board, 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 2013 the Members of the Board 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 not granted with bonuses by other companies of Invalda LT, AB group.

Table 13.1. Information about calculated remuneration for Invalda LT, AB managers for 2013

	Calculated remuneration, thousand litas		
	2011	2012	2013
For members of the Board (according to employment contracts as employees of the company)	695	998	890
For each member of the Board (average per month)	20	30	26
For members of administration (the President and CFO) <sup>2</sup>	352	681	503
For each member of administration (average per month)	15	29	21

<sup>2</sup> Company and Group companies calculated remuneration

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

### 14. Overview of the Issuer's and its group activity, their performance and business development

#### 14.1. Operational environment

The Economy of Lithuania remains one of the fastest growing in the European Union. The GDP of Lithuania expanded by 3.4 % and exceeded the level of 2007.

Export growth remained strong in 2011-2012, whereas began to slow in 2013. The export increased by 6.5 %, when the growth was 14.4 % in 2012, whereas the export growth of 28.8 % was recorded in 2011. The growth in 2013 was caused by increasing domestic demand – private consumption and investments.

It is expected that the Economy will continue to rise. Swedbank forecasts the grow of Economy by 3.7 % in 2014 and by 4.2 % in 2015. The main drivers of the economy in 2014 will be increasing domestic consumption and high volume of investment, the role of exports will decline. Low inflation, rising wages and falling unemployment rate will stimulate domestic consumption, low interest rates and improving business and population expectations will stimulate lending volume growth. Lithuania meets all the Maastricht criteria, thus in 2015 the Litas should be changed to the Euro.

Key economics indicators:

Rate	2007	2008	2009	2010	2011	2012	2013
Real GDP, annual change (excluding seasonal and labour days, %)	9.8	2.6	-14.6	1.5	6.1	3.5	3.4
Nominal GDP (LTL billion)	99.229	111.920	92.032	95.676	106.893	113.735	119.305
Retail trade turnover (at constant prices, excluding vehicle trade) annual change ( %)	16.1	2.2	-21.3	-6.7	6.1	3.9	4.5
CPI, annual change ( %)	8.1	8.5	1.3	3.8	3.4	2.8	0.4
HICP, annual average change ( %)	5.8	11.1	4.2	1.2	4.1	3.2	1.2
Average monthly wage (4th quarter of 2013, LTL)	2052	2319.1	2118.3	2121.5	2175.0	2232.0	2340.2
Annual change of average monthly wage (4th quarter of 2013, LTL)	18.5	13.0	-8.7	0.2	2.5	2.6	4.8

Source: SEB bank.



Annual change, %	2012	2013	2014	2015
USA	2.8	1.9	3.3	3.7
Japan	1.4	1.7	1.4	1.3
Germany	0.7	0.5	1.7	2.1
China	7.7	7.7	7.4	7.0
Great Britain	0.1	1.9	2.8	2.6
Euro zone	-0.7	-0.4	1.0	1.6
Nordic countries	0.9	0.6	2.1	2.4
Baltic countries	4.1	3.0	3.7	4.2
Lithuania	3.7	3.4	3.5	4.5
Latvia	5.0	4.2	4.8	4.8
Estonia	3.9	1.0	2.6	2.9
Emerging markets	4.9	4.7	4.9	5.1
The World, PPP	3.3	3.2	3.9	4.0
The World, nominal	2.6	2.5	3.2	3.3

Source – SEB Nordic Outlook, February 2014, OECD

The stock market grew along with economy:

Index/shares	01-01-2013	01-01-2014	+/-%
<b>OMX Tallinn</b>	734.20	817.72	11.38
<b>OMX Riga</b>	395.91	460.13	16.22
<b>OMX Vilnius</b>	355.08	421.60	18.73

Source: NASDAQ OMX

External factors influencing company's and group's results:

All the above mentioned changes made positive effect to the asset value and results of Invalda LT, AB.

Almost 100 percent of production of Vilniaus Baldai, AB are exported to Swedish concern IKEA. For this reason sector's revenues are influenced mainly by orders from the concern, whereas the profitability depends on the business processes, costs of raw materials and labor, and other factors.

Results of the agricultural land sector largely depends on the world prices for fertilizers, pesticides, grain, milk and other agriculture commodities, weather conditions and operational efficiency.

Real estate property values are significantly influenced by accessibility of borrowed capital and return on equity bided by investors which decreases upon favourable economic conditions alongside with increase of property value.

The agricultural land price is influenced mainly by farmer's activity results, change of land price in the word market as well as competitiveness.

The essential factor for the results of information technology sector is the rising wages of employees.

The biggest effect for the results of facility management sector is made by the efficiency of internal processes.

In general, the value of assets managed by Invalda LT, AB is effected mainly by growth of property prices, but also it effects the price of acquired companies.

## 14.2. Significant Issuer's and its group events during the reporting period and since the end of it

### The Company

- On 8 March 2013 Invalda LT, AB acquired 10 percent of its treasury shares at the total price of LTL 42.928 million (EUR 12.433 million). Share acquisition price – LTL 8.87 (EUR 2.4) per share. The share buy-back was implemented through the market of the official offer of NASDAQ OMX Vilnius AB on 19 February 2013. The maximum amount of shares to be acquired during the share buy-back program - 5,180,214 shares. The total amount of offered shares was 5,381,665 and as a result each shareholder sold 96.26 % of the proposed amount of shares.
- On 9 April 2013 the General shareholders Meeting of Invalda, AB approved split-off terms of the public joint-stock company. In accordance with the split-off terms a part of Invalda assets has been split-off and on its basis a new public-joint stock company Invalda Privatus Kapitalas, AB has been formed. 45.45 % of the total assets of Invalda, AB as well as 45.45 % of the company's equity capital and liabilities have been allocated to the newly established entity. The shares in Invalda Privatus Kapitalas, AB will not be listed on NASDAQ OMX Vilnius Stock Exchange. In accordance the split-off terms, the company will continue its activity after the split-off under the new name of Invalda LT, AB.
- On 30 April 2013 the Ordinary General Shareholders Meeting of Invalda, AB approved the company's consolidated annual report for 2012. The shareholders decided not to allocate dividends and bonuses, as well as carry forward the retained earnings of LTL 24.7 million to the next financial year.
- On 22 May 2013 the Board of Invalda, AB removed Dalius Kaziunas and appointed Darius Sulnis as the President of Invalda, AB. Mr. Sulnis has already been the president of Invalda, AB in 2006-2011.
- On 27 May 2013 Invalda, AB acquired 2.1 percent of the treasury shares for the total amount of LTL 8.878 million. In accordance with the Company Law, the shareholders of Invalda, AB holding shares of the nominal value whereof is less than 1/10 of the authorized capital of Invalda, AB had a right within 45 days to require the company to redeem their shares. The shares were acquired at a price of LTL 8.076 through the market of the mandatory official offer of NASDAQ OMX Vilnius AB.
- On 28 May 2013 the Board of Invalda LT, AB was elected. Mr. Banys was appointed as the Chairman of the Board, Darius Sulnis and Indre Miseikyte were elected as the Members of the Board.
- On 31 May 2013 the amended Articles of Association of the public joint-stock company Invalda were registered with the Register of Legal Entities. The amended Articles of Association stated a new name of the company – public joint-stock company Invalda LT, AB as well as a reduced authorized capital. Moreover, a new legal entity – public joint-stock company Invalda Privatus Kapitalas, AB was registered on the basis of a split-off part of equity, assets and liabilities of the public joint-stock company Invalda. The authorized capital of Invalda, AB after the split-off continuing activity under the new name Invalda LT, AB is LTL 24,833,551. It is divided into 24,833,551 ordinary registered shares with nominal value - 1 (one) litas per share
- On 26 June 2013 the Bank of Lithuania registered the Official Tender Offer Circular to buy up shares in Invalda LT, AB. The shareholders of Invalda LT, AB Alvydas Banys, LJB Investments, UAB, Irena Ona Miseikiene, Darius Sulnis, Lucrum Investicija, UAB and others holding together 90.15 % of shares in Invalda LT, AB, offered EUR 2.355 per one share of Invalda LT, AB. The Tender offer was implemented on 2-15 July 2013, but no shares were provided for sale during the tender offer implementation period.
- On 9 July 2013 the Bank of Lithuania registered the Official Tender Offer Circular, issued by cooperating parties Invalda LT, AB, Invalda Privatus Kapitalas, AB and companies' shareholders, to buy up shares in Vilniaus Baldai, one of the largest Lithuanian furniture manufacturers. The Official Tender offer was announced due to the change of control in Invalda LT, AB, as well as indirect change of control in Vilniaus Baldai, AB. Offered share acquisition price - EUR 14.869 (LTL 51.34) per share. On 1 August 2013 Invalda LT, AB increased its stake in the furniture manufacturer Vilniaus Baldai, AB from 39.4 % to 45.4 %. Invalda LT, AB paid EUR 3.495 million (LTL 12.069 million) for 6 percent of shares in Vilniaus Baldai, AB acquired during the mandatory official tender offer. Acquisition was made by Invalda LT, AB using its own funds.
- On 30 August 2013 it was announced that the shareholders of Invalda LT, AB authorised the Board to initiate the acquisition of up to 10 % of company's treasury shares. It was decided to set the share acquisition price at EUR 2.5 to EUR 3.5 (LTL 8.63 to LTL 12.08).
- On 30 August 2013 the General Shareholders meeting removed the Audit Committee in corpore and elected new Committee members Danute Kadanaite, a Lawyer at Legisperitus, UAB and Tomas Bubinas, a Chief Operating Officer at Biotechpharma, UAB (as the independent member).
- On 10 October 2013 Invalda LT, AB acquired 7.42 % of own shares implementing own shares buy-back procedure. The total amount of EUR 5.343 million (LTL 18.45 million) was paid. Invalda LT, AB could purchase up to 2 million units of shares. During the share buy-back procedure it was offered to buy 1,842,553 units of

shares. Share buy-back started 24 September and was implemented through the market of official tender offers of NASDAQ OMX Vilnius stock exchange until 7 October. The paid price was EUR 2.9 (LTL 10.01) per share.

