INVALDA INVL

Public joint-stock company Invalda INVL

CONFIRMATION OF RESPONSIBLE PERSONS

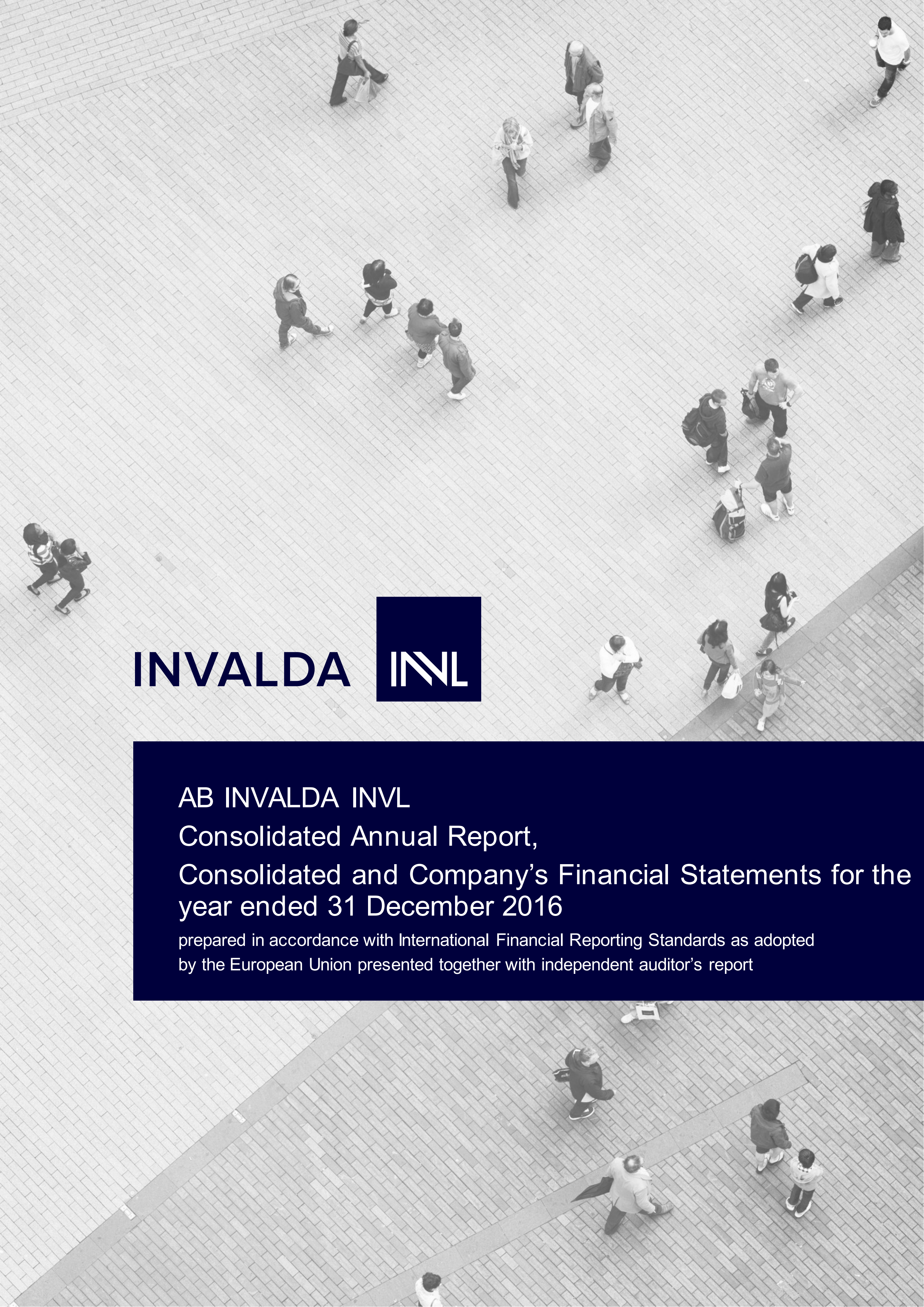
7 April 2017

Following the Rules on Preparation And Submission Of Periodic And Additional Information of the Bank of Lithuania and the Law on Securities (article 22) of the Republic of Lithuania, management of Invalda INVL, AB hereby confirms that, to the best our knowledge, the attached Consolidated and Company's Financial Statements for 2016 are prepared in accordance with International Financial Reporting Standarts (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss of Invalda INVL 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. Audited annual information (Consolidated and Company's Financial Statements for 2016, Consolidated Annual Report for 2016).

President	Darius Šulnis
Chief Financier	Raimondas Rajeckas



INVALDA INVL

AB INVALDA INVL

Consolidated Annual Report,

Consolidated and Company's Financial Statements for the year ended 31 December 2016

prepared in accordance with International Financial Reporting Standards as adopted by the European Union presented together with independent auditor's report

Translation note:

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

CONTENTS

Independent auditor's report

To the shareholders of INVL Invalda AB

Our opinion

In our opinion, the stand-alone and consolidated financial statements present fairly, in all material respects the stand-alone and consolidated financial position of INVL Invalda AB ("the Company") and its subsidiaries ("the Group") as at 31 December 2016, and their stand-alone and consolidated financial performance and their stand-alone and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited
The stand-alone and consolidated financial statements (together "the financial statements") comprise:

- the stand-alone and consolidated statements of financial position as at 31 December 2016;
- the stand-alone and consolidated income statements and statements of comprehensive income for the year then ended;
- the stand-alone and consolidated statements of changes in equity for the year then ended;
- the stand-alone and consolidated statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the Law on Audit of the Republic of Lithuania that are relevant to our audit of the financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law on Audit of the Republic of Lithuania

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Our audit approach

Overview

- Overall Company and Group materiality is €520 thousand

- We or component auditor, working under our instructions, conducted full scope audit work at 4 reporting units: 3 in Lithuania and 1 in Latvia.
- Our audit scope covered 98% of the Group's revenues and 99% of the Group's total assets.

- Valuation of unlisted equity investments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the stand-alone and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company and Group materiality	Overall Company and Group materiality: €520 thousand
How we determined it	1% of the Company's and the Group's total equity
Rationale for the materiality benchmark applied	We chose the Company's and the Group's equity as a benchmark because, in our view, it is an appropriate measure of the size of the entity, and changes in it indicate the performance of the Company and Group. Therefore, the value of equity and changes in it are commonly utilised by stakeholders of investment companies, and they are generally accepted benchmarks. The key driver of the business and determinant of the Company's and the Group's value is the

value of investments into various equity instruments. For this reason, the key area of focus in the audit of the financial statements of the Company and the Group is the valuation of equity investments. We chose 1%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €26 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of unlisted equity investments *Refer to page 40 (Note 2.30 'Significant accounting estimates and judgments') and pages 63 - 67 (Note 12 'Fair value estimation').* We focused on this area due to the size of the balance of unlisted financial instruments measured at fair value (€20,820 thousand at the Company and the Group as at 31 December 2016), and because the management's assessment of their fair value involves judgements in respect of selection of valuation techniques and use of significant valuation inputs that are not quoted or otherwise observable in the financial markets (and defined as being Level 3 inputs in the fair value measurement hierarchy by IFRS 13). Those significant valuation inputs include EBITDA (earnings before interests, tax, depreciation and amortisation) of the equity investments, EBITDA multiples and discounts for the lack of marketability. In 2016, the Company's and the Group's net gain from fair value changes of Level 3 financial instruments recognised in the income statement amounted to €109 thousand. We focused our audit efforts on the fair value estimations of investments in agricultural and facility management industries, the carrying amount of which was €19,855 thousand as at 31 December 2016.	We assessed the design and operating effectiveness of the Company' and the Group's key controls supporting identification, measurement and oversight of valuation risk of financial instruments. We evaluated the appropriateness of methodologies and key assumptions and inputs used by the Company and the Group in valuation of each unlisted equity investment. In respect of the investments in agriculture (Litagra group) and facility management (Inservis group), with assistance of our own valuation specialists, we performed the following detailed testing: - We agreed EBITDA data to the accounting records of the respective entities; - We compared EBITDA multiples and discounts for the lack of marketability against independent sources and externally available market data; - We assessed the fair values per each model used and compared them against available alternative methods (e.g. recent or planned transaction price), where possible - We verified mathematical accuracy of valuation models by recalculating the fair values. In respect of certain fair value estimations, our view was different from that of management, but, in our opinion, the differences were within a reasonable range of outcomes in the context of the overall

amount of equity investments and the uncertainties disclosed in the financial statements.

We also assessed whether the disclosures in the financial statements in relation to the measurement of the fair values of financial instruments (Level 3), including sensitivities of key inputs, were compliant with the requirements of the relevant accounting standards.

As a result of our work, we noted no material exceptions.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We engaged the network component auditors in Latvia for the audit of INVL Invalda AB's subsidiary in Latvia. We have ourselves audited other Group entities. Our full-scope component audit addressed 98% of the Group's revenues and 99% of the Group's total assets.

Other information

Management is responsible for the other information. The other information comprises the consolidated annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No. 000457

Vilnius, Republic of Lithuania
7 April 2017

DETAILS OF THE COMPANY

Board of Directors

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

Management

Mr. Darius Šulnis (President)
Mr. Raimondas Rajeckas (Chief Financial Officer)

Principal place of business and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 121304349

Banks

AB DNB Bankas
AB Šiaulių Bankas
AB SEB Bankas
"Swedbank" AS
"Swedbank", AB
Nordea Bank AB Lithuania Branch
Nordea Bank AB Latvia Branch
AS "Meridian Trade Bank"
Danske Bank A/S Lithuania Branch
UAB Medicinos Bankas

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 2017.

Mr. Darius Šulnis
President

Mr. Raimondas Rajeckas
Chief Financial Officer

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's income statements

		Group		Company	
	Notes	**2016**	**2015**	**2016**	**Restated 2015**
Revenue	4	5,067	3,593	-	-
Other income	5.3	920	1,141	892	742
Net changes in fair value of financial instruments at fair value through profit loss	5.1	5,176	4,712	5,142	4,709
Employee benefits expenses	4	(3,187)	(2,243)	(541)	(452)
Funds distribution fees		(913)	(629)	-	-
Information technology maintenance expenses		(396)	(239)	(11)	(15)
Depreciation and amortisation	9, 10	(331)	(329)	(7)	(15)
Premises rent and utilities		(305)	(240)	(30)	(37)
Advertising and other promotion expenses		(167)	(389)	-	-
Impairment, write-down and provisions	5.2	(3)	51	3	56
Other expenses	5.4	(1,073)	(995)	(131)	(239)
Operating profit		**4,788**	**4,433**	**5,317**	**4,749**
Finance costs		(15)	(3)	(8)	(3)
Share of net (loss) profit of subsidiaries accounted for using the equity method	3	-	-	(595)	(293)
Profit before income tax		**4,773**	**4,430**	**4,714**	**4,453**
Income tax expense	6	(3)	(242)	56	(265)
NET PROFIT FOR THE YEAR		**4,770**	**4,188**	**4,770**	**4,188**
Attributable to:					
Equity holders of the parent		4,770	4,188	4,770	4,188
Basic earnings per share (in EUR)	7	0.41	0.36	0.41	0.36
Diluted earnings per share (in EUR)	7	0.41	0.36	0.41	0.36

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of comprehensive income

	Group		Company	
	2016	**2015**	**2016**	**Restated 2015**
NET PROFIT FOR THE YEAR	**4,770**	**4,188**	**4,770**	**4,188**
Net other comprehensive income that may be subsequently reclassified to profit or loss	-	-	-	-
Net other comprehensive income not to be reclassified to profit or loss	-	-	-	-
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**4,770**	**4,188**	**4,770**	**4,188**
Attributable to:				
Equity holders of the parent	4,770	4,188	4,770	4,188

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of financial position

	Notes	Group As at 31 December 2016	As at 31 December 2015	Company As at 31 December 2016	Restated As at 31 December 2015	Restated As at 31 December 2014
ASSETS						
Non-current assets						
Property, plant and equipment	9	72	83	2	6	12
Intangible assets	10	3,749	4,044	6	4	13
Investments into subsidiaries	1, 12 , 3	5,449	5,765	12,962	12,369	14,709
Investments into associates	1, 12, 3	23,554	14,897	23,554	14,897	14,855
Investments available-for-sale	13	494	494	494	494	494
Loans granted	14	-	6,245	-	6,245	6,655
Financial assets at fair value through profit loss	12, 13	14,485	12,181	14,485	12,181	-
Deferred income tax asset	6	778	758	164	137	402
Total non-current assets		**48,581**	**44,467**	**51,667**	**46,333**	**37,140**
Current assets						
Trade and other receivables	15	1,285	774	-	2	352
Current loans granted	14	437	801	437	801	1,435
Prepaid income tax		24	3	21	-	-
Prepayments and deferred charges		101	45	48	11	11
Financial assets at fair value through profit loss	12, 13	2,418	1,578	901	513	3,515
Restricted cash	17	103	83	103	83	-
Cash and cash equivalents	16	1,464	1,815	384	1,238	3,292
Total current assets		**5,832**	**5,099**	**1,894**	**2,648**	**8,605**
TOTAL ASSETS		**54,413**	**49,566**	**53,561**	**48,981**	**45,745**
EQUITY AND LIABILITIES						
Equity						
Equity attributable to equity holders of the parent						
Share capital	1, 18	3,441	3,441	3,441	3,441	3,437
Own shares	18	(1,108)	(550)	(1,108)	(550)	-
Share premium		4,996	4,996	4,996	4,996	4,996
Reserves	19	11,944	11,594	11,940	11,594	11,594
Retained earnings		33,408	28,642	33,412	28,642	24,458
Total equity		**52,681**	**48,123**	**52,681**	**48,123**	**44,485**
Liabilities						
Non-current liabilities						
Deferred income tax liability	6	82	76	-	-	-
Total non-current liabilities		**82**	**76**	**-**	**-**	**-**
						-
Current liabilities						
Current borrowings	20	-	-	398	-	-
Trade payables	21	198	336	8	5	32
Income tax payable		61	14	-	-	-
Other current liabilities	22	1,391	1,017	474	853	1,228
Total current liabilities		**1,650**	**1,367**	**880**	**858**	**1,260**
Total liabilities		**1,732**	**1,443**	**880**	**858**	**1,260**
TOTAL EQUITY AND LIABILITIES		**54,413**	**49,566**	**53,561**	**48,981**	**45,745**

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of changes in equity

					Reserves			
Group	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal and other reserves**	**Reserve for acquisition of own shares**	**Retained earnings**	**Total**
Balance as at 31 December 2014		**3,437**	**-**	**4,996**	**473**	**11,121**	**24,458**	**44,485**
Net profit for the year 2015		-	-	-	-	-	4,188	4,188
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**4,188**	**4,188**
Acquired own shares	18	-	(550)	-	-	-	-	(550)
The adjustment of the par value of the shares due to conversion to euro		4	-	-	-	-	(4)	-
Total transactions with owners of the Company, recognised directly in equity		**4**	**(550)**	**-**	**-**	**-**	**(4)**	**(550)**
Balance as at 31 December 2015		**3,441**	**(550)**	**4,996**	**473**	**11,121**	**28,642**	**48,123**
Net profit for the year 2016		-	-	-	-	-	4,770	4,770
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**4,770**	**4,770**
Share-based payments	19	-	-	-	346	-	-	346
Acquired own shares	18	-	(558)	-	-	-	-	(558)
Changes in reserves		-	-	-	4	-	(4)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**(558)**	**-**	**350**	**-**	**(4)**	**(212)**
Balance as at 31 December 2016		**3,441**	**(1,108)**	**4,996**	**823**	**11,121**	**33,408**	**52,681**

(all amounts are in EUR thousand unless otherwise stated)