- On 12 December 2013 the Board of Invalda LT, AB decided to analyze possibilities regarding implementation of new asset management business model. The reasons is that the shareholders aren't able to select the sector, the risk level as well as the term of the investments. Moreover, the company's capitalization is usually lower than the total value of the separate assets. Invalda LT, AB is planning to establish the management company and seeks to become one of the leading private equity, real estate, investment and pension funds management companies in the region. Three companies are going to be separated from Invalda LT, AB. They will manage homogenous assets and will apply for closed-end investment company licenses. It is assumed that they will be applying for the strictest regulatory regime which is imposed on retail investors. Preliminarily the first few investment companies will operate in the agricultural land sector, real estate sector and IT sector. Invalda LT, AB will concentrate on asset management business and will seek to receive the main income from the management activity.
- On 12 December 2013 the Board of Invalda LT, AB announced the decision to analyse strategic options, related to shares of one of the largest agricultural groups in the Baltics - Litagra, UAB, held by Invalda LT, AB. During this process it is possible that all or part of Litagra, UAB shares will be transferred in one or several transactions, as well as other transactions, which would increase the value of investment, made by Invalda LT, AB. The company informed that there were no assurances or guarantees that the pursuit of strategic options would lead to adoption of concrete decision regarding transfer of shares of Litagra, UAB, held by Invalda LT, AB (part thereof) and/ or conclusion of any transaction in connection therewith. Consequently, following completion of the analysis of the strategic options, Invalda LT, AB may decide not to take any actions, related to transfer of shares of Litagra, UAB, held by Invalda LT, AB (part thereof). Invalda LT, AB owns 54.55 % of shares in Cedus Invest, UAB, which holds 36.9 % of votes in Litagra, UAB, therefore the effective part of Invalda LT, AB owned votes in Litagra, UAB is 20.1 %. This block of shares represents significant part of assets of Invalda LT, AB. Furthermore, Darius Sulnis, the president of Invalda LT, AB, is also the Member of the Board of Litagra, UAB.
- On 12 December 2013 the Board of Invalda LT, AB announced that it initiated an acquisition of own shares of the nominal value LTL 1 (one) (EUR 0.29). The company acquired 0.78 % of own shares. The acquired shares were settled in euros on 30 December. The total amount of EUR 0.678 million (LTL 2.341 million) was paid. Share buy-back procedure started on 16 December and was implemented through the market of official tender offers of NASDAQ OMX Vilnius stock exchange until 20 December. Invalda LT, AB could purchase 248,335 units of shares. During the share buy-back procedure it was offered to buy 193,701 units of shares. The price paid for the investors was EUR 3.5 (LTL 12.08) per share.  
Given the fact that the treasury shares do not grant voting rights, the total amount of voting rights in Invalda LT, AB (ISIN LT0000102279) on 30 December 2013 equals to 22,797,297.
- On 21 March 2014 Invalda LT, AB announced about drawn - up split-off terms of the public joint - stock company Invalda LT. According to the terms, three companies INVL Baltic Farmland, INVL Baltic Real Estate and INVL Technology, presently comprising 47,95% of Invalda LT assets calculated in book values, will be split-off from Invalda LT. Invalda LT is split-off in order to redesign its business model according to classical asset management principles. The shareholders of Invalda LT will have to vote on approval of the split - off terms.

## The Sectors

2013 was the year of reforms. The final step is the switch to the classical structure of the asset management model. The year 2013 was moderately good for the key businesses of the group. Moreover all of the main businesses are planning to grow in 2014.

Group's key figures:

thousand, LTL	2009	2010	2011	2012	2013
Turnover	217,322	268,027	317,367	326,324	98,700
Profit/loss	(85,653)	52,464	216,543	32,145	108,532

Turnover for 2012 and for the previous years is presented like it is indicated in the consolidated financial statements of the respective year.

Additional information about group's financial results is disclosed in the section 15 Issuer's and its group companies' performance results. Review of each sector of issuer's group is presented below.

## Furniture manufacturing sector

In the furniture manufacturing sector Invalda LT, AB controls 45.4 % in Vilniaus Baldai AB, the leading furniture manufacturing company in Lithuania which exports almost all its production to the Swedish concern IKEA. Vilniaus Baldai, AB produces mass production furniture made of wood particle boards, using the most modern honeycomb substrate technology that helps to reduce the weight of a massive panel.



Since January 2014 Vilniaus Baldai, AB is led by Dalius Aleksandravicius, who replaced Aidas Mackevicius. Mr. Mackevicius was the manager of the company for 3.5 years.

The sales of Vilniaus Baldai, AB amounted to LTL 166.12 million in 2013 or 28 % less than in 2012 (LTL 230.14 million). The net profit of Vilniaus Baldai, AB was LTL 14.31 million in 2013, the net profit of 2012 amounted to LTL 27 million. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) reduced by 40 % (from LTL 34.94 million to LTL 21.06 million).

About 50 % change in production range caused worse results. The company stopped manufacturing product group „Expedit“, which was the main product group until the last year, and started manufacturing children's room furniture „Flaxa“ and other products. Due to these changes, planned technological adaptations were performed in the second factory. Investments into the new equipment amounted to LTL 16 million in 2013. It is assumed that the second factory will operate at a full capacity in the second quarter of 2014.

Vilniaus Baldai, AB exports almost all its production to the Swedish concern IKEA. The main results of Inter IKEA Systems B.V., the owner and franchisor of IKEA, are presented in the table 14.2.1.

Table 14.2.1 Main results of IKEA

	2011	2012	2013
Turnover of all IKEA stores, € billion	26.0	27.5	29.2
The number of IKEA stores visitors, million	734	776	775
The number of IKEA stores	325	338	345

Source: Inter IKEA Systems B.V. <http://franchisor.ikea.com> IKEA financial year ends on the 31<sup>st</sup> of August.

Table 14.2.2. Results of the furniture manufacturing sector

Million litas	2011	2012	2013
Sales	238.4	230.1	166.1
EBITDA	36.1	34.9	21.1
Net result	26.8	27.0	14.3
Capitalisation	138.2	190.5	187.9

Table 14.2.3. Number of employees

Number of employees	2011	2012	2013
-	507	464	488

## Real estate sector

In the real estate sector Invalda LT, AB owns commercial rental real estate. Group companies own 48.5 thousand square meters of own premises in Vilnius and 27.3 thousand square meters of third party premises in Vilnius and Kaunas.



Business centers sector in Lithuania was dominated by employment and growing rental price trends in 2013. Market expansion of storage facilities continued in the second half of 2013. Investments in the development of logistics centers in the country were revived.

The management of real estate companies Sago and INTF Investicija initiates bankruptcy procedure because these companies didn't reach an agreement with the bank financing their activities from 2007. The bankruptcy of Sago and INTF Investicija will not negatively influence financial results of Invalda LT because these companies were accounted at zero value in the financial statements of Invalda LT. When the bankruptcy procedure is finished, these companies are not classed as Invalda LT group companies, therefore consolidated liabilities of Invalda LT group should decrease by LTL 36.5 million, and equity should increase by LTL 6.8 million.

Creditor's claims were acquired in SIA Dommo biznesa parks and SIA Dommo groupa in the end of 2013. At present

Invalda LT, AB owns 50 % of creditors' claims in these companies. Value of the claims, estimating reversal of impairment, was equal to LTL 13.8 million in the end 2013. SIA Dommo biznesa parks and SIA Dommo grupa own about 12.800 square meters of warehouse space and over 58 hectares of land around Riga, suitable for the development of logistics purposes.

Table 14.2.4. Results of real estate sector

Million litas	2011	2012	2013
Value of the real estate:	220.6	202.1	144.5
Commercial real estate	155.6	148.3	143.8
Real estate for development	57.1	36.8	0.7
Residential real estate	7.9	17.0	-
Shareholders' equity (inc. loans from Invalda AB)	131.9*	113.2	46.0
Loans from credit institutions	121.8	101.0	95.6
Rental income	16.7*	16.5	15.2
From this owned by clients	5.0	5.3	5.5
Change of the real estate value	(15.6)*	(12.8)	(0.6)
Companies' sales result, allowance and other non-monetary items	1.5*	0.1	5.2
Result of the real estate sector	(20)	(13.5)	3.7

\* Results of agricultural land companies are included

Table 14.2.5. Results of real estate companies owned by Invalda LT, AB after the split-off

Million litas	2011	2012	2013
Real esate value	144.3	144.2	144.5
Shareholders' equity (inc. loans from Invalda LT, AB)	45.0	45.7	46.0
Loans from credit institutions	103.2	99.8	95.6
Rental income	14.3	14.8	14.4
From this owned by clients	5.0	5.3	5.5
Result of companies	(13.3)	(0.2)	(0.7)

### Agricultural land sector

Invalda LT, AB owned 2.9 thousand hectares of agricultural land in the end of 2013. This land was managed by 17 companies. The land was rented to farmers and agricultural companies. The long-term prospect is to gain profit from the growth of rental prices and increase in land value.

At the end of the third quarter of 2013 the change in the agricultural land sector was completed. 17 newly established companies took over management of land plots previously managed by 9 companies. After the change each company owns lands located nearby.

Good year 2012 for agricultural sector of Lithuanian, increasing farmers' efficiency and competition led to growth of both land and rent prices. Nevertheless, the average price of land in Lithuania remains one of the lowest in the European Union.

The land market was active in 2013. The big farmers increased plots of owned land, therefore in the middle part of Lithuania, where the land is the most fertiled, significant price increase was recorded.