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

Company	Notes	Share capital	Own shares	Share premium	Reserves: Legal and other reserves	Reserves: Reserve for acquisition of own shares	Retained earnings	Total
Balance as at 31 December 2014 (as previously reported)		**3,437**	**-**	**4,996**	**473**	**11,121**	**24,515**	**44,542**
Changes in accounting policies	2.8	-	-	-	-	-	(57)	(57)
Balance as at 31 December 2014 (restated)		**3,437**	**-**	**4,996**	**473**	**11,121**	**24,458**	**44,485**
Net profit for the year 2015		-	-	-	-	-	4,188	4,188
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**4,188**	**4,188**
Acquired own shares	18	-	(550)	-	-	-	-	(550)
The adjustment of the par value of the shares due to conversion to euro		4	-	-	-	-	(4)	-
Total transactions with owners of the Company, recognised directly in equity		**4**	**(550)**	**-**	**-**	**-**	**(4)**	**(550)**
Balance as at 31 December 2015		**3,441**	**(550)**	**4,996**	**473**	**11,121**	**28,642**	**48,123**
Net profit for the year 2016		-	-	-	-	-	4,770	4,770
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**4,770**	**4,770**
Share-based payments	19	-	-	-	346	-	-	346
Acquired own shares	18	-	(558)	-	-	-	-	(558)
Total transactions with owners of the Company, recognised directly in equity		**-**	**(558)**	**-**	**346**	**-**	**-**	**(212)**
Balance as at 31 December 2016		**3,441**	**(1,108)**	**4,996**	**819**	**11,121**	**33,412**	**52,681**

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of cash flows

	Notes	Group 2016	Group 2015	Company 2016	Company Restated 2015
Cash flows from (to) operating activities					
Net profit for the year		4,770	4,188	4,770	4,188
Adjustment to reconcile result after tax to net cash flows:					
Non-cash:					
Depreciation and amortisation	9, 10	331	329	7	15
Loss (gain) on disposal of property, plant and equipment		-	1	-	-
Realized and unrealized loss (gain) on investments	5.1	(5,176)	(4,712)	(5,142)	(4,709)
Share of net (loss) profit of subsidiaries accounted for using the equity method	3	-	-	595	293
Interest income		(135)	(480)	(121)	(458)
Interest expenses		-	3	8	3
Deferred taxes	6	(58)	228	(56)	265
Current income tax expenses	6	61	14	-	-
Allowances	5.2	3	(51)	(3)	(56)
Share-based payment	19	346	-	173	-
Gain from bargain purchase	3	-	(365)	-	-
Dividend income	5.3	(739)	(249)	(739)	(249)
		(597)	(1,094)	(508)	(708)
Working capital adjustments:					
Decrease (increase) in inventories		-	-	-	-
Decrease (increase) in trade and other receivables		(488)	104	31	448
Decrease (increase) in other current assets		(56)	(15)	(37)	-
Increase (decrease) in trade payables		(144)	138	(3)	(19)
Increase (decrease) in other current liabilities		393	329	(14)	45
Transfer to/from restricted cash		(20)	(83)	(20)	(83)
Cash flows from (to) operating activities		**(912)**	**(621)**	**(551)**	**(317)**
Income tax paid		-	-	**-**	**-**
Net cash flows from (to) operating activities		**(912)**	**(621)**	**(551)**	**(317)**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

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

	Notes	Group 2016	Group 2015	Company 2016	Company Restated 2015
Cash flows from (to) investing activities					
Acquisition of non-current assets (except investment properties)		(38)	(87)	(6)	(1)
Proceeds from sale of non-current assets (except for investment properties)		13	2	1	-
Acquisition and establishment of subsidiaries, net of cash acquired	3	(3)	(1,175)	(1,337)	(1,596)
Proceeds from sales of subsidiaries		53	617	53	617
Proceeds from sales of associates		-	-	-	-
Loans granted		(1,035)	(4,132)	(1,035)	(4,132)
Repayment of granted loans		1,530	3,896	1,530	3,896
Transfer to/from term deposits	16	-	54	-	54
Dividends received		642	249	700	249
Interest received		63	100	49	80
(Acquisition) of financial assets designated at fair value through profit and loss on initial recognition		(726)	(1,847)	(28)	(1,043)
Sale of financial assets designated at fair value through profit and loss on initial recognition		682	472	-	-
(Acquisition) of held-for-trading financial assets		(50)	(602)	(50)	(602)
Sale of held-for-trading financial assets		-	1,298	-	1,298
Net cash flows from (to) investing activities		**1,131**	**(1,155)**	**(123)**	**(1,180)**
Cash flows from (to) financing activities					
Cash flows related to company shareholders:					
Dividends paid to equity holders of the parent		(12)	(4)	(12)	(4)
(Acquisition) of own shares	18	(558)	(550)	(558)	(550)
		(570)	(554)	(570)	(554)
Cash flows related to other sources of financing:					
Proceeds from borrowings		-	1,360	390	1,480
Repayment of borrowings		-	(1,360)	-	(1,480)
Interest paid		-	(3)	-	(3)
		-	(3)	390	(3)
Net cash flows to financing activities		**(570)**	**(557)**	**(180)**	**(557)**
Impact of currency exchange on cash and cash equivalents		**-**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents		**(351)**	**(2,333)**	**(854)**	**(2,054)**
Cash and cash equivalents at the beginning of the year	16	**1,815**	**4,148**	**1,238**	**3,292**
Cash and cash equivalents at the end of the year	16	**1,464**	**1,815**	**384**	**1,238**

(the end)

(all amounts are in EUR thousand unless otherwise stated)

Notes to the financial statements

1. General information

AB Invalda INVL (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:

Gynėjų str. 14,
Vilnius,
Lithuania.

The Company is incorporated and domiciled in Lithuania. AB Invalda INVL is one of the leading asset management groups and one of the major companies investing in other businesses in the Baltic whose primary objective is to steadily increase the investors equity value, solely for capital appreciation or investment income (in the form of dividends and interest). After the Split-off completed in 2014 the Company's main investments are in asset management, agriculture, facility management, real estate (from 2016) and banking activities (latter sold in July 2015) segments. Asset management segment is strategical investment of the Company. The entities of the asset management segment manage pension, bond and equity investments funds, alternative investments, individual portfolios, private equity and other financial instruments. They serve more than 170 thousand clients in Lithuania and Latvia, plus international investors, with total assets under management of over EUR 500 million.

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 Secondary List of NASDAQ Vilnius.

As at 31 December 2016 and 2015 the shareholders of the Company were (by votes)*:

	2016		2015	
	Number of votes held	Percentage	Number of votes held	Percentage
UAB LJB Investments	3,515,855	30.35%	3,612,330	30.82%
Mrs. Irena Ona Mišeikiene	3,369,435	29.08%	3,369,435	28.74%
UAB Lucrum Investicija	2,638,309	22.77%	2,638,309	22.51%
Mr. Alvydas Banys	910,875	7.86%	910,875	7.77%
Ms. Indrė Mišeikytė	236,867	2.04%	236,867	2.02%
Other minor shareholders	915,268	7.90%	954,532	8.14%
Total	11,586,609	100.00%	11,722,348	100.00%

* One shareholder sold part of his shares under repo agreement (so do not hold the legal ownership title of shares), but he retained the voting rights of transferred shares.

The shareholders of the Company – Mr. Alvydas Banys, UAB LJB Investments, Mrs. Irena Ona Mišeikienė, Ms. Indrė Mišeikytė, Mr. Darius Šulnis and UAB Lucrum Investicija – have signed the agreement on the implementation of a long-term corporate governance policy. So their votes are counted together (92.10%).

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each and were fully paid as at 31 December 2016 and 2015. Subsidiaries and associates did not hold any shares of the Company as at 31 December 2016 and 2015.

As at 31 December 2016 the number of employees of the Group was 468 (as at 31 December 2015 – 450). As at 31 December 2016 the number of employees of the Company was 7 (as at 31 December 2015 – 10).

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.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

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

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%) As at 31 December 2016	As at 31 December 2015	Nature of business
Asset management segment:				
UAB INVL Asset Management (previous name - Finasta Asset Management)	Lithuania	100.00	100.00	Pension and investments funds, alternative investments, clients' portfolio management
IPAS INVL Asset Management (previous name - Finasta Asset Management)*	Latvia	100.00	100.00	Pension and investments funds, clients' portfolio management
UAB FMĮ INVL Finasta*	Lithuania	100.00	100.00	Financial brokerage
UAB INVL Farmland Management*	Lithuania	100.00	100.00	Land administration services
UAB Invalda INVL Investment	Lithuania	100.00	100.00	Dormant

* These entities were acquired or established in 2015.

As at 31 December 2016 and 2015 the Group has also the following subsidiaries, which measured at fair value through profit or loss.

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%) As at 31 December 2016	As at 31 December 2015	Nature of business
Facility management segment:				
UAB Inservis	Lithuania	100.00	100.00	Facilities management
UAB IPP Integracijos Projektai*	Lithuania	100.00	100.00	Dormant
UAB Priemiestis*	Lithuania	100.00	100.00	Facilities management
UAB Jurita*	Lithuania	100.00	100.00	Facilities management
UAB Įmonių Grupė Inservis	Lithuania	100.00	100.00	Investment into facilities management entities
Other production and services segments:				
UAB Kelio Ženklai	Lithuania	100.00	100.00	Road signs production, wood manufacturing
VšĮ Iniciatyvos Fondas	Lithuania	100.00	100.00	Social initiatives activities
UAB Aktyvo	Lithuania	54.55	54.55	Management of bad debt
UAB Aktyvus Valdymas	Lithuania	100.00	100.00	Dormant
UAB Cedus Invest	Lithuania	100.00	100.00	Investment into agriculture entity
UAB MGK Invest	Lithuania	100.00	100.00	Dormant
UAB MBGK*	Lithuania	100.00	100.00	Dormant
UAB RPNG	Lithuania	100.00	100.00	Dormant
UAB Regenus	Lithuania	100.00	100.00	Dormant
UAB Consult Invalda	Lithuania	100.00	100.00	Dormant
UAB Cedus	Lithuania	100.00	100.00	Dormant

*These entities are owned indirectly by the Company as at 31 December 2016 and/or 2015.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

The Group has not any significant restriction on ability to access or use its assets and settle its liabilities. The Company has not any significant restriction on the ability of an unconsolidated subsidiary to transfer funds to the Company.

If the unconsolidated subsidiary has liquidity difficulties, the Company grants loans to the subsidiary after analysis of its needs. The Company has not any contractual commitments to provide financial support to unconsolidated subsidiary. In 2015 the Company has not provided any financial support to any unconsolidated subsidiary. In 2016 the Company has granted EUR 312 thousand of loans to maintain the activity of the subsidiaries, from which EUR 70 thousand was repaid.

As at 31 December 2016 the Group has the following associates, which measured at fair value through profit or loss:

Name	Country of incorporation and place of business	Proportion of shares (voting rights) directly/indirectly held by the Company/Group (%)	Nature of business
Agriculture segment:			
UAB Litagra	Lithuania	36.88	The primary crop and livestock (milk) production, grain processing and agricultural services
Real estate segment:			
Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate	Lithuania	32.08	Real estate owner and lessor
Facility management segment:			
UAB Informacinio Verslo Paslaugų Įmonė	Lithuania	36.67	Payments administration for public utilities

As at 31 December 2015 the Group has one associate – UAB Litagra, which activities include the primary crop and livestock (milk) production, grain processing and agricultural services. The Group has owned 36.88% of shares and voting rights of associate. Principal place of business and country of incorporation of UAB Litagra is Lithuania.

UAB Litagra has not any significant restriction on the ability of the associate to transfer funds to the Group as at 31 December 2016. Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate (hereinafter INVL Baltic Real Estate) has the right to pay dividends without bank consent only if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) divided by the sum of debt service costs (interest and principal repayments) and dividends would be higher than 1.1.

The Group has not any significant restriction on the ability of the associate to transfer funds to the Group as at 31 December 2015.

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 2016 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 financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, investments to subsidiaries and associates measured at fair value through profit and loss and available-for-sale investments that have been measured at fair value. The financial statements are presented in thousands of euro (EUR) and all values are rounded to the nearest thousand except when otherwise indicated. From 1 January 2015 the euro became local currency of the Republic of Lithuania.

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 2016:

- Amendments to IAS 27: *Equity Method in Separate Financial Statements* effective 1 January 2016;
- *Annual Improvements to IFRSs 2010-2012 Cycle* effective 1 February 2015;
- *Annual Improvements to IFRSs 2012-2014 Cycle* effective 1 January 2016;
- Amendments to IAS 19 – *Defined benefit plans: Employee contributions* effective 1 February 2015;
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* effective 1 January 2016;
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation Operations* effective 1 January 2016;
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants* effective 1 January 2016;
- Amendments to IAS 1: *Disclosure Initiative* effective 1 January 2016;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception effective 1 January 2016.

The principal effects of these changes are as follows:

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Company choose to use equity method in the stand-alone financial statements. The change of accounting policy have an impact on disclosures and description of accounting policies, and the carrying amount of subsidiaries recognised in the stand-alone statement of financial position of the Company has changed, (Note 2.8).

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Amendments to IAS 19 – *Defined benefit plans: Employee contributions*

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 amendments had no material effect on the Company's and Group's financial statements for the year ended 31 December 2016.

Annual Improvements to IFRSs 2010-2012 Cycle

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 amendments had no material effect on the Company's and Group's financial statements for the year ended 31 December 2016.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments had no material effect on the Company's and Group's financial statements for the year ended 31 December 2016.

Amendments to IAS 1: *Disclosure Initiative*

The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The amendments had no material effect on the Company's and Group's financial statements for the year ended 31 December 2016.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Annual Improvements to IFRSs 2012-2014 Cycle

The amendments impact 4 standards.

- IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.
- The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.
- IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

The amendments had no material effect on the Company's and Group's financial statements for the year ended 31 December 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*

The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements. The amendments had no material effect on the Company's and Group's financial statements for the year ended 31 December 2016.

The following new standards adopted by the EU are not relevant for the Group and the Company:

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer plants*
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation Operations*

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 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- 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.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- 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 Group and the Company are currently assessing the impact of the new standard on their financial statements. The Group and the Company have financial assets attributed to the categories of financial assets 'Loans and receivables' and 'Assets at fair value through profit or loss'. Regarding accounting for financial assets, the standard could change classification of loans granted to subsidiaries from measured at amortised cost to measured at fair value through profit or loss. The Group and the Company have only financial liabilities attributed to the category 'Other financial liabilities'. Therefore, there will be no impact on the Group's and the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The changes in hedge accounting will not have impact on the Group's and the Company's financial statements as the Group and the Company have no hedge accounting. While the Group and the Company have not undertaken yet a detailed assessment of the affect of the new ECL model on its impairment provisions, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's and the Company's disclosures of their financial instruments, particularly in the year of the adoption of the new standard. The Group and the Company do not intend to adopt IFRS 9 before its mandatory date.

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group and the Company are currently assessing the impact of the standard on its financial statements. The Group would have to make judgements regarding separate contracts what is the customer of asset management entities – investor or fund. The Group would have to identify how many distinct performance obligations have asset management entities. It could be that after application of IFRS 15 some currently immediately recognised revenue would be deferred. According to IFRS 15 recognition of performance fee revenue from managed private equity funds or from investment companies would be deferred until end of performance period often. Recognition of management fee revenue would not change from currently practise in mostly cases. Costs to obtain investor would be capitalised as assets and amortized on a systematic basis consistent with the pattern of transfer of the services to the customer, if the customer is viewed as investor. The Group and the Company do not intend to adopt IFRS 15 before its mandatory date.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards not yet adopted by the EU

IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019 once adopted by the EU)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company are currently assessing the impact of the standard on their financial statements. The Group and the Company would have to recognise assets and liabilities for its premises lease contracts. In the income statement depreciation of lease assets and interest on lease liabilities would replace currently recognised lease expenses. The Group and the Company do not intend to adopt IFRS 16 before its mandatory date.