The Agricultural Land Acquisition temporary law was changed in 2014. According to the law related persons are not allowed to acquire more than 500 hectares of land. The law also refers to expanded categories of persons having priority right to purchase the land. The amendments of the law mean that companies of Invalda LT, AB group will not be able to invest directly in agricultural land. In that case the increase of managed portfolio can be possible only buying shares in companies investing into agricultural land.

According to the Board of the company, value of the agricultural land owned by Invalda LT at the end 2013 was LTL 36,1 million or LTL 12.3 thousand per hectare. A positive change in value of the land made LTL 11,3 million, estimating deferred income tax effect the profit of the sector was LTL 9.1 million.

A large part of the rental income has been invested into improvement of the quality of land. The cadastral measurements of the major part of owned land areas as well as soil chemical analysis was implemented.

Compared with the beginning of the 2013, the owned amount of agricultural land decreased due to the split-off of Invalda, AB. Invalda Privatus Kapitalas, AB became the owner of 9 companies holding 2071.7 hectares of land .

Table 14.2.6. Major indicators of agricultural land sector are presented below:

	2012	2013
Arable land	4995.3	2923.6
Average fertility quality points	46.7	46.4
Value of agricultural land, LTL million	41.8	36.1
Shareholders' equity (incl. loans from Invalda LT, AB), LTL million	41.4	33.4
Loans from credit institutions, LTL million	-	-
Rental income, LTL million	1.5	1.3
Result of the agricultural land sector, LTL million	2.4	9.1

### Agricultural sector

In the agricultural sector Invalda LT, AB owns 20.1 % of Litagra, UAB (one of the largest groups of agriculture companies in the Baltic states) shares through the company Cedus Invest, UAB. The shareholding decreased after the split-off of Invalda, AB.



According to Statistics Lithuania, area of cultivated farmland increased to 4 % and amounted to 1,255 million hectares in 2013, comparing with 2012. The harvest reduced to 4 % and amounted to 4,555 million tonnes in 2013, comparing with 2012. This implies that yield reduced to 8 %, comparing with record year 2012.

Table 14.2.7. Area, harvest and yield in all farms

	Area, thous. ha		Harvest, thous. tonnes		Yield, 100 kg per 1 ha	
	2012	2013	2012	2013	2012	2013
<b>Grain crop, total</b>	<b>1202.1</b>	<b>1255.4</b>	<b>4736.5</b>	<b>4550.0</b>	<b>39.4</b>	<b>36.2</b>
winter cereals	594.7	640.7	2810.0	2623.0	47.3	40.9
spring cereals	565.0	569.8	1846.6	1836.3	32.7	32.2
leguminous crops	42.4	44.9	79.9	90.7	18.9	20.2

The highest yield was stated in Marijampole, Siauliai and Kaunas districts, accordingly 4.7, 4.3 and 4.2 tonnes per hectare.

Increasing areas of farmland gives positive effect for fertilizer, pesticides and other plant protection production, which provides growth opportunities for marketing department of Litagra, UAB. However, lower yield makes worse results for elevators and primary agricultural production departments.

According to the data of publication Agrorinka, the average purchase price of wheat in Lithuania was lower by 20.4 %, rye – by 26.6 %, barley – by 16.6 %, and rape – by 18.3 % in 2013, comparing with the corresponding period of 2012. The lower prices negatively corrected the profit of primary production of agricultural products department. Litagra, UAB group was able to increase the volume of grain trade and feed export, however, due to lower yield the group could not achieve the results of 2012.

Table 14.2.8. Results of the Litagra, UAB group

Million litas	2011*	2012*	2013*
Sales	318.1	429.9	452.5
EBITDA	19.9	40.1	28.1
Net result, according to the data provided by the company.	0.5	20.3	13.0

\*Figures of Litagra as of 2011 are calculated according to business accounting standards, figures of 2012 and 2013 – according to IFRS (International Financial Reporting Standards).

More information on the services and activity of the sector is provided on <http://www.litragrroup.lt>



## IT sector

In 2013, BAIP group operating in Norway, Lithuania and Tanzania has implemented projects in Lithuania, Estonia, Latvia, Southeast Asia, Caribbean and East African region: Rwanda, Mauritius, Uganda and Tanzania.

BAIP group companies provided services and implemented projects in the Central Bank of the Republic of Lithuania, Western Union, SEB Bank, Rwanda Development Board (RDB), Mauritius Registrar-General's Department (RGD), Organisation of Eastern Caribbean States, Vietnam Business Registration Offices, Lithuanian Central Mortgage Office, Vytautas Magnus University, Vilnius University, Prosecution Service of the Republic of Lithuania, shipping, logistics, retail, transport companies and other organizations.

Revenue grew significantly in the areas of cyber defence, critical IT infrastructure resilience, and information system design and development services.

In 2013, along with the group's revenue, the number of companies within the group also expanded. In April, in order to be closer to the customers, a part of BAIP group Norway Registers Development AS (NRD AS) invested in East Africa acquiring 70 percent shares of the company 360 Smart Consulting Ltd., which was later renamed as Norway Registers Development East Africa Ltd. In addition, at the end of 2013 BAIP group has spun-off its cyber defence services into an independent, specialized cyber security company NRD CS.

In 2014 BAIP group will continue to further develop and invest in its own cyber security products and solutions, as well as modernise business, mortgage and licensing register systems, and expand its portfolio with solutions necessary for a comprehensive, sustainable and rapid progress of the developing economies: consultations and information systems that support management of public and centralised procurement, business inspections and state owned enterprises, as well as solutions for modernisation of judiciary systems and tax collection systems (eFilling).

In terms of new businesses, BAIP group intends to combine young businesses in rapidly growing countries of East Africa and Southeast Asia with European information technology businesses and professionals, fund them and invest in their development. BAIP group will continue its policy to be closer to the customers and involve local business partners in its programs, as well as focus on strengthening cooperation with Lithuanian and European service providers, non-governmental professional organizations and academic sector.

A ground for this has already been laid by the Memorandum of Understanding signed between Norway Registers Development AS and Uganda Management and Technology University. Furthermore, together with ISACA Tanzania Chapter, the group is implementing a consultative Tanzanian National Cyber security framework.

In 2014 BAIP group companies are planning to implement projects in Latvia, Portugal, Moldova, Georgia, Belarus, Tanzania, Uganda, Burundi, Rwanda, Viet Nam, Laos, Mauritius and Central America.

Table 14.2.10. Results of IT sector<sup>3</sup>

Million litas	2011	2012	2013
Sales	34.5	40.8	50.7
EBITDA	3.2	2.7	4.4
Net profit before investment amortization <sup>4</sup> and cost of management options	1.1	(0.1)	1.4
Net profit	(0.7)	(1.1)	0.7

Table 14.2.11. Number of employees

Number of employees	2011	2012	2013
	121	131	148

More information on the services and activity of the sector is provided on [www.baipgrupe.lt](http://www.baipgrupe.lt); [www.baip.lt](http://www.baip.lt); [www.nrd.no](http://www.nrd.no); [www.nrd.lt](http://www.nrd.lt); [www.nrd.co.tz](http://www.nrd.co.tz); [www.nrdcs.lt](http://www.nrdcs.lt)

<sup>3</sup> Norway Registers Development AS (NRD) results are consolidated from December 2011.

<sup>4</sup> Amortization of contract assets formed during BAIP UAB acquisition.










## Facility management sector

Invalda LT, AB owns facility management companies - Inservis, UAB (former company name – Inreal Pastatų Priežiūra, UAB), Priemiestis, UAB, Jurita, UAB and Naujosios Vilnios Turgavietė, UAB.

The companies of facility management sector 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.

The revenue of companies of the facility management sector in 2013 increased by 18 percent to LTL 15.5 million. The net profit amounted to LTL 1.3 million in 2013.

The Facility management sector recorded a loss due to high costs. Therefore, after appointing the new manager of the company in the middle of 2013, the main focus was on optimization of costs and internal processes, but not on growth of sales. The result of these movements is already seen - in the fourth quarter of 2013, the profit was LTL 0.2 million. This allows to expect positive results in 2014.

The area of apartment houses managed by facility management companies increased by 6 % up to 695 thousand square metres.

Inservis, UAB in 2013 closed the apartment houses administration department in Alytus and started providing services in Šiauliai. The agreement for land administration and maintenance across Lithuania was signed with Intractus, UAB. The area of more than 500 hectares of land is under supervision of Inservis, UAB.



Table 14.2.12. Results of the facility management sector

Million litas	2011	2012	2013
Sales	10.7	13.1	15.5
EBITDA	0.9	0.4	1.1
Net profit	1.0	(0.3)	0.5

Table 14.2.13. Number of employees

Number of employees	2011	2012	2013
	167	231	239



## 15. Issuer's and its group companies' performance results

Table 15.1. Income, thousand litas

	Company's			Group's		
	2011	2012	2013	2011	2012	2013
<b>Sales income</b>	-	-	-	<b>317,367</b>	<b>326,324</b>	<b>98,700</b>
- furniture manufacturing	-	-	-	238,368	230,142	..*
- real estate	-	-	-	25,884	31,893	23,891
- agricultural land			-	799	1,476	1,258
- information technology	-	-	-	34,530	40,769	50,749
- facilities management	-	-	-	10,710	13,134	15,528
- other companies	-	-	-	11,108	11,675	8,783
- elimination	-	-	-	(4,032)	(2,765)	(1,509)
<b>Gain (loss) from investments</b>	<b>280,487</b>	<b>(216)</b>	<b>909</b>	<b>(83,876)</b>	<b>4,849</b>	<b>2,873</b>
<b>Other income</b>	<b>24,220</b>	<b>40,795</b>	<b>23,244</b>	<b>10,110</b>	<b>4,537</b>	<b>1,715</b>
- interest income	12,883	12,025	6,331	6,749	3,656	1,504
- dividend income	11,314	28,758	16,841	-	18	71
- other income	23	12	72	3,361	863	140
<b>Change in value of investment properties</b>	-	-	-	<b>(14,727)</b>	<b>(8,709)</b>	<b>10,736</b>
<b>Net profit gained due to reorganisation</b>	-	-	<b>68,071</b>	-	-	<b>85,363**</b>

\* During the split-off, the subsidiary that operated in this segment, became an associate, therefore its revenue is not consolidated from June 2013, and for the period January – May its revenue is presented in the financial statements within discontinued operation.