Amendments to IAS 7 *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2017 once adopted by the EU)

The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The amendments would have no impact on the Group's financial position or performance, but the additional disclosures would be added.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (effective for annual periods beginning on or after 1 January 2017 once adopted by the EU)

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group and the Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018 once adopted by the EU)

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The Group and the Company is currently assessing the impact of the amendments on its financial statements.

Amendments to IFRS 2 *Share-based Payments* (effective for annual periods beginning on or after 1 January 2018 once adopted by the EU)

The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Group and the Company is currently assessing the impact of the amendments 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 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2017 (changes to IFRS 12) or 2018 (changes to IFRS 1 and IAS 28) once adopted by the EU)

The improvements impact three standards. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5. IFRS 1 was amended to delete some of the short-term exemptions from IFRSs after those short-term exemptions have served their intended purpose. The amendments to IAS 28 clarify that venture capital organisations or similar entities have an investment-by- investment choice for measuring investees at fair value. Additionally, the amendment clarifies that if an investor that is not an investment entity has an associate or joint venture that is an investment entity, the investor can choose on an investment-by-investment basis to retain or reverse the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The Group and the Company is currently assessing the impact of the amendments on its financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after 1 January 2018 once adopted by the EU)

The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation clarifies that the date of transaction, i.e the date when the exchange rate is determined, is the date on which the entity initially recognises the non-monetary asset or liability from advance consideration. However, the entity needs to apply judgement in determining whether the prepayment is monetary or non-monetary asset or liability based on guidance in IAS 21, IAS 32 and the Conceptual Framework. The Group and the Company is currently assessing the impact of the interpretation on its financial statements.

The following new standards not yet adopted by the EU are not relevant for the Group and the Company:

- Amendments to IAS 40 *Transfers of Investment Property* (effective for annual periods beginning on or after 1 January 2018 once adopted by the EU)
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply overlay approach; once adopted by the EU).

The adoption of the following new standards and amendments are postponed by the EU indefinitely:

- IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods beginning on or after 1 January 2016 once adopted by the EU)
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after a date to be determined by the IASB once adopted by the EU)

The Group and the Company has not yet analysed impact of them to its financial statements.

2 Summary of significant accounting policies (cont'd)

2.2. Investment entity and consolidated financial statements

Investment entity

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

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

Subsidiaries

The Company has no subsidiaries other than those determined to be controlled subsidiary investments and those who provide services that are related to the entity's investment activities. Controlled subsidiary investments are measured at fair value through profit or loss and not consolidated, in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in the Note 2.12 below. The subsidiaries that provide services that are related to the entity's investment activities are consolidated.

Associates

An associate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments that are held as part of the Company's investment portfolio are carried at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 'Investments in associates and joint ventures' as exception from applying the equity method.

2.3. 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 structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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.

2 Summary of significant accounting policies (cont'd)

2.3 Basis of consolidation (cont'd)

Total comprehensive income (losses) within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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 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.

2.4. Functional and presentation currency

From 1 January 2015 the euro became local currency of the Republic of Lithuania. The financial statements are prepared in euro (EUR), which is local currency of the Republic of Lithuania, and presented in EUR thousand. Euro is also the local currency of the Republic of Latvia. Euro is the Company's and the Group's functional and presentation currency. The exchange rates in relation to other currencies are set daily by the European Central Bank and the Bank of Lithuania.

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

2.5. 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.

Vehicles	6 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.

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.

<u>Funds' management rights</u>

Funds' management rights include investment, pension funds and portfolio of clients acquired during asset management entities acquisition. Funds' management rights acquired in a business combination are capitalised at the fair value at the acquisition date and treated as an intangible asset. Following initial recognition, funds' management rights are carried at cost less any accumulated impairment losses. Funds' management rights are amortised during 5 - 20 years.

<u>Software</u>

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 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.

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, with limited exceptions, 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.

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.

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.

(all amounts are in EUR thousand unless otherwise stated)

2 Summary of significant accounting policies (cont'd)

2.8. Investments in subsidiaries, associates (the Company)

Investments in unconsolidated subsidiary, associates are measured at fair value through profit or loss. Non-current loans granted to subsidiaries are considered as part of investments to subsidiaries. They are measured together with equity part of investments to subsidiaries at fair value through profit or loss.

Interest on loans granted at fair value through profit or loss is recognised in the income statement within 'other income' based on the effective interest rate.

When the fair value of investments into subsidiaries together with non-current loans granted to subsidiaries is determined, the value is split into legal components, i.e. between debt and equity instruments. The amortised cost of loans granted is attributed to debt instruments. The remaining value is attributed to equity instruments of the subsidiary.

Investments in consolidated subsidiaries are accounted for using the equity method of accounting. In 2016, the Company changed its accounting policy for investments in consolidated subsidiaries from cost method to equity method, as the Company believes that equity method more effectively demonstrates its financial position.

In the table below it is disclosed impact of change of accounting policy:

	Carrying value at cost method	Carrying value at equity method	Impact on equity	Impact on net profit for the year
As at 31 December 2014	5,788	5,731	(57)	-
As at 31 December 2015	6,954	6,604	(350)	(293)
As at 31 December 2016	8,516	7,513	(1,003)	(653)

The result of the change in accounting policy of EUR 57 thousand was recorded within retained earnings on 31 December 2014.

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

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

2 Summary of significant accounting policies (cont'd)

2.9. 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.

When preparing the consolidated statement of income, all inter-company transactions between discontinued and continuing operations that the Group intends to conduct after the discontinuance, are presented in continuing operation without elimination, i.e. they are presented as if they were conducted with third parties. In this case the elimination entry is recorded in discontinued operations. All inter-company transactions between discontinued and continuing operations that the Group does not intend to conduct after the discontinuance, are eliminated from continuing operation.

2.10. Impairment of non-financial assets

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

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

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

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

<u>Goodwill</u>

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

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

2 Summary of significant accounting policies (cont'd)

2.11. 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 (no such are held), 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 and the Company 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 and the Company 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.

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

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

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

This category has two sub-categories: financial assets 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 and the Company's policy requires the Management Board to evaluate the information about these financial assets 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.

<u>Loans and receivables</u>

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 14, 15, 16, 17).

<u>Available-for-sale financial instruments</u>

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.

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

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.

2.12. Fair value estimation

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

2.13. Impairment of financial assets

<u>Assets carried at amortised cost</u>

The Group and the Company 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 and the Company first assesses whether objective evidence of impairment exists.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan 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 and the Company assesses whether objective evidence of impairment exists individually for financial assets. When financial asset is assessed as uncollectible and all collateral has been realised or has been transferred to the Group and the Company the impaired asset is derecognised. The objective evidence for that is insolvency proceedings against the debtor is initiated and the debtor has not enough assets to pay to creditors, the debtor could not be found.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss within "impairment, write-down, allowances and provisions", to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

2 Summary of significant accounting policies (cont'd)

2.13 Impairment of financial assets (cont'd)

Available-for-sale financial investments

The Group and the Company 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.

2.14. 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.

2.15. 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 17).

2 Summary of significant accounting policies (cont'd)

2.16. Financial liabilities

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

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

All financial liabilities of the Company and the Group are classified as other financial liabilities. The measurement of financial liabilities depends on their classification as follows:

<u>Trade payables</u>

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.

<u>Borrowings</u>

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.

2.17. Derecognition of financial assets and liabilities

<u>Financial assets</u>

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

In that case, the Group and the Company's 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 and the Company has retained.

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

<u>Financial liabilities</u>

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)

2.18. 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 dependent on a specified asset; or
d) There is a substantial change to the asset.

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

<u>Operating lease</u>

Group as a lessee

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

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

2.19. Revenue recognition

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

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

<u>Revenue from the asset management and brokerage services</u>

Revenue from the asset management services is recognized in the income statement as a percentage from asset under management in the period it is attributable.

Success fees are recognised when received. Revenue from brokerage services is recognized when actual service is provided.

<u>Disposal of investments</u>

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

<u>Interest income</u>

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

<u>Dividends income</u>

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

2 Summary of significant accounting policies (cont'd)

2.20. 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.

2.21. 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 and in Latvia was 15 % in 2016 and in 2015. Starting from 2010, tax losses can be transferred within Lithuania at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, 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. In Latvia gains from the sale of shares are not taxed, and losses are not deductible.

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 and associates, 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.

2 Summary of significant accounting policies (cont'd)

2.21 Impairment of financial assets (cont'd)

In Lithuania and in Latvia 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. In Lithuania 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. In Latvia such carrying forward is disrupted if a change in the control of entity has taken place, unless entity maintains its previous type of ordinary activity for the subsequent five years. In Lithuania the losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. From 1 January 2014 current year taxable profit could be decreased by previous year tax losses only up to 70% in Lithuania.

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.

2.22. Provisions

Provisions are recognised when the Group and the Company have 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 and the Company expect 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).

2.23. 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.

2.24. 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 retained earnings. 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)

2.25. 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 obligations

If there is an individual arrangement with an employee the Company and the Group may make payments into defined contribution pension plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

2 Summary of significant accounting policies (cont'd)

2.26. 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.

<u>Share - based payments – modification and cancellation</u>

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.

2.27. 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.

2.28. 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.

2.29. Comparative figures

Due to change of accounting policy of investments into consolidates subsidiaries (Note 2.8), the Company's income statement for the year ended 31 December 2015 and the Company's statements of financial position as at 31 December 2015 and 2014 were recalculated and presented in these financial statements.

2 Summary of significant accounting policies (cont'd)

2.30. Significant accounting judgements and estimates

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

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

Investment entity

According to the management, the Company meets all the defining criteria of an investment entity from the split-off in 2014 and henceforth investments in subsidiaries and associates are measured at fair value through profit or loss. The management periodically reviews whether the Company meets all the defining criteria of an investment entity. In addition, the management assesses the Company's operation objective, investment strategy, origin of income and fair value models.

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

The shares of Special Closed-ended Type Private Capital Investment Company INVL Technology (hereinafter – INVL Technology), INVL Baltic Real Estate (in 2015), AB Šiaulių bankas (acquired in 2015) and the financial assets acquired during asset management entities acquisition were designated at fair value through profit or loss on initial recognition because the Management believes that this presentation represents best the way these investments are managed and their performance is evaluated and provides more relevant information to the users of financial statements.

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 investments in subsidiaries and associates in financial statements

The fair values of investments in subsidiaries and associates are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability. Details of the inputs and valuation models used to determine Level 3 fair value, is provided in Note 12.

The fair value of the investments in subsidiaries and associates of the Group and the Company as at 31 December 2016 was EUR 5,449 thousand and EUR 23,554 thousand, respectively (as at 31 December 2015 - EUR 5,765 thousand and EUR 14,897 thousand, respectively) (described in more details in Note 12).

2 Summary of significant accounting policies (cont'd)

2.30 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 14 and 15.

Impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 10).

Useful lives of funds' management rights

The useful lives of funds' management rights acquired through business combinations are disclosed in Note 2.6 and amortisation charge for the year is disclosed in Note 10. 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 funds' management rights have been one year shorter, the amortisation charge for the year ended 31 December 2016 would have increased by EUR 24 thousand (2015: EUR 25 thousand).

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. No deferred tax asset is recognized from tax losses carry forward of EUR 4,024 thousand as 31 December 2016 (as at 31 December 2015 – EUR 2,972 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2016 the Company has not recognised deferred tax asset from EUR 6,275 thousand tax losses arising from disposal of securities, as they mature in 2017-2020 (as at 31 December 2015 – EUR 11,589 thousand, as they mature in 2016 and 2019). As at 31 December 2016 in the total deferred tax asset balance of the Group the amount of EUR 1,105 thousand (as at 31 December 2015 – EUR 339 thousand) relates to deferred income tax asset recognized from the taxable losses of the Company and EUR 1,012 thousand (as at 31 December 2015 – EUR 1,012 thousand) was recognized from the taxable losses of other Group's entities (Note 6). As at 31 December 2016 recognition of deferred income tax asset from the taxable losses of acquired asset management entities are supported on the estimation of these entities' profitability, which is based on the forecasted growth of managed funds and clients portfolio, on management fees, on future funds return and number of clients (Note 10). If the profitability estimation would be change by 5%, deferred income tax asset would be recognised by EUR 51 thousand more/less (as at 31 December 2015 – EUR 51 thousand).

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.

(all amounts are in EUR thousand unless otherwise stated)

3. Business combinations, investments into associates, disposals

The movement of investments in associates was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
At 1 January	**14,897**	**14,855**	**14,897**	**14,855**
Acquisition of additional shares in associate*	6,219	-	6,219	-
Reclassification to associates from financial assets at fair value through profit or loss*	1,996	-	1,996	-
Changes in fair value	442	42	442	42
At 31 December	**23,554**	**14,897**	**23,554**	**14,897**

*In 2016 the shares of associate acquired by converting of loans granted into its share capital. Afterwards the Company and the Group has owned more than 20 percent of votes of entity and the entity became associate of the Group and the Company.

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

	Company	
	2016	**2015**
At 1 January	**12,369**	**14,709**
Share of net loss of subsidiaries accounted for using equity method	(595)	(293)
Acquisition	-	916
Establishment of subsidiaries and increase of share capital	1,392	255
Disposals	-	(6,500)
Dividends	(58)	-
Share-based payments	173	-
Loans granted	-	-
Loans repaid	-	(100)
Interest charged	46	56
Changes in fair value	(365)	3,326
At 31 December	**12,962**	**12,369**
At equity method	7,513	6,604
At fair value - shares	4,704	4,717
At fair value - loans granted	745	1,048

(all amounts are in EUR thousand unless otherwise stated)

3 Business combinations, investments into associates, disposals (cont'd)

The movement of investments in unconsolidated subsidiaries of the Group was as follows:

	Group	
	2016	**2015**
At 1 January	**5,765**	**8,978**
Loans repaid	-	(100)
Interest charged	46	56
Disposals	-	(6,500)
Increase of share capital	3	5
Changes in fair value	(365)	3,326
At 31 December	**5,449**	**5,765**
Shares	4,704	4,717
Loans granted	745	1,048

<u>Acquisitions in 2016 and 2015</u>

Analysis of cash flows on acquisition:

	2016	**2015**
Consideration paid in cash on acquisition of consolidated subsidiaries	-	(916)
Cash acquired with the consolidated subsidiary	-	246
Consideration paid in cash on acquisition or share capital increase of unconsolidated subsidiaries*	(3)	(505)
Acquisition of subsidiaries, net of cash acquired	**(3)**	**(1,175)**

*In 2015 the Company has settled liability of EUR 500 thousand for shares of AB Bank Finasta.

There were not any consolidated subsidiaries acquisitions in 2016.

3 Business combinations, investments into associates, disposals (cont'd)

Acquisitions in 2016 and 2015 (cont'd)

Acquisition of IPAS Finasta Asset Management (current name INVL Asset Management) in 2015

On 5 January 2015 the Group has acquired 100% shares of IPAS INVL Asset Management for EUR 916 thousand (all amount paid in cash). Therefore, it was completed the implementation of the Share Purchase Agreement of the 4 November 2014 with AB Finasta Holding and BAB bankas Snoras. The acquiree operates in Latvia and have managed three 2nd pillar, three investment funds and portfolios of individual clients. As of 31 December 2014 the entity managed EUR 45.1 million of assets.

The fair values of the identifiable assets and liabilities of IPAS INVL Asset Management were:

	Fair values recognised on acquisition
Intangible assets	767
Property, plant and equipment	5
Financial assets	361
Trade and other receivables	64
Prepayment and deferred charges	1
Cash and cash equivalents	246
Total assets	**1,444**
Deferred tax liability	(73)
Current liabilities	(90)
Total liabilities	(163)
Total identifiable net assets	**1,281**
Profit from bargain purchases	**(365)**
Total consideration transferred	**916**

The fair value of trade receivables is EUR 64 thousand.