\*\* In the financial statements the amount of LTL 780 thousand is presented within continuing operation and the amount of LTL 84,583 thousand is presented within discontinued operation.

Table 15.2. Main items of financial statements, thousand litas

	Company's			Group's		
	2011	2012	2013	2011	2012	2013
Non current assets	126,423	201,024	109,633	379,679	363,734	294,616
Current assets	268,796	171,169	64,933	265,046	226,175	71,330
Assets classified as held for sale	3,745	-	-	1,708	-	-
Equity	360,735	360,561	159,983	415,361	416,196	219,186
Equity attributable to equity holders of the parent Company	360,735	360,561	159,983	386,210	392,955	218,826
Minority interest	-	-	-	29,151	23,241	360
Non-current liabilities	-	-	-	139,071	119,655	73,938
Current liabilities	38,229	11,632	14,583	92,001	54,058	72,822
Result before taxes	259,267	22,182	82,681	(95,187)	5,513	23,261*
Net result	274,870	20,947	80,990	216,543	32,145	108,532
<b>Net result attributable to holders of the parent Company</b>	-	-	-	<b>209,046</b>	<b>24,771</b>	<b>107,275</b>

\* The profit before taxes decreased from the indicated in the interim report, because a part of gain on the split-off, that is related with transfer of shares of Vilniaus Baldai, was reclassified into discontinued operation.

Table 15.3. Equity and liabilities

<b>Invalda LT, AB million litas</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Equity</b>	360.7	360.6	160.0
Liabilities to financial institutions	-	-	7.8
From this long term	-	-	-
Liabilities to group companies	0.4	9.1	4.9
Bonds	34.1	-	-
Other liabilities	3.8	2.5	1.9
Total liabilities	38.3	11.6	14.6
<b>Total Equity and Liabilities</b>	<b>399.0</b>	<b>372.2</b>	<b>174.6</b>

Table 15.4. Financial ratios

	<b>Company's</b>			<b>Group's</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Return on Equity (ROE), %	123.09	5.81	31.12	74.48	6.36	35.07
Debt ratio	0.10	0.03	0.08	0.36	0.29	0.40
Debt – Equity ratio	0.11	0.03	0.09	0.56	0.42	0.67
Liquidity ratio	7.13	14.72	4.45	2.90	4.18	0.98
Earning per share (EPS), litas	5.32	0.40	2.36	4.05	0.47	3.12
Price Earning ratio (P/E)	1.26	17.06	5.06	1.66	14.49	3.82

Invalda LT, AB is an investment company having the main profit from the sale of businesses. Due to this reason, not all company performance indicators are suitable for the evaluation of Invalda LT, AB. Furthermore, some of investments are recorded at acquisition price in financial reports which is significantly different from the market price. That is why some ratios can show not 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.

Social issues are important for Invalda LT. Relations with all stake holders are based on principles of respect for an individual, society and nature. Principles accepted and applied by Invalda LT, AB:

- Human rights
  - Support and respect the aims of protection of human rights in the area of its influence.
  - Ensure that the Company does not commit any infringements of human rights.
- Employee rights
  - Recognise the freedom of association of employees and their rights to hold efficient negotiations.
  - Elimination of compulsory or forced work in any form.
  - Elimination of any discrimination related to employment or profession.
- Protection of environment
  - Approval and support to initiatives for the enhancement of environmental responsibility.
  - Promotion of development and proliferation of environmentally friendly technologies.
  - Combating corruption
  - Combating any forms of corruption (including tampering and bribery).

### Responsible business actions in the company

#### Ethical business practice

The company has prepared and approved its Code of Ethics to ensure that all employees are well aware of the principles of activities that they are expected to adhere to.

The fundamental basis of ethical norms is the compliance with legal acts and all employees without any exception respect laws and strictly adhere to them. Employees shall avoid situations that may potentially raise any doubts concerning their abilities to act for the benefit of the company, or could lead to conflicts of interests. Also employees of the company undertake not to disclose any confidential information and shall refrain from insider trading in securities in their own name, or on behalf of their members of family or other related persons.

#### Information and transparency

The company shall make public all information about the objectives of the company and its activities, financial results, members of its bodies of management and shareholders, related party transactions, the management structure of the company, etc. To ensure that information reaches as many users as possible, and provide timely access to such information, all this information is uploaded on the website of the company. Such information is simultaneously disclosed to all persons. The company discloses the information that may potentially affect the price of securities issued thereby in its commentaries, interview or other ways only after such information is publicly announced through the information system of the stock exchange.

#### Promotion of social initiative

With a view to promoting wide-scale social initiatives the company established a public enterprise foundation Iniciatyvos Fondas ([www.iniciatyvosfondas.lt](http://www.iniciatyvosfondas.lt)) whose principal task is to initiate programmes for the promotion of social initiatives and supervise their implementation.

#### Ensuring the enforcement of key labour principles and employee social wellbeing

Invalda LT seeks to operate as a company in which the rights, needs and contribution to the operations of the company of each employee are properly respected. In recruiting its employees the company ensures that no employee is discriminated on the basis of his gender, sexual orientation, race, nationality, language, origin, citizenship or social status, marital or family status, age, beliefs or views, membership in political parties and public organisations.

The working hours and standards of recreation, conditions for the compensation for work, and privileges, safety and health at work norms fully comply with the requirements stipulated in all relevant legislation.

#### Impartial treatment of shareholders and shareholder rights

All shareholders of the company have equal rights to be informed of and participate in passing important decisions related to the activities of the company. The procedure for convening and organising general meetings of shareholders fully comply with the relevant provisions of legal acts and ensures equal rights and possibilities for all shareholders to participate in meetings, having familiarised themselves in advance with draft resolutions on the agenda of the meeting and other information necessary for passing decisions, and are entitled to pose questions to Members of the Board of Invalda LT, AB.

## **16.2. Employees**

Invalda LT, 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. Remuneration Committee is not formed in the company (for more information please check Appendix 2, page 54 "Disclosure concerning the compliance with governance code"). All employment agreements with the employees of the company are concluded following requirements of the Labour Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labour Code. There are no special employees' rights and duties described in the employment agreements. Employee's remuneration payment is set once a year considering performance evaluation and achieved results of the employee (annual goals for the employees are set in the beginning of the year, achievement of goals are important when considering the results of the employee).

Average number of employees in 2013 was 12 (in 2012 it was 15). The number of employees decrease due to the split-off of Invalda, AB when a part of employees started working in Invalda Privatus Kapitalas, AB. All company's employees have higher university education.

Table 16.2.1. Number of employees and average monthly salary

	Measuring units	2011	2012	2013
Total amount of employees as of the end of the period	person	13	15	10
- managers	person	4	5	4
- specialists	person	9	10	6
Average monthly salary (calculated for)	litas	10,077	16,444	12,300
- managers	litas	17,004	29,310	22,508
- specialists	litas	6,619	10,190	6,264

The number of employees of Invalda LT, AB and its subsidiaries on 31.12.2013 amounted to 497 (on 31.12.2012 equaled to 1,051). The number of employees decrease due to the split-off of Invalda, AB when the subsidiary company Vilnius baldai became an associated and the employees are not calculated into the total amount.

### **16.3. 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.

### **16.4. Environment matters**

Invalda LT, 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 Vilnius 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.

Invalda LT, AB group companies Inservis, UAB, Priemiestis, UAB, Vermitas, AB and Vilnius Baldai, AB signed a Green Protocol<sup>5</sup> agreement. This agreement expresses the willingness of the companies to start using electricity in a more rational way.

Employees of Invalda LT, AB group companies are participating in social-environmental cleanup activities. On 11 May 2013 employees of Inservis, UAB participated in the campaign DAROM. The Directorate of the State Cultural Reserve of Vilnius Castles expressed their gratitude for cleanup actions in Kalnu park area in Vilnius.

Litagra Group founded public enterprise Gamtosaugos Projektu Vystymo Fondas which helps to solve environmental problems. The purpose of the organization is to take care of conservation of biological diversity and environment in Lithuania, spread the ideas of environment protection and conservation in the society. These programs are implemented by the funds: Conservation of Sea Eagles in Lithuania (since 2003), Encouragement of responsible consumption when choosing household chemicals (2010-2011), Green Life (2010-2012). In 2013 Gamtosaugos Projektu Vystymo Fondas focused on Protection of Lesser Spotted Eagle in Lithuania (2010-2015). The project is financed by EU funds.

## **17. Risk management**

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

#### **Business risks**

Activities of Invalda LT, AB are influenced by overall economic situation of countries of activity.

Invalda LT, AB also depends 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.

We are subject to market discount risk. Shares of Invalda LT, 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.

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<sup>5</sup> 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<sub>2</sub> which creates greenhouse effect. Companies motivate their employees, colleagues and relatives to promote the idea to create electricity saving society.

Shareholders of Invalda LT, AB approved the preparation of the terms of split-off of Invalda LT, AB. There is a risk that the split-off as well as transformation of business model to asset management model will not create value for shareholders and increase expenses of group companies.

Changes in interest rates may affect our cost of capital and net operating income and our ability to obtain additional financing.

Credit risk - a risk that purchases of products and services of group companies will not fulfill their obligations and this would make negative effect on profit. Failure to fulfill major part of liabilities in time would effect the usual activity of Issuer, would result into research of additional sources of financial support, which may not always be possible. The Issuer also bears the risk of funds holding in bank accounts as well as investing into short-term financial instruments.

Currency risk - the major part of companies of Invalda LT, AB experience a risk in selling goods and purchasing services that due to negative foreign currency exchange rate they may suffer a loss or not to receive planned profit. The management of the company assumes that the main currency risk associates with changes in U.S. dollar.

### **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 29 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 LT, AB group did not deliver major researches and expansion projects.

### **19. Significant events since the end of the last financial year**

- Dalius Aleksandravicius was appointed as a director of Vilnius Baldai, AB on 6 January 2014. Mr. Aleksandravicius has experience of large companies' management.
- Since the beginning of 2014 BAIP group has spun-off its cyber defence services into an independent, specialized cyber security company NRD CS, managed by Dr. Vilius Benetis.
- On 5 January 2014 BAIP group, UAB publicly announced that by the decision of the Board on 30 December 2013 Mr. Rimantas Zylis was appointed as a new Managing Director of Norway Registers Development AS (NRD), one of companies of BAIP group.
- The Extraordinary General Shareholders Meeting of Invalda LT, held on 5 February 2014, approved preparation of the terms of split-off of Invalda LT, AB and authorized the Board to draw up the terms of split-off of Invalda LT, AB as well as to sign contracts necessary for the preparation and assessment of the said terms, and conduct other related actions.

- On 27 February 2014 Invalda LT announced about established company Invalda LT Investments that will apply for asset management company licence issued by the Bank of Lithuania. Invalda LT owns 100 % of shares in Invalda LT Investments. Alvydas Banys, Darius Sulnis and Raimondas Rajeckas were elected to the Board of Invalda LT Investments.
- On 21 March 2014 Invalda LT informed about drawn - up Split-Off Terms of the public joint - stock company Invalda LT. According to the terms, three companies INVL Baltic Farmland, INVL Baltic Real Estate and INVL Technology, presently comprising 47,95% of Invalda LT assets calculated in book values, will be split-off from Invalda LT. The shareholders of Invalda LT will have to vote on approval of the split - off terms. Invalda LT is split-off in order to redesign its business model according to classical asset management principles. The authorised capital of Invalda LT, AB after the split-off will amount to LTL 11,865,993. After the split-off Invalda LT will own stakes in Vilniaus Baldai, Litagra, facilities management group Inservis, Kelio Zenklai and other financial assets. A part of shareholders' shares in the public joint-stock company Invalda LT will be annulled at the end of the day of registration in the Register of Legal Entities the split-off companies: public joint-stock company INVL Technology, public joint-stock company INVL Baltic Real Estate and a public joint-stock company INVL Baltic Farmland. The annulled shares will be exchanged for the relevant part of shares of the split-off companies according to the rules stated in the split-off terms. 52.05 % of assets, equity and liabilities (calculated in book values) will stay in Invalda LT, 14.45% will be transferred to INVL Baltic Farmland, 30.9 % - will be transferred to INVL Baltic Real Estate and 2.6 % will be transferred to INVL Technology. The standalone assets of Invalda LT in 2013 accounted to LTL 174.6 million, equity - LTL 160.0 million. On 1 April 2014 it was announced that Invalda LT Investments, a company of Invalda LT, AB applied for the asset management company license issued by the Bank of Lithuania. The license will grant the right to manage private equity, real estate and other funds.

## **20. Information on harmful transactions in which the issuer is a party.**

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, etc.) 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.

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

Loan agreements, premises rent agreements as well as IT purchases 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, the Group company has granted loan of LTL 9 million to the company's shareholder, which was fully repaid in July 2013. The detailed information on the related parties' transactions has been disclosed in the section 31 of the consolidated and Company's interim financial statements explanatory notes.

## **22. 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.

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

After the official tender offer settlement on 1 August 2013 Invalda LT, AB increased its stake in the furniture manufacturer Vilniaus Baldai, AB from 39.4 % to 45.4 %. Invalda LT, AB paid EUR 3.495 million (LTL 12.07 million) for 6 % of shares in Vilniaus Baldai, AB (from 39.4 % to 45,4 %) acquired during the mandatory official tender offer. The price was EUR 14.869 (LTL 51.34) per share.

In December 2013 Invalda LT acquired claims to a part of assets of Latvian companies SIA Dommo Biznesa Parks and SIA Dommo Grupa. Value of the claims, estimating reversal of impairment, was equal to LTL 13.8 million in the end 2013. SIA Dommo biznesa parks and SIA Dommo grupa own about 12.800 square meters of warehouse space and over 58 hectares of land around Riga. Invalda LT indirectly controls 50 % of these assets.

During the reporting period Invalda LT, AB has not made any others major acquisitions. Information about other investments is provided in the paragraph 4 of the company's financial statements.



## **24. Estimation of Issuer's and Group's activity last year and activity plans and forecasts**

### **24.1. Evaluation of implementation of goals for 2013**

Invalda LT, AB seeks the long term goal to increase shareholders equity and value of managed companies. 2013 was the year of reforms. The final step is the switch to the classical structure of the asset management model. The primary goal for 2014 is to finish reorganization and to prepare for the new projects.

The results of the furniture manufacturing sector are considered as normal. The company didn't achieve higher sales and profit due to lower than in previous years the level of production. Vilnius Baldai has been changing the portfolio of products, increasing its capacity and modifying the manufacturing process. It requires various internal changes and investments, but it should gradually increase the company's competitiveness and potential productivity scale.

The activity in 2013 in the real estate of the group met the expectations. The occupation of objects and signed agreements allow to forecasts growth of income. In 2014 it will be focused on strategies for separate objects.

The new sector – investments into agricultural land – is separately presented in the financial statements of Invalda LT for 2013. Invalda LT manages 17 companies holding about 2.9 thousand hectares of agricultural land. The year was good – both land rent and land prices have been growing. The lands portfolio was transformed so that one company manages geographically close land plots.

The company Litagra, which operates in agriculture sector, strengthened its position in many spheres; however, the decrease by one-fifth in grain prices in the global market as well as a lower yield by 8 % in Lithuania had a negative effect on the results if compared with 2012. Nevertheless, the company should improve its results, even though the grain prices might not rebound.

IT sector's company BAIP Group demonstrated the best results in the company's history. Alongside with the numbers, the growing team and increased services' portfolio make good impression. Possessed orders and growth of cyber defence, critical IT infrastructure and information systems services, and geographic expansion provides a solid basis for optimism in 2014 and beyond.

The year 2013 was a time of reforms for the facility management sector. After cost reduction, the companies of this sector targeted the profitability and quality of services, rather than increase of the market share. The results of the few last months' show that the sector should demonstrate profitable activity in 2014.

### **24.2. Activity plans and forecasts**

Invalda LT, AB is planning to establish the management company and seeks to become one of the leading private equity, real estate, investment and pension funds management companies in the region.

After the approval of the shareholders, three to four companies which manage homogeneous assets and which are planning to separate from Invalda LT, AB, will be applying for closed-end investment company licenses. It is assumed that they will be applying for the strictest regulatory regime which is imposed on retail investors. All the Invalda LT, AB shareholders (presently there are about 4 thousand shareholders of the company), will proportionally own shares in the separated companies. All the shares of these newly established companies are planned to be quoted on the NASDAQ OMX Vilnius Exchange.

Preliminarily the first few investment companies will operate in the agricultural land sector, real estate sector and IT sector. It is expected that after receiving their licenses, and evaluating the investment environment, all these companies will raise additional capital. It is expect to establish new private capital funds.

One of the main reasons behind the reorganization is that the company's capitalization is usually lower than the total value of the separate assets because investors cannot predict sectors where investments will be made.

The reorganization will allow investors to select the asset or business in which they would like to invest. The Investors will be able to select the sector, the risk level as well as the term of the investments. By licensing the activities and being under the supervision of the Bank of Lithuania, there will be an increase in transparency and reduction in investment risk. The raised new capital will allow to implement larger projects.

The agricultural investment company will be created on the basis of 17 companies (altogether they own about 2.9 thousand hectare of land) owned by Invalda LT, AB. The real estate investment company should be created on the basis of currently operating company Invaldos Nekilnojamojo Turto Fondas, AB. At the present Invalda LT group owns real estate objects in Lithuania with the total area of 50 thousand square meters. The first investment of the IT investment company would be 80 percent of shares in BAIP Group. This group currently owns companies in Lithuania, Norway and Tanzania. Moreover, it has implemented projects in more than 50 countries.

Invalda LT, AB will concentrate on asset management business and will seek to receive the main income from the management activity. The other step could be a separation of the remaining assets. On this basis a new private equity investment company could be established or the remaining assets could be sold. Money generated by assets of Invalda LT, AB would be used as the primary capital establishing funds.

At the end of February 2014 the company announced about establishment of Invalda LT Investments, UAB, that will apply for asset management company licence issued by the Bank of Lithuania. On 21 March 2014 the company informed about drawn - up Split-Off Terms of the public joint - stock company Invalda LT. According to the terms, three companies INVL Baltic Farmland, INVL Baltic Real Estate and INVL Technology, presently comprising 47,95% of Invalda LT assets calculated in book values, will be split-off from Invalda LT. The shareholders of Invalda LT will have to vote on approval of the split - off terms.

## V. OTHER INFORMATION

### 25. 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.

### 26. Information on audit company

The company have not approved criteria for selection of the audit company. Usually the big-four audit companies are attending the competition (Deloitte, KPMG, PricewaterhouseCoopers, Ernst and Young). PricewaterhouseCoopers, UAB provided audit services on the company's and consolidated financial statements for 2013. In the Extraordinary Shareholders' Meeting of the company held 20 November 2012 the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial years of 2012 –2013. It was decided to set remuneration of LTL 111 000 (one hundred eleven thousand) (EUR 32 148) plus VAT for the audit of each year's annual financial statements. In case additional services are provided under the agreement on the audit services, additional remuneration is paid to the audit company. The additional remuneration will be determined according to hourly rates of PricewaterhouseCoopers, UAB employees.