In the reporting period of 2015 EUR 701 thousand of revenue and EUR 27 thousand of profit from the acquired business was included into the Group results.

3 Business combinations, investments into associates, disposals (cont'd)

Establishment of companies (increase or decrease of share capital) in 2016 and 2015

In March 2016 the Company has additionally invested EUR 100 thousand into the share capital of UAB FMĮ INVL Finasta to ensure that the capital adequacy ratio of the financial brokerage entity complies with the requirements of the Bank of Lithuania.

In May 2016 the Company has additionally invested EUR 538 thousand into the share capital of UAB INVL Asset Management to ensure that the capital adequacy ratio of the asset management entity complies with the requirements of the Bank of Lithuania.

In June 2016 the Company has additionally invested EUR 350 thousand into the share capital of IPAS INVL Asset Management.

In April 2016 the Company has paid EUR 75 thousand to UAB INVL Farmland Management and EUR 270 thousand to UAB Invalda INVL investments (previous name – UAB Invalda LT investments) to cover the liabilities of previous years for subscribed shares.

In December 2016 the Company has additionally invested EUR 348 thousand into share capital of UAB Kelio ženklai by converting loans granted.

In December 2016 the Company has additionally invested EUR 3 thousand into the share capital of UAB Regenus.

In December 2016 the Company has additionally invested EUR 401 thousand into the share capital of UAB INVL Asset Management to ensure that the capital adequacy ratio of the asset management entity complies with the requirements of the Bank of Lithuania. The Company has paid EUR 1 thousand by cash instalments and has transferred shares of INVL Technology for EUR 400 thousand to UAB INVL Asset Management.

In February 2015 the Company has established UAB INVL Farmland Management by investing EUR 100 thousand (at the end of reporting period of 2015 EUR 75 thousand was unpaid). The new established entity has signed on 30 June 2015 a land plot administration agreement with INVL Baltic Farmland group. AB INVL Baltic Farmland is a company listed in NASDAQ Vilnius Stock Exchange. Group companies own more than 3 thousand hectares of agricultural land in Lithuania.

In January 2015 was completed the legal registration of share capital increase of UAB Regenus (the Company has invested EUR 2 thousand in December 2014).

In May 2015 the Company has established UAB INVL Finasta by investing EUR 150 thousand. On 30 November 2015 the entity has received the brokerage company licence from the Bank of Lithuania.

In May 2015 the Company has additionally invested EUR 3 thousand into the share capital of UAB Consult Invalda.

In July 2015 the Company has additionally invested EUR 300 thousand into share capital of UAB Aktyvo by converting loans granted, which were fully provided for (the investment amount includes accrued interest, which was not recognised in the financial statements, but was calculated according to the loans' agreements). Therefore, the carrying amount of investments into subsidiaries was not changed.

In December 2015 the Company has additionally invested EUR 232 thousand into share capital of UAB Kelio ženklai by converting loans granted.

In December 2015 the Company has additionally invested EUR 2 thousand into the share capital of UAB RPNG.

Merger of asset management entities in 2015

On 25 May 2015 the Bank of Lithuania authorised a permission to reorganise the specialised pension fund managing entity UAB MP Pension Funds Baltic and transfer the pension funds management business to UAB INVL Asset Management (previous name – UAB Finasta Asset Management). The Company's owned asset management entity UAB MP Pension Funds Baltic and UAB INVL Fondai was merged into other asset management entity UAB INVL Asset Management. The reorganisation was completed in October 2015.

3 Business combinations, investments into associates, disposals (cont'd)

Acquisition of associates in 2016 and 2015

In January 2016 the Company has additionally acquired shares of INVL Baltic Real Estate for EUR 12 thousand on the stock exchange. In March 2016 the Company has additionally invested EUR 6,219 thousand into the share capital of INVL Baltic Real Estate by converting loans granted and now owns 32.08% shares of the entity. The entity became the associate of the Group.

In March 2016 the Group's unconsolidated subsidiary investing in facility management segment's entities has acquired 36.47% of the shares of UAB Informacinio Verslo Paslaugų Įmonė for EUR 350 thousand. In April 2016 the subsidiary has additional acquired 0.2% of the shares of UAB Informacinio Verslo Paslaugų Įmonė for EUR 2 thousand The acquired entity administers payments by Lithuanian residents for public utilities as a service to companies and institutions. A controlling stake in the entity is held by Statistics Lithuania. In 2016 the acquired entity had revenue of EUR 620 thousand and earned a net profit of EUR 102 thousand (unaudited data). In May 2016 the unconsolidated subsidiary has received dividends of EUR 44 thousand from acquired entity.

There were not any associates acquisitions in 2015.

Disposals of subsidiaries in 2016 and 2015

The Company has sold 100% of shares of UAB Vilniaus Senamiesčio Restauravimo Direkcija in 2007. The sale agreement provided that if the deposit, which was paid to the court in the civil case by the former subsidiary, would be returned to it, then it would be transferred to the Company as part of the sale price. In January 2016 the deposit was returned by the court to the former subsidiary, and in February 2016 the part of sale price was paid to the Company. According to the Terms of split-off, completed in 2013, proportionally part of sale price was transferred to split-off entity AB Invalda Privatus Kapitalas. Therefore, the Company has recognised gain of EUR 53 thousand in the income statement within "Net changes in fair value of financial assets at fair value through profit or loss".

The Company and AB Šiaulių bankas have signed a Letter of Intent on 7 March 2015, which foresees a possible integration of Finasta banking business with AB Šiaulių bankas. On 11 May 2015 it was signed agreements regarding the sale of bank Finasta and brokerage company Finasta shares to AB Šiaulių bankas. The transaction was completed on 17 July 2015 – the ownership of sold entities was transferred to AB Šiaulių bankas. The sale price was EUR 5,884 thousand. The Company has also subscribed 21,353,731 ordinary registered shares of AB Šiaulių bankas with the par value of EUR 0.29 per share, which issue price is EUR 0.29. The subscribed shares were paid by set-off receivables for sold entities. The Company has obtained the ownership of subscribed shares in September 2015. In March 2015 5.35% of shares of AB Bankas Finasta was sold for EUR 220 thousand to management of the bank (for shares it was paid in July 2015).

In November 2015 the Group's unconsolidated subsidiary has sold the 100% of the shares of UAB Naujosios Vilnios Turgavietė for the EUR 290 thousand. The Group has received the proceeds from disposal through repayment of loans granted to the unconsolidated subsidiary.

On 31 December 2015 the Company has sold the 100% of shares of UAB Sago (entity in bankruptcy) for EUR 396 thousand.

Disposals of associates in 2016 and 2015

There were not any disposals of associates in 2015 and 2016.

4. Segment information

The Board of Directors monitors the operating results of the business units of the Group separately for the purpose of making decisions about resource allocations and performance assessment. After becoming investment entity the performance of segments excluding asset management segment is evaluated based on changes in fair value of investments, including dividends income received by the Company. Asset management segment's performance is evaluated based on net profit or loss. 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. The granted loans by the Company are allocated to segment's, to which entities they are granted, assets. The impairment losses of these loans are allocated to a segment to which the loan was granted initially.

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

Asset management

The asset management segment includes pension, investment funds, private equity, alternative investments and portfolio management, financial brokerage and land administration services.

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.

Facility management

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

Real estate

The real estate segment is investing in investment properties held for future development and in commercial real estate and its rent. The entities of the segment were transferred during the split-off completed in 2014 to INVL Baltic Real Estate, but in 2016 the Company has subscribed for new shares of INVL Baltic Real Estate, and this entity become an associate of the Group.

Banking activities

The banking activities segment includes investment and private banking activities and accounting services of the issuers' shares. In July 2015 entities of the segment were fully disposed, but the Company has received 6.79% shares of AB Šiaulių bankas, which was a purchaser of subsidiaries of the segment.

All other segments

All other segments are involved in road signs production, wood manufacturing. The Group also presents investment, financing and management activities of the holding company in this column, as these are not analysed separately by the Board of Directors.

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

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 following table presents measurement of segments results on the basis of changes in fair value:

	Agriculture	Facility management	Banking activities	Real estate	All other segments	Total
Year ended 31 December 2016						
Net changes in fair value on financial assets	474	(160)	-	(33)	4,861	5,142
Total changes in fair value	**474**	**(160)**	**-**	**(33)**	**4,861**	**5,142**
Year ended 31 December 2015						
Net changes in fair value on financial assets	42	1,384	1,820	-	1,463	4,709
Total changes in fair value	**42**	**1,384**	**1,820**	**-**	**1,463**	**4,709**

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2016:

	Asset management	Agriculture	Facility management	Real estate	All other segments	Inter-segment transactions and consolidation adjustments	Total
Year ended 31 December 2016							
Revenue							
Sales to external customers	5,067	-	-	-	-	-	5,067
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	**5,067**	**-**	**-**	**-**	**-**	**-**	**5,067**
Results							
Net changes in fair value of financial assets	34	474	(160)	(33)	4,861	-	5,176
Interest income	15	-	-	-	120	-	135
Other income	14	-	348	253	171	(1)	785
Employee benefits expense	(2,645)	-	-	-	(542)	-	(3,187)
Depreciation and amortization	(324)	-	-	-	(7)	-	(331)
Impairment, write-down, allowances and provisions	(6)	-	-	-	3	-	(3)
Interest expenses	(15)	-	-	-	-	-	(15)
Other expenses	(2,683)	-	-	-	(172)	1	(2,854)
Profit (loss) before income tax	(543)	474	188	220	4,434	-	4.773
Income tax credit (expenses)	(59)	-	-	-	56	-	(3)
Net profit (loss) for the year	**(602)**	**474**	**188**	**220**	**4,490**	**-**	**4,770**
Attributable to:							
Equity holders of the parent	(602)	474	188	220	4,490	-	4,770
Non-controlling interest							
As at 31 December 2016							
Assets and liabilities							
Segment assets	8,364	-	4,921	-	17,574	-	30,859
Investment in associates	-	15,371	-	8,183	-	-	23,554
Total assets	**8,364**	**15,371**	**4,921**	**8,183**	**17,574**	**-**	**54,413**
Segment liabilities	**1,250**	**-**	**-**	**-**	**482**	**-**	**1,732**
Other segment information							
Capital expenditure:							
• Property, plant and equipment	28	-	-	-	1	-	29
• Intangible assets	4	-	-	-	5	-	9

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2015:

	Asset management	Agriculture	Facility management	Banking activities	All other segments	Inter-segment transactions and consolidation adjustments	Total
Year ended 31 December 2015							
Revenue							
Sales to external customers	3,593	-	-	-	-	-	3,593
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	**3,593**	**-**	**-**	**-**	**-**	**-**	**3,593**
Results							
Net changes in fair value of financial assets	3	42	1,384	1,820	1,463	-	4,712
Interest income	22	-	-	-	458	-	480
Other income	379	-	237	-	46	(1)	661
Employee benefits expense	(1,790)	-	-	-	(453)	-	(2,243)
Depreciation and amortization	(314)	-	-	-	(15)	-	(329)
Impairment, write-down, allowances and provisions	(5)	-	-	-	56	-	51
Interest expenses	-	-	-	-	(3)	-	(3)
Other expenses	(2,202)	-	-	-	(291)	1	(2,492)
Profit (loss) before income tax	(314)	42	1,621	1,820	1,261	-	4,430
Income tax credit (expenses)	22				(264)		(242)
Net profit (loss) for the year	**(292)**	**42**	**1,621**	**1,820**	**997**	**-**	**4,188**
Attributable to:							
Equity holders of the parent	(292)	42	1,621	1,820	997	-	4,188
Non-controlling interest	-	-	-	-	-	-	-
As at 31 December 2015							
Assets and liabilities							
Segment assets	7,142	-	4,828	-	22,775	(76)	34,669
Investment in associates	-	14,897	-	-	-	-	14,897
Total assets	**7,142**	**14,897**	**4,828**	**-**	**22,775**	**(76)**	**49,566**
Segment liabilities	**932**	**-**	**-**	**-**	**587**	**(76)**	**1,443**
Other segment information							
Capital expenditure:							
• Property, plant and equipment	70	-	-	-	1	-	71
• Intangible assets	788	-	-	-	-	-	788

(all amounts are in EUR thousand unless otherwise stated)

4 Segment information (cont'd)

In 2016 employee benefits expense of the Group included EUR 579 thousand social security contribution paid by employer (2015: EUR 463 thousand) and EUR 198 thousand social security contribution paid by employee (2015: EUR 150 thousand). In 2016 employee benefits expense of the Company included EUR 87 thousand social security contribution paid by employer (2015: EUR 105 thousand) and EUR 27 thousand social security contribution paid by employee (2015: EUR 32 thousand).

In 2016 and 2015 all revenue was earned from services of asset management segment.

The Company is domiciled in the Lithuania and the Group operates in Lithuania and Latvia. The result of Group's revenue from external customers in the Lithuania is EUR 4,116 thousand (2015: EUR 2,892 thousand), and the total of revenue from external customers from Latvia is EUR 951 thousand (2015: EUR 701 thousand).

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2016 and 2015:

	Lithuania	Latvia	Total
As at 31 December 2016	3,198	623	3,821
As at 31 December 2015	3,428	699	4,127

5. Other income and expenses

5.1. Net changes in fair value on financial instruments

	Group		Company	
	2016	2015	2016	2015
Net gain (loss) from changes in fair value of subsidiaries and associates	130	3,368	130	3,368
Net gain (loss) from financial assets designated upon initial recognition at fair value through profit or loss	4,707	1,279	4,673	1,276
Net gain (loss) from financial assets held for trading	339	65	339	65
Net gain (loss) from financial assets at fair value through profit or loss, total	*5,176*	*4,712*	*5,142*	*4,709*

5.2. Impairment, write-down and provisions

	Group		Company	
	2016	2015	2016	2015
Change in provision for impairment of loans granted	3	-	3	-
Change in provision for term deposits (Note 16)	-	54	-	54
Change in provision for impairment of trade receivables	(6)	(3)	-	2
Impairment on financial assets, total	*(3)*	*51*	*3*	*56*
Impairment on non-financial assets and provisions, total	-	-	-	-
	(3)	51	3	56

(all amounts are in EUR thousand unless otherwise stated)

5 Other income and expenses (cont'd)

5.3. Other income

	Group		Company	
	2016	2015	2016	2015
Interest income from loans, receivables, term deposit and cash	120	459	121	458
Interest income from financial assets at fair value through profit loss	15	21	-	-
Dividend income	739	249	739	249
Gain on bargain purchase	-	365	-	-
Other income	46	47	32	35
	920	1,141	892	742

In 2016 and 2015 the Company and the Group recognised nil interest income on impaired loans.

5.4. Other expenses

	Group		Company	
	2016	2015	2016	2015
Vehicles maintenance costs	(123)	(60)	(7)	(8)
Repairs and maintenance cost of premises	(37)	(25)	(1)	(9)
Taxes	(221)	(230)	(23)	(35)
Professional services	(151)	(176)	(17)	(67)
Fees for securities	(275)	(199)	(20)	(34)
Other expenses	(266)	(305)	(63)	(86)
	(1,073)	(995)	(131)	(239)

6. Income tax

	Group		Company	
	2016	2015	2016	2015
Components of the income tax expense				
Current year income tax	(61)	(14)	-	-
Deferred income tax expense	58	(228)	56	(265)
Income tax income (expense) charged to the income statement – total	(3)	(242)	56	(265)

There is no income tax expense recognised in other comprehensive income in 2016 and 2015.

(all amounts are in EUR thousand unless otherwise stated)

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2016.