Audit company	PricewaterhouseCoopers, UAB
Address of the registered office	J. Jasinskio str. 16B, LT-03163 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.

### 27. Data on the publicly disclosed information

The information publicly disclosed of Invalda LT, AB during 2013 is presented on the company's website [www.invaldalt.com](http://www.invaldalt.com)

Table 27.1. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
14-01-2013	Invalda AB investor's calendar for 2013
13-02-2013	On acquisition of own shares
13-02-2013	Notification on the drawn - up terms of the public joint - stock company INVALIDA split-off
21-02-2013	Notification of Invalda AB on the acquisition of voting rights
22-02-2013	Unaudited results of Invalda AB group for the period of 12 months ending on December 31, 2012
05-03-2013	On the completion of the share buy - back program of Invalda AB
08-03-2013	On the shareholding in Invalda AB
12-03-2013	Notifications of Invalda AB on the acquisition of voting rights
18-03-2013	Draft resolutions of the extraordinary General Shareholders Meeting of the public joint-stock company INVALIDA
18-03-2013	Convocation of the extraordinary General Shareholders Meeting of the public joint - stock company INVALIDA
21-03-2013	On the share redemption procedure
08-04-2013	Convocation of the Ordinary General Shareholders Meeting of the public joint - stock company INVALIDA



09-04-2013	Draft resolutions of the General Shareholders Meeting of the public joint - stock company INVALDA
09-04-2013	Resolutions of the Extraordinary General Shareholders Meeting of the public joint - stock company INVALDA.
09-04-2013	On the share redemption procedure and price
30-04-2013	Resolutions of the General Shareholders Meeting of the public joint - stock company INVALDA
30-04-2013	Annual information of the public joint - stock company INVALDA
06-05-2013	Draft resolutions of the Extraordinary General Shareholders Meeting of the public joint - stock company Invalda Privatus Kapitalas
06-05-2013	Convocation of the General Shareholders Meeting of the public joint - stock company Invalda Privatus Kapitalas
06-05-2013	Draft resolutions of the Extraordinary General Shareholders Meeting of the public joint-stock company INVALDA, participating in the split-off continuing activity after the split-off under the new name Invalda LT
06-05-2013	Convocation of the Extraordinary General Shareholders Meeting of the public joint - stock company INVALDA, participating in the split - off continuing activity after the split - off under the new name Invalda LT
20-05-2013	Notifications of Invalda AB on the disposal and acquisition of voting rights
20-05-2013	Notification on transaction concluded by manager of the company
22-05-2013	Updated draft resolutions of the General Shareholders Meeting of the public joint - stock company Invalda Privatus Kapitalas, general voting bulletin
22-05-2013	Regarding Candidates nominated to the Boards of Invalda LT, AB and Invalda Privatus Kapitalas, AB
22-05-2013	Updated draft resolutions of the Extraordinary General Shareholders Meeting of the public joint - stock company INVALDA, general voting bulletin
22-05-2013	Darius Sulnis was elected as the president of INVALDA, AB
24-05-2013	Notification of Invalda AB on the acquisition of voting rights
24-05-2013	On the completion of the share redemption procedure of Invalda, AB
27-05-2013	Unaudited results of Invalda AB group for the period for 3 months of 2013
27-05-2013	Amended draft resolutions of the Extraordinary General Shareholders Meeting of the public joint - stock company INVALDA
27-05-2013	On the shareholding in INVALDA, AB and total amount of voting rights of the Company's shares
28-05-2013	Resolutions of the General Shareholders Meeting of the public joint - stock company Invalda Privatus Kapitalas
28-05-2013	Resolutions of the Boards of Invalda LT, AB and Invalda Privatus Kapitalas, AB
28-05-2013	Resolutions adopted by the Extraordinary General Shareholders Meeting of the public joint - stock company INVALDA
31-05-2013	On the amended Articles of Association and total amount of voting rights
31-05-2013	Notification of a group on the disposal and acquisition of voting rights
03-06-2013	On the assets of Invalda LT, AB
05-06-2013	Notification on transaction concluded by manager of the company
05-06-2013	On the mandatory tender offer to buy up shares in Vilniaus Baldai, AB
05-06-2013	On the notification about a mandatory tender offer
05-06-2013	Notification of a group on the acquisition of voting rights
18-06-2013	On the short - term loan and pledge of shares in Vilniaus Baldai, AB
26-06-2013	On the approval of the circular of the non - competitive mandatory tender offer
27-06-2013	Summary mandatory tender offer circular to buy up shares in Invalda LT, AB
01-07-2013	Opinion of the Board of Invalda LT, AB on the tender offer to buy up shares in the company
09-07-2013	The Bank of Lithuania registered the tender offer circular to buy up shares in Vilniaus Baldai, AB
17-07-2013	On the Statement on the official tender offer implementation

29-07-2013	Invalda LT, AB will acquire shares in Vilniaus baldai, AB for the total amount of LTL 12 million
01-08-2013	On the completion of the official tender offer to buy up shares in Vilniaus baldai, AB
08-08-2013	Draft resolutions of the General Shareholders Meeting of the public joint - stock company Invalda LT
08-08-2013	Convocation of the Extraordinary General Shareholders Meeting of the public joint - stock company Invalda LT
16-08-2013	Updated draft resolutions of the Extraordinary General Shareholders Meeting of Invalda LT, AB, general voting bulletin
16-08-2013	Regarding Candidates proposed to the Audit Committee of Invalda LT, AB
30-08-2013	Unaudited results of Invalda LT, AB group for the period for 6 months of 2013
30-08-2013	Resolutions adopted by the Extraordinary General Shareholders Meeting of Invalda LT, AB
18-09-2013	On acquisition of own shares
07-10-2013	Notification on transactions in issuer's securities
07-10-2013	Invalda LT, AB will buy-back 7.42 % shares
10-10-2013	Amount of voting rights in Invalda LT, AB
29-11-2013	Unaudited results of Invalda LT, AB group for the period for 9 months of 2013
12-12-2013	Invalda LT, AB will concentrate on asset management business
12-12-2013	Regarding analysis of the strategic alternatives, related to shares of Litagra, UAB, held by the company
12-12-2013	On acquisition of own shares
20-12-2013	Notification on the largest shareholders of Invalda LT, AB
20-12-2013	Notification on transactions in issuer's securities
20-12-2013	Invalda LT, AB will buy-back 0.78% shares
30-12-2013	Amount of voting rights in Invalda LT, AB
30-12-2013	Invalda LT, AB investor's calendar for the 2014

Table 27.2. Summary of the notifications on transactions in Invalda LT, AB shares concluded by managers of the Company during 2013

Date	Person	Number of securities	Security price	Total value of transaction	Form of transaction	Type of transaction	Placement of transaction
14-05-2013	Darius Sulnis	1,765,000	7.74 (LTL)	13,661,100 (LTL)	transfer	Increase of share capital by share contribution	XOFF
14-05-2013	Lucrum Investicija, UAB	1,765,000	7.74 (LTL)	13,661,100 (LTL)	acquisition	Increase of share capital by share contribution	XOFF
05-06-2013	Lucrum Investicija, UAB	266,321	5.75 (LTL)	1,531,894.30 (LTL)	acquisition	repurchase agreement	XOFF
07-10-2013 (order was placed on 24-09-2013)	LJB Investment, UAB	624,150	2.90 (EUR)	1,810,035.00 (EUR)	transfer	purchase - sale	AUTO
07-10-2013 (order was placed on 24-09-2013)	Lucrum Investicija, UAB	337,350	2.90 (EUR)	978,315.00 (EUR)	transfer	purchase - sale	AUTO
14-12-2013	Alvydas Banys	716,839	12.08 (LTL)	8,662,855.94 (LTL)	acquisition	purchase - sale	XOFF
16-12-2013	Alvydas Banys	60,000	12.08 (LTL)	725,088.00 (LTL)	acquisition	purchase - sale	XOFF
16-12-2013	Alvydas Banys	854,537	12.08 (LTL)	10,326,908.74 (LTL)	acquisition	purchase - sale	XOFF
16-12-2013	Indre Miseikyte	455,075	12.08 (LTL)	5,499,490.36 (LTL)	acquisition	purchase - sale	XOFF

16-12-2013	Indre Miseikyte	455,075	12.08 (LTL)	5,499,490.36 (LTL)	transfer	repurchase agreement	XOFF
16-12-2013	Darius Sulnis	455,075	12.08 (LTL)	5,499,490.36 (LTL)	transfer	purchase - sale	XOFF
16-12-2013	Darius Sulnis	910,150	12.08 (LTL)	10,998,980.72 (LTL)	transfer	purchase - sale	XOFF
16-12-2013	Darius Sulnis	854,537	12.08 (LTL)	10,326,908.74 (LTL)	transfer	purchase - sale	XOFF
16-12-2013	Lucrum Investicija, UAB	455,075	12.08 (LTL)	5,499,490.36 (LTL)	acquisition	repurchase agreement	XOFF
16-12-2013	Lucrum Investicija, UAB	910,150	12.08 (LTL)	10,998,980.72 (LTL)	acquisition	repurchase agreement	XOFF
20-12-2013	Alvydas Banys	118,624	12.08 (LTL)	1,433,547.32 (LTL)	acquisition	purchase - sale	XOFF
20-12-2013	Alvydas Banys	1,750,000	12.08 (LTL)	21,148,400.00 (LTL)	transfer	repurchase agreement	XOFF
20-12-2013	Lucrum Investicija, UAB	118,624	12.08 (LTL)	1,433,547.32 (LTL)	transfer	purchase - sale	XOFF
20-12-2013	Lucrum Investicija, UAB	1,750,000	12.08 (LTL)	21,148,400.00 (LTL)	acquisition	repurchase agreement	XOFF

**Explanations:**

XOFF – OTC trade.

AUTO – automatched deals on the stock exchange

Managers of the company and closely related persons:

- Alvydas Banys – Chairman of the Board;
- Indre Miseikyte – Member of the Board;
- Darius Sulnis – Member of the Board, the president;
- Lucrum Investicija, UAB – legal entity, related to Darius Sulnis;
- LJB Investments, UAB – legal entity, related to Alvydas Banys.

The president



Darius Šulnis

**APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS**

Company	Registration information	Type of activity	Contact details
<b>FURNITURE MANUFACTURING SECTOR</b>			
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 5 252 5700 Fax +370 2 31 1130 E-mail <a href="mailto:info@vilniausbaldai.lt">info@vilniausbaldai.lt</a> <a href="http://www.vilniausbaldai.lt">www.vilniausbaldai.lt</a>
Ari-Lux, UAB	Code 120989619 Address Savanorių pr. 178, Vilnius Legal form – private limited liability company Registration date 28.10.1991	fitting packing	Telephone / Fax +370 2 52 5744
<b>REAL ESTATE SECTOR</b>			
Invalidos Nekilnojamojo Turto Fondas, AB	Code 152105644 Registration address A. Juozapaviciaus str. 6/2, Vilnius Office address – Seimyniskiu str. 1A, Vilnius Legal form – public limited liability company Registration date 28.01.1997	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
INTF Investicija, UAB	Code 300643227 Registration address A. Juozapaviciaus str. 6, Vilnius Office address - Palangos str. 4, Vilnius Legal form – private limited liability company Registration date 02.02.2007	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
Rovelija, UAB	Code 302575846 Registration Address Palangos str. 4, Vilnius Office address – Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
Perspektyvi Veikla, UAB	Code 302607087 Address Kalvariju str. 11-20, Vilnius Residence address - Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 25.03.2011	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
Sago, UAB	Code 301206878 Registration address Seimyniskiu str. 3, Vilnius; Residence address - Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 31.10.2007	investments into commercial rental real estate	Telephone +370 5 273 3278 Fax +370 5 279 0530
<b>AGRICULTURAL LAND SECTOR</b>			
Ekotra, UAB	Code 303112623 Registration address Seimyniskiu str. 1A, Vilnius; Office Kestucio 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71 080 E-mail <a href="mailto:info@ekotra.lt">info@ekotra.lt</a>

Company	Registration information	Type of activity	Contact details
<b>AGRICULTURAL LAND SECTOR</b>			
Puskaitis, UAB	Code 303112769 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71080 E-mail info@ekotra.lt
Zemynele, UAB	Code 303112559 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail info@ekotra.lt
Kvietukas, UAB	Code 303112678 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71080 E-mail info@ekotra.lt
Lauknesys, UAB	Code 303112655 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71080 E-mail info@ekotra.lt
Vasarojus, UAB	Code 303004626 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71080 E-mail info@ekotra.lt
Laukaitis, UAB	Code 303112694 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71080 E-mail info@ekotra.lt
Ziemkentys, UAB	Code 303112648 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71080 E-mail info@ekotra.lt

Company	Registration information	Type of activity	Contact details
AGRICULTURAL LAND SECTOR			
Zemgale, UAB	Code 303112744 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 620 71080 E-mail info@ekotra.lt
Avizele, UAB	Code 303113077 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail info@ekotra.lt
Berzyte, UAB	Code 303112915 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail info@ekotra.lt
Duonis, UAB	Code 303112790 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail info@ekotra.lt
Pusaitis, UAB	Code 3031131032 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail info@ekotra.lt
Zalve, UAB	Code 303113045 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail info@ekotra.lt
Seja, UAB	Code 303113013 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail info@ekotra.lt

Company	Registration information	Type of activity	Contact details
<b>AGRICULTURAL LAND SECTOR</b>			
Dirvolika, UAB	Code 303112954 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail <a href="mailto:info@ekotra.lt">info@ekotra.lt</a>
Linaziede, UAB	Code 303112922 Registration address Seimyniskiu str. 1A, Vilnius; Residence address Kestucio str. 26-414, Kaunas. Legal form – private limited liability company; Registration date 01.08.2013	investments into agricultural land. Rent of the agricultural land.	Telephone +370 62071080 E-mail <a href="mailto:info@ekotra.lt">info@ekotra.lt</a>
<b>AGRICULTURAL SECTOR</b>			
Litagra, UAB	Code 123496364 Address Savanoriu pr. 173, Vilnius; Legal form – private limited liability company Registration date 30.01.1996	investments into agriculture companies	Telephone +370 5 236 1600 Fax +370 2 36 1601 E-mail <a href="mailto:office@litagra.lt">office@litagra.lt</a> <a href="http://www.litagra.lt">www.litagra.lt</a>
<b>INFORMATION TECHNOLOGY SECTOR</b>			
BAIP Group, 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 5 219 0000 Fax +370 219 5900 E-mail <a href="mailto:info@baipgrupe.lt">info@baipgrupe.lt</a> <a href="http://www.baipgrupe.lt">www.baipgrupe.lt</a>
Informatikos Pasaulis, UAB	Code 126396718 Address Juozapaviciaus str. 6 / Slucko str. 2, Vilnius Legal form – private limited liability company Registration date 11.12.2003	investments into information technology companies	Telephone +370 5 277 9700 Fax +370 2 77 9725 E-mail <a href="mailto:info@infopasaulis.lt">info@infopasaulis.lt</a> <a href="http://www.infopasaulis.lt">www.infopasaulis.lt</a>
Acena, 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 5 275 9647 Fax +370 2 73 5106 E-mail <a href="mailto:info@acena.lt">info@acena.lt</a> <a href="http://www.acena.lt">www.acena.lt</a>
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 5 219 0000 Fax +370 5 219 5900 E-mail <a href="mailto:info@baip.lt">info@baip.lt</a> <a href="http://www.baip.lt">www.baip.lt</a>
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 <a href="mailto:nrd@nrd.no">nrd@nrd.no</a> <a href="http://www.nrd.no">www.nrd.no</a>



Company	Registration information	Type of activity	Contact details
<b>INFORMATION TECHNOLOGY SECTOR</b>			
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 5 231 0731 Fax +370 5 231 0730 E-mail <a href="mailto:info@nrd.lt">info@nrd.lt</a> <a href="http://www.nrd.lt">www.nrd.lt</a>
NRD CS, UAB	Code 303115085 Address A. Juozapaviciaus str. 6, Vilnius Legal form – private limited liability company Registration date 06.08.2013	cyber security services	Tel. +370 5 219 0000 E-mail <a href="mailto:info@nrdfs.lt">info@nrdfs.lt</a> <a href="http://www.nrdfs.lt">www.nrdfs.lt</a>
Norway Registers Development East Africa Limited	Code 88597 Adresas P.O. Box 71914, Plot No 416/129 Nkrumah St, Dar es Salaam, Tanzania	creation of new registers in various countries. providing consultancy on the information system implementation	Telephone. +255 719 25 30 37 E-mail <a href="mailto:info@nrd.no">info@nrd.no</a> <a href="http://www.nrd.co.tz">www.nrd.co.tz</a>
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 5 219 0000 Fax +370 5 219 5900
<b>FACILITY MANAGEMENT SECTOR</b>			
Inservis, UAB	Code 126180446 Residence address Palangos str. 4, Vilnius Legal form – private limited liability company Registration date 25.03.2003	facility management, engineering systems oversight and incidents management, multi- apartment house management	Telephone +370 5 273 6607 E-mail <a href="mailto:prieziura@inservis.lt">prieziura@inservis.lt</a> <a href="http://www.inservis.lt">www.inservis.lt</a>
Priemiestis, UAB	Code 221487620 Address Skydo str. 30, Vilnius Legal form – private limited liability company Registration date 09.07.1992	facility management, engineering systems oversight and incidents management, multi- apartment house management	Telephone +370 5 267 0204 Fax +370 5 267 2941 E-mail <a href="mailto:info@priemiestis.lt">info@priemiestis.lt</a> <a href="http://www.priemiestis.lt">www.priemiestis.lt</a>
Jurita, UAB	Code 220152850 Address Justiniskiu str. 62, Vilnius Legal form – private limited liability company Registration date 28.12.1990	Facility management, engineering systems oversight and incidents management, multi- apartment house management	Telephone +370 5 248 2088 E-mail <a href="mailto:info@jurita.lt">info@jurita.lt</a> <a href="http://www.jurita.lt">www.jurita.lt</a>
Naujosios Vilnios Turgaviete, UAB	Code 302650163 Address Skydo str. 30, Vilnius Legal form – private limited liability company Registration date 26.07.2011	market-places management	Telephone +370 5 267 0204 E-mail <a href="mailto:info@priemiestis.lt">info@priemiestis.lt</a> <a href="mailto:buch.priemiestis@takas.lt">buch.priemiestis@takas.lt</a>