The movement in deferred income tax assets and liabilities of the Group during 2016 is as follows:

	Balance as at 31 December 2015	Recognised in the income statement	Transfer of tax losses	Balance as at 31 December 2016
Deferred tax asset				
Tax loss carry forward for indefinite period of time	1,591	232	(44)	1,779
Tax loss carry forward till 2017 – 2020	1,944	(61)	-	1,883
Receivables	2	-	-	2
Investments at fair value through profit and loss	4	(4)	-	-
Accruals	10	14	-	24
Intangible assets	394	(87)	-	307
Deferred tax asset available for recognition	3,945	94	(44)	3,995
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(445)	(158)	-	(603)
Less: unrecognised deferred tax asset from tax losses carried forward till 2017 – 2020	(1,739)	797	-	(942)
Less: unrecognised deferred tax asset due to future uncertainties	(285)	19	-	(266)
Recognised deferred income tax asset, net	1,476	752	(44)	2,184
Asset netted with liability of the same legal entities	(718)	(688)	-	(1,406)
Deferred income tax asset, net	**758**	**64**	**(44)**	**778**
Deferred tax liability				
Property, plant and equipment	(1)	-	-	(1)
Intangible assets	(589)	44	-	(545)
Investments at fair value through profit and loss	(204)	(691)	-	(895)
Deferred income tax liability	(794)	(694)	-	(1,488)
Liability netted with asset of the same legal entities	718	688	-	1,406
Deferred income tax liability, net	**(76)**	**(6)**	**-**	**(82)**
Deferred income tax, net	**682**	**58**	**(44)**	**696**

(all amounts are in EUR thousand unless otherwise stated)

6 Income tax (cont'd)

Deferred income tax asset and liability were estimated at 15% rates as at 31 December 2015.

The movement in deferred income tax assets and liabilities of the Group during 2015 is as follows:

	Balance as at 31 December 2014	Recognised in the income statement	Merger*	Acquired subsidiaries	Balance as at 31 December 2015
Deferred tax asset					
Tax loss carry forward for indefinite period of time	1,385	167	-	39	1,591
Tax loss carry forward till 2016 – 2019	2,013	(69)	-	-	1,944
Receivables	1	1	-	-	2
Investments at fair value through profit and loss	-	4	-	-	4
Accruals	7	(1)	-	4	10
Intangible assets	177	(73)	290	-	394
Deferred tax asset available for recognition	3,583	29	290	43	3,945
Less: unrecognised deferred tax asset from tax losses carried forward for indefinite period of time	(364)	(81)	-	-	(445)
Less: unrecognised deferred tax asset from tax losses carried forward till 2016 – 2019	(1,676)	(63)	-	-	(1,739)
Less: unrecognised deferred tax asset due to future uncertainties	-	5	(290)	-	(285)
Recognised deferred income tax asset, net	1,543	(110)	-	43	1,476
Asset netted with liability of the same legal entities	(560)	(115)	-	(43)	(718)
Deferred income tax asset, net	**983**	**(225)**	**-**	**-**	**758**
Deferred tax liability					
Property, plant and equipment	-	-	-	(1)	(1)
Intangible assets	(519)	45	-	(115)	(589)
Investments at fair value through profit and loss	(41)	(163)	-	-	(204)
Deferred income tax liability	(560)	(118)	-	(116)	(794)
Liability netted with asset of the same legal entities	560	115	-	43	718
Deferred income tax liability, net	**-**	**(3)**	**-**	**(73)**	**(76)**
Deferred income tax, net	**983**	**(228)**	**-**	**(73)**	**682**

*Due to merger of UAB INVL Fondai and UAB MP Pension Funds Baltic into UAB INVL Asset Management, the goodwill for tax purposes arising from acquisition of UAB MP Pension Funds Baltic was recognised and would be utilised over 15 years through straight-line amortisation to decrease taxable profit.

(all amounts are in EUR thousand unless otherwise stated)

6 Income tax (cont'd)

The movement in deferred income tax assets and liabilities of the Company during 2016 is as follows:

	Balance as at 31 December 2015	Recognised in the income statement	Transfer of tax losses	Balance as at 31 December 2016
Deferred tax asset				
Tax loss carry forward for indefinite period of time	136	57	(29)	164
Tax loss carry forward till 2017 - 2020	1,942	(59)	-	1,883
Accruals	2	(1)	-	1
Deferred tax asset available for recognition	2,080	(3)	(29)	2,048
Less: unrecognised deferred tax asset from tax losses carried forward till 2017 – 2020	(1,739)	797	-	(942)
Recognised deferred income tax asset, net	341	794	(29)	1,106
Asset netted with liability of the same legal entities	(204)	(738)	-	(942)
Deferred income tax asset, net	**137**	**56**	**(29)**	**164**
Deferred tax liability				
Investments at fair value through profit and loss	(204)	(691)	-	(895)
Investments into subsidiaries/associates	-	(47)	-	(47)
Deferred income tax liability	**(204)**	**(738)**	**-**	**(942)**
Liability netted with asset of the same legal entities	**204**	**738**	**-**	**942**
Deferred income tax liability, net	**-**	**-**		
Deferred income tax, net	**137**	**56**	**(29)**	**164**

The movement in deferred income tax assets and liabilities of the Company during 2015 is as follows:

	Balance as at 31 December 2014	Recognised in the income statement	Balance as at 31 December 2015
Deferred tax asset			
Tax loss carry forward for indefinite period of time	107	29	136
Tax loss carry forward till 2016 - 2019	2,007	(65)	1,942
Accruals	2	-	2
Deferred tax asset available for recognition	2,116	(36)	2,080
Less: unrecognised deferred tax asset from tax losses carried forward till 2016 – 2019	(1,676)	(63)	(1,739)
Recognised deferred income tax asset, net	440	(99)	341
Asset netted with liability of the same legal entities	(38)	(166)	(204)
Deferred income tax asset, net	**402**	**(265)**	**137**
Deferred tax liability			
Investments at fair value through profit and loss	(38)	(166)	(204)
Deferred income tax liability	**(38)**	**(166)**	**(204)**
Liability netted with asset of the same legal entities	**38**	**166**	**204**
Deferred income tax liability, net	**-**	**-**	**-**
Deferred income tax, net	**402**	**(265)**	**137**

(all amounts are in EUR thousand unless otherwise stated)

6 Income tax (cont'd)

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

	Group		Company	
	2016	2015	2016	2015
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	718	741	106	135
Deferred tax assets to be recovered within 12 months	60	17	58	2
	778	758	164	137
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	82	76	-	-
Deferred tax liability to be recovered within 12 months	-	-	-	-
	82	76	-	-

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

	Group		Company	
	2016	2015	2016	2015
(Loss) profit before income tax	**4,773**	**4,430**	**4,714**	**4,453**
Tax calculated at the tax rate of 15 %	(716)	(665)	(707)	(712)
Tax non-deductible (expenses) / non-taxable income	123	559	39	510
Deferred tax expenses arising from write-down, or reversal of a previous write-down, of deferred tax asset due to changes in probability to utilise it	585	(139)	724	(63)
Other	5	3	-	-
Income tax credit (expenses) recorded in the income statement	(3)	(242)	56	(265)

7. 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 2016 and 2015 was as follows:

Calculation of weighted average for the year 2016	**Number of shares (thousand)**	**Par value (EUR)**	**Issued/366 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2015	11,722	0.29	366/366	11,722
Own shares acquired as at 23 May 2016	(135)	0.29	222/366	(82)
Shares issued as at 31 December 2016	11,587	0.29	-	11,640

Calculation of weighted average for the year 2015	**Number of shares (thousand)**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2014	11,866	0.29	365/365	11,866
Own shares acquired as at 25 June 2015	(144)	0.29	189/365	(75)
Shares issued as at 31 December 2015	11,722	0.29	-	11,791

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

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
Net profit, attributable to the equity holders of the parent	4,770	4,188	4,770	4,188
Weighted average number of ordinary shares (thousand)	11,640	11,791	11,640	11,791
Basic earnings per share (EUR)	0.41	0.36	0.41	0.36

For 2015 diluted earnings per share of the Group and the Company are the same as basic earnings per share.

The following table reflects the share data used in the diluted earnings per share computations in 2016:

	Number of shares (thousand)	**Issued/366 (days)**	**Weighted average (thousand)**
Weighted average number of ordinary shares for basic earnings per share	-	-	11,640
Potential dilutive shares from share-based payment (granted on 2 May 2016)	38	243/366	25
Weighted average number of ordinary shares for diluted earnings per share	-	-	11,665

The following table reflects the income data used in the diluted earnings per share computations in 2016:

	Group	**Company**
Net profit, attributable to the equity holders of the parent	4,770	4,770
Weighted average number of ordinary and potential shares (thousand)	11,665	11,665
Diluted earnings per share (EUR)	0.41	0.41

8. Dividends per share

In 2016 and 2015 dividends were not declared.

(all amounts are in EUR thousand unless otherwise stated)

9. Property, plant and equipment

Group

	Vehicles	Other property, plant and equipment	Total
Cost:			
Balance as at 31 December 2014	14	118	132
Additions	4	62	66
Acquisition of subsidiaries (Note 3)	-	5	5
Disposals and write-offs	-	(18)	(18)
Balance as at 31 December 2015	18	167	185
Additions	-	29	29
Disposals and write-offs	(14)	(2)	(16)
Balance as at 31 December 2016	4	194	198
Accumulated depreciation:			
Balance as at 31 December 2014	-	96	96
Charge for the year	2	19	21
Disposals and write-offs	-	(15)	(15)
Balance as at 31 December 2015	2	100	102
Charge for the year	1	26	27
Disposals and write-offs	(2)	(1)	(3)
Balance as at 31 December 2016	1	125	126
Net book value as at 31 December 2015	**16**	**67**	**83**
Net book value as at 31 December 2016	**3**	**69**	**72**

Company

	Other property, plant and equipment	Total
Cost:		
Balance as at 31 December 2014	107	107
Additions	1	1
Disposals and write-offs	(15)	(15)
Balance as at 31 December 2015	93	93
Additions	1	1
Disposals and write-offs	(2)	(2)
Balance as at 31 December 2016	92	92
Accumulated depreciation:		
Balance as at 31 December 2014	95	95
Charge for the year	7	7
Disposals and write-offs	(15)	(15)
Balance as at 31 December 2015	87	87
Charge for the year	4	4
Disposals and write-offs	(1)	(1)
Balance as at 31 December 2016	90	90
Net book value as at 31 December 2015	**6**	**6**
Net book value as at 31 December 2016	**2**	**2**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2016 amounts to EUR 27 thousand and EUR 4 thousand, respectively (in the year 2015 EUR 21 thousand and EUR 7 thousand, respectively). Any property, plant and equipment of the Group and the Company as at 31 December 2016 and 2015 was not have any encumbrance.

(all amounts are in EUR thousand unless otherwise stated)

10. Intangible assets

Group	Goodwill	Funds' management rights	Software	Total
Cost:				
Balance as at 31 December 2014	90	3,490	32	3,612
Additions	-	-	21	21
Acquisition of subsidiaries (Note 3)	-	767	-	767
Disposals and write-offs	-	-	(6)	(6)
Balance as at 31 December 2015	90	4,257	47	4,394
Additions	-	-	9	9
Disposals and write-offs	-	-	-	-
Balance as at 31 December 2016	90	4,257	56	4,403
Accumulated amortisation:				
Balance as at 31 December 2014	-	31	17	48
Charge for the year	-	298	10	308
Disposals and write-offs	-	-	(6)	(6)
Balance as at 31 December 2015	-	329	21	350
Charge for the year	-	292	12	304
Disposals and write-offs	-	-	-	-
Balance as at 31 December 2016	-	621	33	654
Net book value as at 31 December 2015	**90**	**3,928**	**26**	**4,044**
Net book value as at 31 December 2016	**90**	**3,636**	**23**	**3,749**

Company	Software	Total
Cost:		
Balance as at 31 December 2014	30	30
Additions	-	-
Disposals and write-offs	(6)	(6)
Balance as at 31 December 2015	24	24
Additions	5	5
Disposals and write-offs	-	-
Balance as at 31 December 2016	29	29
Accumulated amortisation:		
Balance as at 31 December 2014	17	17
Charge for the year	9	9
Disposals and write-offs	(6)	(6)
Balance as at 31 December 2015	20	20
Charge for the year	3	3
Disposals and write-offs	-	-
Balance as at 31 December 2016	23	23
Net book value as at 31 December 2015	**4**	**4**
Net book value as at 31 December 2016	**6**	**6**

(all amounts are in EUR thousand unless otherwise stated)

10 Intangible assets (cont'd)

The amortisation charge of the Group's and the Company's intangible assets for the year ended 31 December 2016 amounts to EUR 304 thousand and EUR 3 thousand, respectively (in the year 2015 EUR 308 thousand and EUR 9 thousand, respectively).

As at 31 December 2014 the goodwill was acquired through business combination in the asset management segment and has been allocated to cash-generating units of UAB MP Pension Funds Baltic and UAB INVL Asset Management. After asset management entities merger in 2015 the goodwill are allocated to cash-generating unit of merged entity UAB INVL Asset Management (Note 3). In 2016 the recoverable amount of cash generating units has been determined based on value in use calculation using cash flow projections based on financial forecasts approved by the Group management covering a 7-year period. The pre–tax discount rate applied to cash flow projections is 9.1 %, cash flows beyond 7-year period are extrapolated using 0 % growth rate. In 2015 the recoverable amount of cash generating units has been determined based on value in use calculation using cash flow projections based on financial forecasts approved by the Group management covering an 8-year period. The pre–tax discount rate applied to cash flow projections is 10.2 %, cash flows beyond 8-year period are extrapolated using 0 % growth rate.

The following table sets out the key assumptions for the valuation of the cash-generating unit to which goodwill is allocated in 2015 and 2016:

Assumptions	Type of funds	2016	2015
	Second pillar pension funds	2%	2%
Churn rate	Third pillar pension funds	2%	3%
	Investment funds and portfolio	-	5%
	Second pillar pension funds,	3.48%	2%-4%
Capital gain	Third pillar pension funds	4%	3%-4%
	Investment shares funds and portfolio	4%	4%
Average management revenue	All funds	EUR 6,514 thousand	EUR 4,201 thousand
Average management expenses	All funds	EUR 4,957 thousand	EUR 3,764 thousand
Long term growth rate	All funds	0%	0%
Pre–tax discount rate	All funds	9.1%	10.2%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	**Approach uses to determining values**
Churn rate	Reflects the average loss of funds asset value per year on disbursements to customers. The assumption based on the industry average rate.
Capital gain	Reflects average annual growth of funds' investments value; based on long term bonds' and/or shares' typical gain rate
Average management revenue	Average revenue of cash-generating unit for the seven or eight-year forecast period.
Average management expenses	Average expenses of cash-generating unit for the seven or eight-year forecast period.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre–tax discount rate	Reflects specific risks relating to the relevant segments and the countries in which they operate.

(all amounts are in EUR thousand unless otherwise stated)

10 Intangible assets (cont'd)

Main intangible assets of the Group are as at 31 December 2016:
- 2nd pillar pension funds. The funds' with carrying amount of EUR 714 thousand remaining estimated useful live is 8 years (EUR 602 thousand of this carrying amount is related to Latvian entity). The funds' with carrying amount of EUR 1,186 thousand remaining estimated useful live is 12.75 - 13 years. The funds' with carrying amount of EUR 1,640 thousand remaining estimated useful live is 17.75 years.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 74 thousand remaining estimated useful live is 7.75 - 8 years.
- Investments funds and portfolio of clients. Its carrying amount equals to EUR 22 thousand and remaining estimated useful live is 3 years.

Main intangible assets of the Group are as at 31 December 2015:
- 2nd pillar pension funds. The funds' with carrying amount of EUR 803 thousand remaining estimated useful live is 8.75 - 9 years (EUR 677 thousand of this carrying amount is related to Latvian entity). The funds' with carrying amount of EUR 1,699 thousand remaining estimated useful live is 13.75 - 14 years. The funds' with carrying amount of EUR 1,313 thousand remaining estimated useful live is 18.75 years.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 84 thousand remaining estimated useful live is 8.75 - 9 years.
- Investments funds and portfolio of clients. Its carrying amount equals to EUR 29 thousand and remaining estimated useful live is 4 years (EUR 12 thousand of this carrying amount is related to Latvian entity).

11. Financial instruments by category

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2016				
Assets as per statement of financial position				
Investments into subsidiaries	-	-	5,449	5,449
Investments into associates	-	-	23,554	23,554
Investments available-for-sale	494	-	-	494
Loans granted	-	-	-	-
Trade and other receivables short term excluding tax receivables	-	1,247		1,247
Financial assets at fair value through profit and loss	-	-	16,903	16,903
Current loans granted	-	437	-	437
Restricted cash	-	103	-	103
Cash and cash equivalents	-	1,464	-	1,464
Total	**494**	**3,251**	**45,906**	**49,651**

Group	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2015				
Assets as per statement of financial position				
Investments into subsidiaries	-	-	5,765	5,765
Investments into associates	-	-	14,897	14,897
Investments available-for-sale	494	-	-	494
Loans granted	-	6,245	-	6,245
Trade and other receivables short term excluding tax receivables	-	663	-	663
Financial assets at fair value through profit and loss	-	-	13,759	13,759
Current loans granted	-	801	-	801
Restricted cash	-	83	-	83
Cash and cash equivalents	-	1,815	-	1,815
Total	**494**	**9,607**	**34,421**	**44,522**

(all amounts are in EUR thousand unless otherwise stated)

11 Financial instruments by category (cont'd)

Group	**31 December 2016**	**31 December 2015**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	
Trade payables	198	336
Other current payables excluding tax payables and employee benefit payables	795	586
Total	**993**	**922**

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2016				
Assets as per statement of financial position				
Investments into subsidiaries	-	-	5,449	5,449
Investments into associates	-	-	23,554	23,554
Investments available-for-sale	494	-	-	494
Financial assets at fair value through profit and loss	-	-	15,386	15,386
Current loans granted	-	437	-	437
Restricted cash	-	103	-	103
Cash and cash equivalents	-	384	-	384
Total	**494**	**924**	**44,389**	**45,807**

Company	Available-for-sale	Loans and receivables	Assets at fair value through the profit and loss	Total
31 December 2015				
Assets as per statement of financial position				
Investments into subsidiaries	-	-	5,765	5,765
Investments into associates	-	-	14,897	14,897
Investments available-for-sale	494	-	-	494
Non-current loan granted	-	6,245	-	6,245
Trade and other receivables	-	2	-	2
Financial assets at fair value through profit and loss	-	-	12,694	12,694
Current loans granted	-	801	-	801
Restricted cash	-	83	-	83
Cash and cash equivalents	-	1,238	-	1,238
Total	**494**	**8,369**	**33,356**	**42,219**

Company	**31 December 2016**	**31 December 2015**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	
Borrowings	398	-
Trade payables	8	5
Other current payables excluding tax payables and employee benefit payables	447	804
Total	**853**	**809**

12. 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, restricted cash, trade and other receivables, loans granted, borrowings, trade and other payables 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 cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables of the Group and the Company as at 31 December 2016 and 2015 approximated their fair value because they are short-term and the impact of discounting is immaterial.

The carrying amount of loans granted and borrowings by the Company and Group as at 31 December 2016 and 2015 approximates their fair value because the interest rates are reviewed and adjusted when market rates change. Their fair value of loans granted is based on cash flows discounted using 4.5 % and 4.5 % interest rate as at 31 December 2016 and 2015, respectively. Their fair value of borrowings is based on cash flows discounted using 3 % interest rate as at 31 December 2016. It is Level 3 fair value measurement.

Financial instruments carried at fair value

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

As the split-off completed in 2014 the Company is investment entity in accordance with IFRS 10. Subsidiaries and associates are measured at fair value through profit or loss.

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 and Company is the measurement date exchange closing price.

The valuation of Level 3 instruments are performed by the Company's employees, analysts, every quarter. The value are estimated as at the last day of quarter. The management of the Company review the valuations prepared by analysts.

In 2015 investment into shares of UAB Litagra (agriculture segment) was measured using EBITDA multiplier method with deduction of net debt for the pieces of feed producers and agricultural productions and using Price to book value (P/BV) multiplier method for trading piece. It was used EBITDA for last three trailing 12 months periods ended at the end of reporting period with bigger weight for last 12 months period figures. As at 31 December 2016 it was changed valuation method for trading piece. It was used EBITDA multiplier method with adding of differences between current asset and total liabilities of trading pieces. The Buyer of trading pieces has used this method in estimating the price for the signed deal in 2017 (Note 26).

Investment in facility management entities was measured using trailing twelve months EBITDA and applying a multiplier of comparable entity City Service SE, operating in Lithuania and listed on the on the Warsaw Exchange. It was decided not to use other foreign companies' multipliers, which were higher than the one used in the calculations due to the fact that facility management is local business dependent on varying Lithuanian legal and business environment. Other facility management entities operating in Lithuania are not public companies.

UAB Kelio Ženklai was measured according to fair value of its assets and liabilities. The main assets - buildings - of UAB Kelio Ženklai was valued using sales comparison method. On the assessment the value of UAB Kelio Ženklai reflects its liquidation value.

Dormant entities are measured according to its equity, because they have only cash and current liabilities.

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table represents inputs and fair value valuation techniques of subsidiaries and associates used by the Company as at 31 December 2016

Profile of activities	Fair value	Valuation technique	Inputs	Values of inputs
Facility management (Level 3)	4,484	Comparable companies in the market	EBITDA multiple	6.9
			EBITDA, EUR thousand	587
Agriculture (UAB Litagra) (Level 3)	15,371	Comparable companies in the market	EBITDA multiple	5.9-6.9
			EBITDA, EUR thousand	5,489
			Discount for lack of marketability	10%
Road signs production, wood manufacturing and dormant SPEs (Level 3)	965	Fair value of net assets	-	-

The following table represents inputs and fair value valuation techniques of subsidiaries and associates used by the Company as at 31 December 2015

Profile of activities	Fair value	Valuation technique	Inputs	Values of inputs
Facility management (Level 3)	4,644	Comparable companies in the market	EBITDA multiple	5.7
			EBITDA, EUR thousand	775
Agriculture (UAB Litagra) (Level 3)	14,897	Comparable companies in the market	EBITDA multiple	7.6-7.8
			P/BV multiple	1.0
			EBITDA, EUR thousand (grains processing and agricultural productions)	4,496
			Book value EUR thousand (trading)	8,092
			Discount for lack of marketability	10%
Road signs production, wood manufacturing and dormant SPEs (Level 3)	1,121	Fair value of net assets	-	-

The table below presents the effect of changing one or more those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions:

Profile of activities	Unobservable inputs	Reasonable possible shift +/- (absolute value/bps/%)	Change in Valuation +/- As at 31 December 2016	Change in Valuation +/- As at 31 December 2015
Facility management (Level 3)	EBITDA multiple	1	587/(587)	775/(775)
	EBITDA	5%	203/(203)	221/(221)
Agriculture (UAB Litagra) (Level 3)	EBITDA multiple	0.5	799/(799)	650/(650)
	P/BV multiple	0.1	-	269/(269)
	EBITDA	5%	553/(553)	574/(574)
	Discount for lack of marketability	100 bps	(168)/168	(165)/165

(all amounts are in EUR thousand unless otherwise stated)

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	4,484	4,484
- Other activities	-	-	965	965
Associates				
- Agriculture	-	-	15,371	15,371
- Real estate	8,183	-	-	8,183
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	3,370	-	-	3,370
- Bank sector	11,505	-	-	11,505
- Other ordinary shares	1	2	-	3
- Collective investment undertakings - funds	-	779	-	779
- Government bonds	345	-	-	345
- Corporate bonds	-	-	-	-
Financial assets held for trading				
Equity securities				
- Food industry	901	-	-	901
Total Assets	24,305	781	20,820	45,906
Liabilities	-	-	-	-

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	4,484	4,484
- Other activities	-	-	965	965
Associates				
- Agriculture	-	-	15,371	15,371
- Real estate	8,183	-	-	8,183
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	2,978	-	-	2,978
- Bank sector	11,505	-	-	11,505
- Other ordinary shares	-	2	-	2
Financial assets held for trading				
Equity securities				
- Food industry	901	-	-	901
Total Assets	23,567	2	20,820	44,389
Liabilities	-	-	-	-

(all amounts are in EUR thousand unless otherwise stated)

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	4,644	4,644
- Other activities	-	-	1,121	1,121
Associates				
- Agriculture	-	-	14,897	14,897
Financial assets designated upon initial recognition at fair value through profit or loss				
- Real estate	1,985	-	-	1,985
- Information technology	3,831	-	-	3,831
- Bank sector	6,363	-	-	6,363
- Other ordinary shares	1	2	-	3
- Collective investment undertakings - funds	-	658	-	658
- Government bonds	357		-	357
- Corporate bonds	49	-	-	49
Financial assets held for trading				
Equity securities				
- Food industry	513	-	-	513
Total Assets	13,099	660	20,662	34,421
Liabilities	-	-	-	-

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1	Level 2	Level 3	Total balance
Assets				
Subsidiaries				
- Facilities management	-	-	4,644	4,644
- Other activities	-	-	1,121	1,121
Associates				
- Agriculture	-	-	14,897	14,897
Financial assets designated upon initial recognition at fair value through profit or loss				
- Real estate	1,985	-	-	1,985
- Information technology	3,831	-	-	3,831
- Bank sector	6,363	-	-	6,363
- Other ordinary shares	-	2	-	2
Financial assets held for trading				
Equity securities				
- Food industry	513	-	-	513
Total Assets	12,692	2	20,662	33,356
Liabilities	-	-	-	-

During 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

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.

(all amounts are in EUR thousand unless otherwise stated)

12 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The following table presents the changes in Level 3 instruments of Company and Group for the period ended 31 December 2016:

	Facilities management	Agriculture	Other activities	Total
Balance at 31 December 2015	**4,644**	**14,897**	**1,121**	**20,662**
Gains and losses recognised in profit or loss after becoming investment entity (within 'Net changes in fair value of financial assets at fair value through profit or loss')	(160)	474	(205)	109
Interest charged	-	-	46	46
Share capital increase	-	-	3	3
Balance at 31 December 2016	**4,484**	**15,371**	**965**	**20,820**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(160)	474	(205)	109

The following table presents the changes in Level 3 instruments of Company and Group for the period ended 31 December 2015:

	Facilities management	Agriculture	Other activities	Total
Balance at 31 December 2014	**3,260**	**14,855**	**1,434**	**19,549**
Gains and losses recognised in profit or loss after becoming investment entity (within 'Net changes in fair value of financial assets at fair value through profit or loss')	1,384	42	(274)	1,152
Loans granted repaid	-	-	(100)	(100)
Interest charged	-	-	56	56
Share capital increase	-	-	5	5
Balance at 31 December 2015	**4,644**	**14,897**	**1,121**	**20,662**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	1,384	42	(274)	1,152

(all amounts are in EUR thousand unless otherwise stated)

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Available-for-sale				
Ordinary shares – unquoted (carried at cost)	494	494	494	494
	494	494	494	494
Held-for-trading				
Ordinary shares - quoted	901	513	901	513
	901	513	901	513
Designated at fair value through profit and loss on initial recognition				
Ordinary shares - quoted	14,876	12,180	14,483	12,179
Bonds	345	406	-	-
Investment units	779	658	-	-
Ordinary shares - unquoted	2	2	2	2
	16,002	13,246	14,485	12,181
Total financial assets at fair value through profit and loss	16,903	13,759	15,386	12,694
Non-current financial assets at fair value through profit and loss	14,485	12,181	14,485	12,181
Current financial assets at fair value through profit and loss	2,418	1,578	901	513

In 2016 the Company and the Group have additional invested EUR 776 thousand by cash into financial assets at fair value through profit or loss and has sold them for EUR 682 thousand by cash. Shares of INVL Baltic Real Estate were reclassified to associates after loans granted was converted into share capital (Note 3). Shares of INVL Technology was transferred by the Company to subsidiary for increase of share capital of EUR 400 thousand. After reorganisation of Latvian investment funds by the merge with Lithuanian investments funds it was recognised sale and acquisition of investments funds units by swap for EUR 605 thousand.

In July 2015 the Company and the Group have additional invested EUR 2,313 thousand into shares of INVL Technology during public offer and acquired shares from management of the entity (EUR 1,607 thousand was set-off against receivables from loans granted). The owned shares of the entity were increased from 8.25% till 15.65%. Source for payment of shares – loans granted to the entity and its management. After payment for shares the Company and the Group have not any loans granted to INVL Technology and its management.

In September 2015 the Company and the Group have obtained the ownership of subscribed shares of AB Šiaulių bankas (acquisition price EUR 6,193 thousand).

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 are 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:

	Group	
	2016	**2015**
Moody's ratings		
From BAA1 till BAA3	345	357
From BA1 till BA3	-	49
	345	406

(all amounts are in EUR thousand unless otherwise stated)

14. Loans granted

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Loans granted to third parties	682	685	682	685
Loans granted to subsidiaries	437	184	437	184
Loans granted to other related parties	-	8,544	-	8,544
	1,119	9,413	1,119	9,413
Less: long-term loans to other related parties	-	(6,245)	-	(6,245)
Total long-term loans	-	(6,245)	-	(6,245)
Less: allowance for impairment to third parties	(682)	(685)	(682)	(685)
Less: allowance for impairment to subsidiaries	-	-	-	-
Less: allowance for impairment to other related parties	-	(1,682)	-	(1,682)
Total allowance for impairment	(682)	(2,367)	(682)	(2,367)
Total short-term loans granted	**437**	**801**	**437**	**801**

Loans granted to other related parties and to subsidiaries are disclosed in more details in Note 25.

As at 31 December 2016 the Group's and the Company's loans granted with nominal value of EUR 682 thousand and EUR 682 thousand, respectively, were impaired (as at 31 December 2015 EUR 2,367 thousand and EUR 2,367 thousand, respectively). The net amounts of impaired loans of nil are recognised in the statement of financial position of the Group and the Company (nil in 2015, respectively).

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

	Individually impaired	
	Group	**Company**
Balance as at 31 December 2014	2,656	2,608
Charge for the year	-	-
Reversal of amounts previously written-off	-	-
Increase of share capital of subsidiaries by converting loans granted	(289)	(241)
Balance as at 31 December 2015	2,367	2,367
Charge for the year	-	-
Reversal of amounts previously written-off	(3)	(3)
Write-offs against the allowance	(1,682)	(1,682)
Balance as at 31 December 2016	682	682

Changes in allowance for impairment of loans granted for the year 2016 and 2015 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 5.2.).

In January 2016 bankrupt entity UAB Laikinosios Sostinės Projektai was removed from the Register of Legal Entities of Lithuania. Therefore, the Company's ownership of 50% of shares of UAB Laikinosios Sostinės Projektai and right of claim of EUR 1,682 thousand arising from loan agreements has expired. From the beginning of bankruptcy proceedings in 2011 the shares and loans granted was valued equal to nil in the statements of financial position of the Group and the Company. Therefore, the removing of the entity from the Register of Legal Entities of Lithuania did not affect the Company's and the Group's financial performance for year ended 31 December 2016.

(all amounts are in EUR thousand unless otherwise stated)

14 Loans granted (cont'd)

The ageing analysis of loans granted of the Group and the Company as at 31 December 2016 and 2015 is as follows:

	Granted loans neither past due not impaired	Granted loans past due but not impaired: Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
2016	437	-	-	-	-	437
2015	7,046	-	-	-	-	7,046

All granted loans neither past due nor impaired as at 31 December 2016 and 2015 have no history of counterparty defaults.