Company	Registration information	Type of activity	Contact details
OTHER COMPANIES			
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 <a href="mailto:info@keliozenklai.lt">info@keliozenklai.lt</a> <a href="http://www.keliozenklai.lt">www.keliozenklai.lt</a>
IPP Integracijos Projektai, UAB	Code 302890482 Adress Palangos str. 4, Vilnius Legal form – private limited liability company Registration date 12.10.2012	facilities management	Telephone +370 5 273 6607 E-mail <a href="mailto:prieziura@inservis.lt">prieziura@inservis.lt</a>
Imonių Grupe Inservis, UAB	Code 301673796 Address Seimyniskiu 1A, Vilnius; Legal form – private limited liability company Registration date 07.04.2008	investing in building maintenance companies	Telephone +370 5 263 6129 Fax +370 5 279 0530
Aktyvo, UAB	Code 301206846 Registration address Seimyniskiu str. 3, Vilnius; Residence address Address Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 31.10.2007	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 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 5 263 6129 Fax +370 5 279 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 5 263 6129 Fax +370 5 279 0530
Iniciatyvos Fondas, VSI	Code 300657209 Address Seimyniskiu str. 1A, Vilnius Legal form – public institution Registration date 08.03.2007	organising of social initiative programmes	Telephone +370 5 263 6129 Fax +370 5 279 0530 E-mail <a href="mailto:info@iniciatyvosfondas.lt">info@iniciatyvosfondas.lt</a> <a href="http://www.iniciatyvosfondas.lt">www.iniciatyvosfondas.lt</a>
MBGK, UAB	Code 300083611 Address Seimyniskiu str. 1A. Vilnius Legal form – private limited liability company Registration date 27.2005.01	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
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 5 263 6129 Fax +370 5 279 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 +370 5 263 6129 Fax +370 5 279 0530

Company	Registration information	Type of activity	Contact details
<b>OTHER COMPANIES</b>			
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 5 263 6129 Fax +370 5 279 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 5 263 6129 Fax +370 5 279 0530
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 5 263 6129 Fax +370 5 279 0530
Cedus Invest, UAB	Code 302576631 Address Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into agriculture companies	Tel. +370 5 263 6129 Fax +370 5 279 0530
Invalda LT Investments, UAB	Code 303252237 Address Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 27.02.2014	it is assumed to engage in an activity as an asset management company	Tel. +370 5 279 0601 Fax +370 5 279 0530
INVL Baltic Real Estate, UAB	Code 303252098 Address Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Tel. +370 5 279 0601 Fax +370 5 279 0530
INVL Baltic Farmland, UAB	Code 303252162 Address Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Tel. +370 5 279 0601 Fax +370 5 279 0530
INVL Technology, UAB	Code 303252340 Address Seimyniskiu str. 1A, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Tel. +370 5 279 0601 Fax +370 5 279 0530
Laikinosios Sostines Projektai, UAB	In bankruptcy		

## APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

Invalda LT 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
<b>Principle I: Basic Provisions</b> <b>The overriding objective of a Company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
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.
<b>Principle II: The corporate governance framework</b> <b>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.</b>		
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 depart 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.
<b>Principle III: The order of the formation of a collegial body to be elected by a General Shareholders' Meeting.</b> <b>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</b>		

<b>objective monitoring of the Company's operation and its management bodies.</b>		
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	<p>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.</p> <p>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.</p> <p>Information about current members of the Board, their educational background, qualification, professional experience, participation in other companies is disclosed in Company's website.</p>
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 Remuneration Committee should have knowledge of and experience in the field of remuneration policy.	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.

<p>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.</p>	<p>No</p>	<p>Presently, members of the Board do not perform the assessment of their skills and knowledge.</p>
<p>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.</p>	<p>No</p>	<p>Independency of the elected Board members is not assessed and the content of independent members' sufficiency isn't set either.</p>
<p>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:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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);</li> <li>4) he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC</li> </ol>	<p>No</p>	<p>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.</p>

<p>Article 1 Part 1);</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>8) he/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>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.</p>		
<p>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.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to</p>	<p>No</p>	<p>No Board members' independency assessment and announcement practice is applicable in the Company.</p>



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.
<b>Principle IV: The duties and liabilities of a collegial body elected by the General Shareholders' Meeting</b> <b>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.</b>		
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 held in other companies) in such a manner they do not interfere with proper performance of duties of a member of	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 any other companies.



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.		
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 for agreements 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 advise 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 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	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.

<p>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.</p>		
<p>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.</p>		
<p>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.</p>		
<p>4.10. Authority of each of the committees should be determined by the collegial body. Committees</p>		

<p>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.</p>		
<p>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.</p>		
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the Nomination Committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) properly consider issues related to succession planning;</li> <li>5) review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>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)</p>		

<p>and senior management, Chief Financial Officer of the company should be consulted by, and entitled to submit proposals to the Nomination Committee.</p>		
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the Remuneration Committee should be the following:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</p> <p>5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>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);</p> <p>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.</p> <p>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:</p>		

<p>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;</p> <p>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;</p> <p>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.</p> <p>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.</p> <p>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.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the Audit Committee should be the following:</p> <p>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);</p> <p>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;</p> <p>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 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;</p> <p>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;</p> <p>5) monitor independence and impartiality of the</p>	<p>Yes</p>	<p>The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Audit Committee should be the following:</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- monitor the process of external audit;</li> <li>- monitor how the external auditor and Audit Company follow the principles of independence and objectivity;</li> <li>- observe the process of preparation of financial reports of the Company;</li> <li>- 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;</li> <li>- monitor the implementation of the audit firm's recommendations and comments imposed by the Board and the manager of the company.</li> </ul> <p>In conducting of the mentioned above functions, the Audit committee supervises the process of 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 committee analyzes the independence and other criterias of the potential auditors and gives the necessary conclusions to the management.</p> <p>Each year the Audit committee prepares activity report on the main conclusions regarding Company's activity.</p>

<p>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;</p> <p>6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>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.</p> <p>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.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors.</p> <p>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.</p> <p>4.14.6. The Audit Committee should examine whether the company is following applicable</p>		
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<p>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.</p> <p>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.</p>		
<p>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.</p>	<p>Yes</p>	<p>Once a year the Board conducts its performance evaluation.</p> <p>The structure of the Board did not change within the last year, but the member of the of the Board has changed. Procedure of work performance of the Board its Members consider as positive. Each Member of the Board actively participates in the Meetings of Board and devotes sufficient time and attention to perform his duties as the Member of the Board. Members of the Board attend the Meeting in person or by distance, if the Members could not attend the Meeting, they get acquainted with the related documents of the Meeting in advance or vote in writing.</p> <p>During the year 2013 the Board analyzed available information, discussed and adopted decisions concerning essential matters of Invalda LT AB and its group.</p> <p>Considering that the share price of Invalda LT, AB in the market is often smaller than the total value of separate assets and investors are not able to choose assets or businesses they want to invest to or select the wanted risk profile and the term of their investments, the Board of Invalda LT, AB in December 2013 decided to analyse abilities related with the establishment of the new asset management model. After approval of the shareholders of Invalda LT, AB 3 companies holding homogenous assets is planned to separate from Invalda LT, AB. These companies will apply for a closed-end investment companies license issued by the Bank of Lithuania. The split-off is implemented in order to switch company's activity to the classical asset management model structure. The Board of Invalda LT, AB believes that new business model is optimal for the development of sustainable business and value creation, and it best corresponds to interests of investors and other stakeholders.</p>
<p><b>Principle V: The working procedure of the Company's collegial bodies.</b></p> <p><b>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.</b></p>		
<p>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</p>	<p>Yes</p>	<p>The activity of the Board is chaired by the chairman who is also responsible 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</p>



these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.		or they are related with ordinary functions of the Board prescribed by legal acts.
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 <sup>6</sup> .	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-ordinating 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.
<b>Principle VI: The equitable treatment of shareholders and shareholder rights.</b> <b>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.</b>		
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	Yes	Shares which compose the authorised capital of the Company grant equal rights to all shareholders.

<sup>6</sup>-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.



other rights to all their holders.		
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 Shareholders' 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.
<b>Principle VII: The avoidance of conflicts of interest and their disclosure</b> <b>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.</b>		
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.		
<b>Principle VIII: Company's remuneration policy</b> <b>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.</b>		
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	<p>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.</p> <p>Information about the benefits and loans for the members of the management bodies is provided in the periodical reports, financial statements.</p>
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.		
<p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) an explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>5) sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>6) sufficient information on the linkage between the remuneration and performance;</li> <li>7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) sufficient information on the policy regarding termination payments;</li> <li>9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the</li> </ol>		

<p>establishment of the remuneration policy of the company concerned;</p> <p>12) a description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) remuneration statement should not include commercially sensitive information.</p>		
<p>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.</p>		
<p>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.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- the remuneration and advantages received from any undertaking belonging to the same group;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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;</li> <li>- total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>- the number of share options offered or shares granted by the company during the relevant</li> </ul>		

<p>financial year and their conditions of application;</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- 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;</li> <li>- all changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>- when the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>- 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.</li> </ul> <p>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.</p>		
<p>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.</p>		
<p>8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.</p>		
<p>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.</p>		
<p>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.</p>		
<p>8.10. Termination payments should not exceed a</p>		

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	Not applicable	In 2013 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

<p>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.</p>		<p>were not applied in the Company.</p>
<p>8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting:</p> <ol style="list-style-type: none"> <li>1) grant of share-based schemes, including share options, to directors;</li> <li>2) determination of maximum number of shares and main conditions of share granting;</li> <li>3) the term within which options can be exercised;</li> <li>4) the conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>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.</li> </ol>		
<p>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.</p>		
<p>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.</p>		
<p>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</p>		



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.		
<b>Principle IX: The role of stakeholders in corporate governance</b> <b>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.</b>		
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 disclosed in line with requirements 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.		
<b>Principle X: Information disclosure and transparency</b> <b>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.</b>		



<p>10.1. The company should disclose information on:</p> <ol style="list-style-type: none"> <li>1) the financial and operating results of the company;</li> <li>2) company objectives;</li> <li>3) persons holding by the right of ownership or in control of a block of shares in the company;</li> <li>4) members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration;</li> <li>5) material foreseeable risk factors;</li> <li>6) transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</li> <li>7) material issues regarding employees and other stakeholders;</li> <li>8) governance structures and strategy.</li> </ol> <p>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.</p>	<p>Yes</p>	<p>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.</p>
<p>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.</p>		
<p>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.</p>		
<p>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.</p>		
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended</p>	<p>Yes</p>	<p>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.</p>

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.
<b>Principle XI: The selection of the Company's auditor</b> <b>The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
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.