15. Trade and other receivables

	Group 2016	Group 2015	Company 2016	Company 2015
Trade and other receivables, gross	1,258	668	-	2
Taxes receivable, gross	38	111	-	-
Less: allowance for doubtful trade and other receivables	(11)	(5)	-	-
	1,285	774	-	2

Changes in allowance for doubtful trade and other receivables for the year 2016 and 2015 have been included within 'impairment, write down and provisions' expenses in the income statement (Note 5.2.).

Trade and other receivables are non-interest bearing and are generally on 10–30 days terms. Receivables from related parties are disclosed in more details in Note 25.

As at 31 December 2016 the Group's and the Company's trade and other receivables with gross carrying amount of EUR 14 thousand and nil, respectively, were impaired (as at 31 December 2015 EUR 6 thousand and nil, respectively). The net amounts of EUR 3 thousand and nil, respectively, are presented in the statement of financial position of the Group and the Company (as at 31 December 2015 EUR 1 thousand and nil).

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

	Individually impaired: Group	Company
Balance as at 31 December 2014	2	2
Charge for the year	5	-
Reversal of amounts previously written-off	(2)	(2)
Balance as at 31 December 2015	5	-
Charge for the year	6	-
Reversal of amounts previously written-off	-	-
Balance as at 31 December 2016	11	-

(all amounts are in EUR thousand unless otherwise stated)

15 Trade and other receivables (cont'd)

The ageing analysis of trade and other receivables of the Group as at 31 December 2016 and 2015 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2016	1,231	-	10	2	1	1,244
2015	658	1	1	1	1	662

The ageing analysis of trade and other receivables of the Company as at 31 December 2016 and 2015 is as follows:

		Trade receivables past due but not impaired				
	Trade receivables neither past due nor impaired	**Less than 30 days**	**30–90 days**	**90–180 days**	**More than 180 days**	**Total**
2016	-	-	-	-	-	-
2015	1	-	-	-	1	2

Credit quality of financial assets neither past due nor impaired

All trade receivables neither past due nor impaired as at 31 December 2016 and 2015 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.

(all amounts are in EUR thousand unless otherwise stated)

16. Cash and cash equivalents, term deposits

	Group		Company	
	2016	**2015**	**2016**	**2015**
Cash at bank	1,464	1,815	384	1,238
	1,464	1,815	384	1,238

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

The Group and the Company's cash and cash equivalents were not having any encumbrance.

As at 31 December 2016 and 2015, the Group and the Company had term deposits at banks with the maturity of more than 3 months, which are fully provided for:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Deposit's certificate of AB Bankas Snoras	3,106	3,106	3,106	3,106
Accumulated interest	16	16	16	16
Less allowance for impairment as consequence of AB Bankas Snoras insolvency	(3,122)	(3,122)	(3,122)	(3,122)
	-	-	-	-

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. After decision of the Supreme Court of Lithuania in 2015 the Company and the Group have received insurance payment of EUR 54 thousand for deposit's certificate. Therefore, the nominal value of the certificate and allowance for impairment was decreased by EUR 54 thousand.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Moody's ratings				
Prime-1	1,036	1,522	347	1,105
Not Prime	333	290	37	133
Not rated	95	3	-	-
	1,464	1,815	384	1,238

(all amounts are in EUR thousand unless otherwise stated)

17. Restricted cash

In 2015 the Company has deposited EUR 83 thousand within AB Šiaulių bankas to secure future commitment to purchase 100% of shares of AS "Finasta atklatais pensiju fonds" (entity managed 3rd pillar pension funds in Latvia, Note 24). The above mentioned restricted cash is also pledged to AB Šiaulių bankas to secure future commitment. In 2016 The Company has additionally deposited EUR 20 thousand.

18. Share capital and share premium

The total authorised number of ordinary shares is 11,865,993 (as of 31 December 2015: 11,865,993 shares) with a par value of EUR 0.29 per share. All issued shares are fully paid.

Changes during 2015

From 12 June 2015 until 22 June 2015 the Company implemented share buy-back through the tender offer market. Maximum number of shares to be acquired was 262,000. Share acquisition price established at EUR 3.82 per share. During buy-back 143,645 shares (1.2% of share capital) were acquired for EUR 550 thousand, including brokerage fees. The acquired shares were settled on 25 June 2015. Acquired own shares do not have voting rights.

The changes in share capital regarding a par value of share were registered in the Register of Legal entities on 11 May 2015 and share capital increased by EUR 4 thousand as a result. From 11 May 2015 the total authorised number of ordinary shares is 11,865,993 with the par value of EUR 0.29 per share, the Company's authorized share capital is equal to EUR 3,441,137.97. The total amount of shares with voting rights equals to 11,722,348 units.

Changes during 2016

From 5 May 2016 until 19 May 2016 the Company implemented share buy-back through the tender offer market. Maximum number of shares to be acquired was 250,000. Share acquisition price established at EUR 4.11 per share. During buy-back 135,739 shares (1.14% of share capital) were acquired for EUR 558 thousand, including brokerage fees. The acquired shares were settled on 23 May 2016. Acquired own shares do not have voting rights.

19. Reserves

The movements in legal and other reserves are as follows:

Group	Legal reserve	Reserve for acquisition of own shares	Share based payments reserve	Total
As at 31 December 2014	**473**	**11,121**	**-**	**11,594**
As at 31 December 2015	**473**	**11,121**	**-**	**11,594**
Transfer to reserves	4	-	-	4
Share-based payment	-	-	346	346
As at 31 December 2016	**477**	**11,121**	**346**	**11,944**

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

Reserve for the acquisition of own shares is formed for the purpose of buying own shares in order to keep their liquidity and manage price fluctuations. It can be formed by shareholders' decision at the Annual Shareholders Meeting from the profit available for distribution. The reserve cannot be used to increase the share capital. The reserve does not change when Company acquires own shares, but is utilised when own shares are cancelled. The shareholders can decide to transfer unused amounts of the reserve back to retained earnings at the Annual Shareholders Meeting.

19 Reserves (cont'd)

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.

On 2 May 2016 the Company has signed with employees share options agreements for 52,906 shares of the Company. The main conditions of the agreements were:

- The employee has the right to acquire the shares in 2019 after the Ordinary General Shareholders Meeting, which is three years after conclusion of the share options agreements, early exercising is not allowed;
- Option exercise price – EUR 1;
- The agreements has not any vesting conditions;
- When the time to exercise is matures the right to acquire the shares will be realized by selling of own shares of the Company or by offering to sign newly issued shares of the Company to employee;
- The options could not be sold.

According to conditions of the agreements, the management judge that share options were grant to the employees for previously (till 2016) provided services to the Company. Therefore, the share-based payment expenses were recognised in the income statement of the Company and the Group within ”Employee benefits expenses” as the fair value of granted share options right away (EUR 153 thousand) the fair value of one share option at the grant date (2 May 2016) was equalled to EUR 2.90. The value of share-based payments was calculated using the Black-Scholes formula. The main inputs for valuation of share options was share price in the exchange on 2 May 2016 (EUR 3.91), risk-free interest rate (-0.448%), historical volatility (36.52%), expected dividend yield (0%).

As at 31 December 2016 the Company and the Group have accrued expenses for share-based payment. It is expected that grant date would be in May 2017. The accruals were recognized for value of 68,000 shares of the Company. The main conditions of the agreements would be:

- The employee has the right to acquire the shares in 2020 after the Ordinary General Shareholders Meeting, which is three years after conclusion of the share options agreements, early exercising is not allowed;
- Option exercise price – EUR 1;
- The agreements has not any vesting conditions;
- When the time to exercise is matures the right to acquire the shares will be realized by selling of own shares of the Company or by offering to sign newly issued shares of the Company to employee;
- The options could not be sold.

According to conditions of the agreements, the management judge that share options will be granted to the employees for provided services to the Group for 2016. Therefore, the share-based payment expenses were recognised in the income statement of the Company and the Group within ”Employee benefits expenses” as the fair value of share options right away. The Group has recognized EUR 193 thousand of expenses. The Company has recognised EUR 20 thousand of expenses and EUR 173 thousand as additional investment to consolidated subsidiaries. The fair value of one share option at the 31 December 2016 was equalled to EUR 2.84. The value of share-based payments was calculated using the Black-Scholes formula. The main inputs for valuation of share options was share price in the exchange on 31 December 2016 (EUR 3.86), risk-free interest rate (-0.711%), historical volatility (34.01%), expected dividend yield (0%).

20. Borrowings

As at 31 December 2016 the Company has received the borrowings from Invalda INVL Investments UAB. As at 31 December 2016 the Group has not any borrowings. As at 31 December 2015 the Group and the Company have not any borrowings. During the year 2015 the Group and the Company received and repaid respectively EUR 1,360 thousand and EUR 1,480 thousand of loans granted from related parties (Note 25).

Weighted average effective interest rates of borrowings during the year:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Borrowings	-	3.00%	3.00%	3.00%

(all amounts are in EUR thousand unless otherwise stated)

21. 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 25.

22. Other liabilities

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Financial liabilities				
Dividends payable	383	395	383	395
Amounts payable for acquisition of shares (Note 3)	-	-	-	345
Other amounts payable	412	191	64	64
	795	586	447	804
Non – financial liabilities				
Salaries and social security payable	549	311	27	46
Tax payable	16	120	-	3
Other amounts payable	31	-	-	-
	596	431	27	49
Total other current and non-current liabilities	1,391	1,017	474	853
Non-current liabilities	-	-	-	-
Current liabilities	1,391	1,017	474	853

23. Financial risk management

23.1. Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market and liquidity), operational risks and legal risks. On an overall Group level strategical risk management is executed by the Board of Directors. Operational risk management is carried out at each entity level by directors. 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 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 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 operational 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.

<u>Credit risk</u>

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. The maximum exposure to credit risk is disclosed in Notes 14 and 15. The maximum exposure to credit risk for loans granted classified as 'investments to subsidiaries measured at fair value through profit or loss' are their carrying amounts (EUR 745 thousand as at 31 December 2016 and EUR 1,048 thousand as at 31 December 2015). There are no significant transactions of the Group or the Company that occur outside Lithuania and Latvia.

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. The maximum exposure to credit risk is disclosed in Notes 13 and 16.

(all amounts are in EUR thousand unless otherwise stated)

23 Financial risk management (cont'd)

23.1 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 debt obligations with floating interest rates and to the owned bonds.

The Group has not any borrowing as at 31 December 2016 and 2015. The Company has borrowing from its subsidiaries with fixed interest rates for one year as at 31 December 2016. The Company has not any borrowing as at 31 December 2015. The Company and the Group has loans granted to its subsidiaries with fixed interest rates for one year. Therefore, the Group and the Company are not exposed to cash flow interest rate risk from loans granted.

In 2015 and 2016 bonds at fixed rates expose the Group to fair value interest rate risk, but it was insignificant.

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 the equity index: OMX Baltic Benchmark Gross Index (OMXBBGI).

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

Index	**Group**		**Company**	
	2016	**2015**	**2016**	**2015**
OMXBBGI	1,971	982	1,962	982

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.

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 instruments 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 euro. As at 31 December 2015 and 2016 the Group and Company has insignificant assets denominated in foreign currency.

(all amounts are in EUR thousand unless otherwise stated)

23 Financial risk management (cont'd)

23.1 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 a level of subsidiaries. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. 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 operating segment is independently planning its internal cash flows. Short-term liquidity for the Group and the Company is controlled through monthly monitoring of the liquidity status and needs of funds according to the Group's operating 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. 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 operating segments.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2016 and 2015 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Trade and other payables	-	140	58	-	-	198
Other liabilities	383	345	67	-	-	795
Balance as at 31 December 2016	**383**	**485**	**125**	**-**	**-**	**993**
Trade and other payables	-	272	64	-	-	336
Other liabilities	395	191	-	-	-	586
Balance as at 31 December 2015	**395**	**463**	**64**	**-**	**-**	**922**

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2016 and 2015 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Borrowings	-	-	410	-	-	410
Trade and other payables	-	8	-	-	-	8
Other current liabilities	383	64	-	-	-	447
Balance as at 31 December 2016	**383**	**72**	**410**	**-**	**-**	**865**
Trade and other payables	-	5	-	-	-	5
Other current liabilities	395	409	-	-	-	804
Balance as at 31 December 2015	**395**	**414**	**-**	**-**	**-**	**809**

The Group's liquidity ratio (total current assets / total current liabilities) as at 31 December 2016 was approximately 3.5 (3.7 as at 31 December 2015). The Company's liquidity ratio as at 31 December 2016 was approximately 2.15 (3.1 as at 31 December 2015). 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.

(all amounts are in EUR thousand unless otherwise stated)

23 Financial risk management (cont'd)

23.2. 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 2016 and 2015.

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. As at 31 December 2016 all the Group consolidated subsidiaries comply with above mentioned requirement. As at 31 December 2015 all the Group consolidated subsidiaries comply with above mentioned requirement, except UAB FMĮ INVL Finasta. The appropriate measures were taken by the Company and the share capital was increased by cash contributions in March 2016. Pursuant to the Law on State Funded Pensions of Republic of Latvia the authorised share capital of an investment management entity must be not less than EUR 500,000, if it managed pension funds of total assets up to EUR 50 million, and must be not less than EUR 1,000,000, if it managed pension funds of total assets up to EUR 100 million. As of 31 December 2015 and 2016 IPAS INVL Asset Management complied with this requirement.

The Company's subsidiaries UAB INVL Asset Management and UAB FMĮ INVL Finasta are managing their capital and all relevant risks in accordance with requirements set by the Bank of Lithuania. The Company's subsidiary IPAS INVL Asset Management is managing their capital and all relevant risks in accordance with requirements set by the Financial and Capital Market Commission of Latvia. Internally there was approved a common risk level – to which extent the minimal capital adequacy requirement would not be violated and there would not be a real threat of its violation. UAB INVL Asset Management ensure that the capital adequacy ratio calculated according to the Bank of Lithuania requirements would be at least 1.1. UAB FMĮ INVL Finasta ensures that the capital adequacy ratio calculated according to the Bank of Lithuania requirements would be at least 8%. IPAS INVL Asset Management ensures that the capital adequacy ratio calculated according to the Financial and Capital Market Commission of Latvia requirements would be at least 8%.The capital adequacy ratios in these subsidiaries were:

	2016	2015
UAB INVL Asset Management	1.86	2.34
UAB FMĮ INVL Finasta (%)	14.71	4.32
UAB IPAS INVL Asset Management (%)	56.17	36.63

In March 2016 the share capital of UAB FMĮ INVL Finasta was increased and the capital adequacy ratio of the entity is 13.52%.

(all amounts are in EUR thousand unless otherwise stated)

24. Commitments and contingencies

Commitments to purchase the shares

In May 2015 the Company has signed Conditional Share Purchase Agreement with AB bankas Finasta regarding purchasing 100% shares of AS "Finasta atklatais pensiju fonds" (entity managed 3rd pillar pension funds in Latvia). Restricted cash of EUR 103 thousand was placed in separate bank account to secure commitment to purchase the shares (Note 17). After merger of AB Bankas Finasta with AB Šiaulių bankas, the latter is contracting party.

Funds and individual portfolios managed by the Group

The table below presents the net assets of the Group's managed funds and individual portfolios and capitalisation of managed closed-end investment companies (cross-holding is not excluded):

	2016	**2015**
2nd pillar pension funds	300,412	229,898
3rd pillar pension funds	18,264	12,951
Investment and real estate funds	100,087	47,293
Portfolios of clients	45,136	39,399
Closed-end investment companies	46,940	-
Total	**510,839**	**329,541**

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.

In 2016 and 2015, the lease expenses of the Group amounted to EUR 322 thousand and EUR 173 thousand, respectively. In 2016 and 2015, the lease expenses of the Company amounted to EUR 28 thousand and EUR 33 thousand, respectively.

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

		Group		**Company**	
		2016	**2015**	**2016**	**2015**
Within one year					
	- lease of premises	219	221	22	23
	- other lease	15	5	1	5
		234	226	23	28
From one to five years					
	- lease of premises	773	804	88	91
	- other lease	30	-	3	-
		803	804	91	91
After five years					
	- lease of premises	702	891	84	110
	- other lease	29	-	3	-
		731	891	87	110
		1,768	**1,921**	**201**	**229**

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.

(all amounts are in EUR thousand unless otherwise stated)

25. 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 2016 and 2015 were unconsolidated subsidiaries, associates, joint ventures, the shareholders of the Company, who have joint control or significance influence (Note 1) and key management personnel, including companies under control or joint control of key management and shareholders having significant influence or joint control and including companies, where shareholders having joint control over the Company are key management personnel or having significant influence. To the other related parties are attributed entities left the Group during split-off occurred in 2014, because shareholders having joint control over the Company are key management personnel of these entities or having significant influence. In 2015 UAB Laikinosios Sostinės Projektai, over which the Group had lost joint control as result of bankruptcy of entity in 2011, is also attributed to the list of related parties (under the subgroup of joint ventures).

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

Transactions of the Group with unconsolidated subsidiaries in 2016 and balances as at 31 December 2016 were as follows:

2016 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	62	-	1,187	-
Transfer of tax losses	30	-	-	-
Dividends	348	-	-	-
Accounting services	3	-	-	-
	443	-	1,187	-

The maturity of loans granted is 2017, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Group classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Group with associates in 2016 and balances as at 31 December 2016 were as follows:

2016 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	58	-	-	-
Rent and utilities services	-	215	-	5
Dividends	253	-	-	-
Management fee	5	-	5	-
Distributions of new shares	187	-	-	-
Accounting services	14	-	-	-
Other services	3	-	-	-
	520	215	5	5

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

Transactions of the Group with other related parties in 2016 (entities transferred to newly established entities during split-off in 2014) and balances as at 31 December 2016 were as follows:

2016 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	-	-	-	-
Accounting services	16	-	-	-
The group of INVL Technology (information technology maintenance services)	-	151	-	29
The group of AB INVL Baltic Farmland (land administration services)	174	-	116	-
Management fee (for INVL Technology)	205	-	109	-
	395	151	225	29

Transactions of the Group with unconsolidated subsidiaries in 2015 and balances as at 31 December 2015 were as follows:

2015 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	88	-	1,236	-
Banking activity	9	182	-	-
Dividends	247	-	-	-
Accounting services	3	-	-	-
	347	182	1,236	-

The maturity of loans granted is 2016, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Group classifies part of loans granted as long term, because has policy to prolong them on maturity date.

The Group has not any transactions with associates in 2015.

Transactions of the Group with joint ventures in 2015 and balances as at 31 December 2015 were as follows:

2015 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	-	-	1,682	-
	-	-	1,682	-

In July 2015 the Group has received the loan from shareholder for EUR 1,300 thousand. The loan was repaid in the same month and loans interest was paid for EUR 3 thousand.

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

Transactions of the Group with other related parties in 2015 (entities transferred to newly established entities during split-off in 2014) and balances as at 31 December 2015 were as follows:

2015 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	354	-	6,862	-
Accounting services	30	-	-	-
The group of INVL Baltic Real Estate (rent and utilities services)	-	44	-	11
The group of AB INVL Baltic Farmland (land administration services)	117	7	103	-
The group of INVL Technology (information technology maintenance services)	-	41	-	13
	501	92	6,965	24

The maturity of loans granted is 2016, effective interest rate is fixed at 4.5 %. Loans hold no collateral. EUR 6,245 thousand of loans is subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019.

The Company's related parties were the subsidiaries, associates, joint ventures, shareholders, who have joint control or significance influence (Note 1), key management personnel, companies under control or joint control of key management and shareholders with significant influence or joint control and companies, where shareholders having joint control over the Company are key management personnel or having significant influence. To the other related parties are also attributed entities left the Group during split-off occurred in 2014, because shareholders having joint control over the Company are key management personnel of these entities or having significant influence.

Transactions of the Company with subsidiaries in 2016 and balances as at 31 December 2016 were as follows:

2016 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	62	8	1,187	398
Increase of share capital in kind (transfer of owned shares)	400	-	-	-
Dividends	406	-	-	-
Transfer of tax losses	29	-	-	-
Accounting services	4	-	-	-
Other services	3	-	-	-
	904	8	1,187	398

The maturity of loans granted is 2017, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Company classifies part of loans granted as long term, because has policy to prolong them on maturity date. The maturity of borrowings is 2017, effective interest rate is fixed at 3 %.

Transactions of the Company with associates in 2016 and balances as at 31 December 2016 were as follows:

2016 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	58	-	-	-
Rent and utilities services	-	26	-	3
Dividends	253	-	-	-
Accounting services	12	-	-	-
	323	26	-	3

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

Transactions of the Company with other related parties in 2016 (entities transferred to newly established entities during split-off in 2014) and balances as at 31 December 2016 were as follows:

2016 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
The group of INVL Technology (information technology maintenance services)	-	10	-	1
Accounting services	16	-	-	-
	16	10	-	1

Transactions of the Company with subsidiaries in 2015 and balances as at 31 December 2015 were as follows:

2015 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	88	-	1,236	-
Payables for share capital increase in subsidiaries	-	-	-	345
Dividends	247	-	-	-
Banking activity	-	5	-	-
Accounting services	4	-	-	-
Other services	2	-	1	-
	341	5	1,237	345

The maturity of loans granted is 2016, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Company classifies part of loans granted as long term, because has policy to prolong them on maturity date.

The Company has not any transactions with associates in 2015.

Transactions of the Company with joint ventures in 2015 and balances as at 31 December 2015 were as follows:

2015 Company	Revenue and other income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
Loans and borrowings	-	-	1,682	-
	-	-	1,682	-

In July 2015 the Company has received the loan from shareholder for EUR 1,300 thousand. The loan was repaid in the same month and loans interest was paid for EUR 3 thousand.

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

Transactions of the Company with other related parties in 2015 (entities transferred to newly established entities during split-off in 2014) and balances as at 31 December 2015 were as follows:

2015 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	354	-	6,862	-
The group of INVL Baltic Real Estate (rent and utilities)	-	5	-	1
The group of INVL Technology (information technology maintenance)	-	11	-	1
Accounting services	30	-	-	-
	384	16	6,862	2

The maturity of loans granted is 2016, effective interest rate is fixed at 4.5 %. Loans hold no collateral. EUR 6,245 thousand of loans is subordinated to bank borrowing and could be repaid only upon maturity of bank borrowing in 2019.

The movements of loans granted to joint ventures were (the loans granted was fully provided):

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
At 1 January	**1,682**	**1,682**	**1,682**	**1,682**
Expiry of loans due to removing of bankrupt entity from the Register of Legal Entities of Lithuania	(1,682)	-	(1,682)	-
At 31 December	**-**	**1,682**	**-**	**1,682**

There were no movements and balances outstanding of loans granted to associates in 2016 and 2015.

The movements of loans granted to subsidiaries were:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
At 1 January	**1,236**	**2,367**	**1,236**	**2,367**
Loans granted during year	235	-	235	-
Loans repayment received	(70)	(665)	(70)	(665)
Loans and interest converted to increased share capital	(348)	(532)	(348)	(532)
Loans granted by set-off	77	-	77	-
Interest charged	62	88	62	88
Interest received	(5)	(22)	(5)	(22)
At 31 December	**1,187**	**1,236**	**1,187**	**1,236**

(all amounts are in EUR thousand unless otherwise stated)

25 Related party transactions (cont'd)

The movements of loans granted to other related parties were:

	Group		Company	
	2016	**2015**	**2016**	**2015**
At 1 January	**6,862**	**7,050**	**6,862**	**7,050**
Loans granted during year	800	4,132	800	4,132
Loans repayment received	(1,458)	(3,231)	(1,458)	(3,231)
Loans and interest converted to increased share capital	(6,219)	(1,402)	(6,219)	(1,402)
Interest charged	58	354	58	354
Interest received	(43)	(41)	(43)	(41)
At 31 December	**-**	**6,862**	**-**	**6,862**

The movements of borrowings from subsidiaries were:

	Group		Company	
	2016	**2015**	**2016**	**2015**
At 1 January	**-**	**-**	**-**	**-**
Borrowings received during year	-	60	390	180
Borrowings repaid during year	-	(60)	-	(180)
Interest charged	-	-	8	-
Interest paid	-	-	-	-
At 31 December	**-**	**-**	**398**	**-**

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. As at 31 December 2016 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 subsidiaries, amounted to EUR 4 thousand (EUR 4 thousand, respectively, in 2015). 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. In 2016 and 2015 key management of the Company includes Board members and Chief financial officer of the Company. In 2016 and 2015 key management of the Group includes Board members and Chief financial officer of the Company, the Supervisory Board and Board members of asset management entities UAB INVL Asset Management and IPAS INVL Asset Management and the General Manager of UAB FMĮ INVL Finasta.

	Group		Company	
	2016	**2015**	**2016**	**2015**
Wages, salaries and bonuses	565	413	210	258
Social security contributions	166	118	65	80
Payments to pensions funds	17	11	-	9
Share-based payments	291	-	54	-
Total key management compensation	1,039	542	329	347

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2016 and 2015 dividends were not paid.

26. Events after the reporting period

On 1 March 2017 the Group and other shareholders of UAB Litagra have signed share purchase – sale agreement with UAB koncernas Achemos Grupė regarding sale of trading business and grain elevators network of the group of UAB Litagra. Completion of the transaction is planned after obtaining the approval of the Competition Council and carrying out other actions foreseen in the agreement, including the reorganization of UAB Litagra. The group of UAB Litagra will continue to run its primary farming production business – companies in Lithuania that cultivate more than 9,000 hectares of land and the feed manufacturer UAB Joniškio Grūdai. The final amount of the transaction depends on financial indicators of sold part of businesses on the transaction closing accounting date and so will only be clear after the transaction is completed. The previous owners will retain the name "Litagra", though the disposed companies will be able to use it until 2019.

INVALDA INVL

Invalda INVL, AB Consolidated Annual Report for 2016

Prepared in accordance with The Rules for the Preparation and the Submission of the Periodic and Additional Information, approved by the decision No. 03-50 of the Board of the Bank of Lithuania passed on 28 February 2013

Translation note:

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

CONTENTS

A WORD FROM THE PRESIDENT OF THE COMPANY

Dear Shareholders, Partners and Employees,

Thank you for investing in the shares of Invalda INVL and for believing in what we do. Also, I would like to thank all of you for your ideas and meaningful contribution to our business activities.

The year 2016 was successful for the Invalda INVL Group, its shareholders and clients. The year was good for the majority of those who have entrusted their assets to the Invalda INVL Group; in total, we earned over EUR 35 million for our clients. The main asset management business continued to grow and expand and the assets managed by us exceeded EUR 500 million at the end of the year. We introduced new products in the market and made significant input to the preparation for the launch of new products. The value of equity investments by Invalda INVL was growing, and we believe that we have created a sound basis for further value growth during 2016. This allowed increasing the value of net assets of Invalda INVL by almost 10 per cent and earning a profit of EUR 4.8 million.

Investment environment

In 2016, INVL Asset Management, a company of the Group, compiled the Lithuanian Investment Index for the first time. During the 2006–2015 period, the average return on investments, including deposits, government bonds, corporate shares and real estate, in Lithuania stood at 4.7 per cent, and during the 1996–2015, this indicator equalled 10.6 per cent.

In 2016, the return on the Lithuanian Investment Index was 6.7 per cent. Investments in domestic stocks stood out with a gain of 14.9 per cent. Meanwhile, the return on rental housing was 9.7 per cent, while long-term bonds returned 2 per cent and exceeded the inflation rate of 0.7 per cent. The return on deposits was nil.

As share prices had been rising, competition over private equity transactions concluded in the region and alternative assets was growing as well, and valuations were increasing. We still believe that high prices of some shares and businesses in Lithuania and other Baltic countries have remained attractive, allowing for successful investments and profits.

Asset management

Invalda INVL seeks to be the leading asset management investment group in Lithuania and one of the leaders in the region. We consider the year 2016 to be successful because we generated benefit and were the most rational choice for the majority of our clients. The fact that we generate value for the individuals and institutions which have chosen us is the main reason that allowed us to grow and become even stronger in 2016.

In 2016, the assets managed grew by 55 per cent to EUR 508.7 million and the number of clients increased from 166,700 to 178,400. The growth in the assets managed was mainly caused by the increase in second pillar pension funds' assets and the alternative assets, namely, the closed-end investment companies INVL Technology and INVL Baltic Real Estate, taken over for management.

In the asset management segment, we earned income totalling EUR 5.1 million and incurred losses amounting to EUR 0.6 million as a result of investments in business development and expenses involved in attracting new clients.

Other investments

Invalda INVL also has investments in the managed products and other equity investments as well. The increase in their value accounted for a major share in the profits earned by the Invalda INVL Group.

Priority will be further given to the qualitative and quantitative growth of the asset management business and generation of long-term value rather than to short-term financial goals. We work to make sure that the year 2017 and subsequent years would be successful to our clients, employees and shareholders.

Darius Šulnis
President of Invalda INVL

I.GENERAL INFORMATION

1. Reporting period for which the report is prepared

The report is prepared for 12 months of 2016 (January – December).
The report also includes significant events of the company and the group that took place after the reporting period.

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

2.1. Information about the Issuer

Name of the Issuer	The public joint-stock company Invalda INVL
Code	121304349
Address	Gynėjų str. 14, LT-01109 Vilnius, Lithuania
Telephone	+370 5 279 0601
E-mail	info@invaldainvl.com
Website	www.invaldainvl.com
Legal form	The 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 operating principles

Activity

Invalda INVL is one of the leading asset management groups in the Baltic countries. Invalda INVL group currently manages a total of more than 20 mutual, real-estate and pension funds (2nd and 3rd pillar), alternative investments, individual portfolios, private equity and other financial instruments. Companies of the group engaged in asset management manage over 500 million euros of assets entrusted to them by more than 170,000 clients in Lithuania and Latvia as well as international investors.

We believe that our team's experience in investing and asset management creates value. That's why we now manage other investors' assets in addition to those of our shareholders. Every day we make decisions to ensure the intelligent investment of our clients' assets, which is why we highly value responsibility, a professional attitude, efficiency and openness.

Experience

Invalda INVL, AB started the activity in 1991 as the company Invalda, AB. From 1991 until 1997 it operated as a public investment 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 shares have been traded on the NASDAQ Vilnius Exchange since 1995. On May 2015 the company changed its corporate name to the public joint-stock company Invalda INVL.

Over its history Invalda INVL implemented a few dozen corporate acquisitions and sales, capital raising transactions (fig. 2.2.1 and fig. 2.2.2) worth more than EUR 1.2 bln.

Having the biggest team of investment managers in Lithuania and Latvia, and more than 20 years of successful asset management, we generate significant returns for our investors.

Goals

The priority of Invalda INVL group is to ensure the successful management of the assets entrusted to it. Our aim is to achieve that the products managed by the group are among the best choices on the market in their categories.

Invalda INVL strives to be the leading asset management investment group in Lithuania and one of the leaders in the region. It is planned to continue growing and investing in the asset management business' organic growth and upon appearance of opportunities, new acquisitions in this business can be made. Alonside with the importance of the annual financial results, the priority will be given for the qualitative and quantitative asset management business growth and long-term value creation for customers, employees and shareholders.

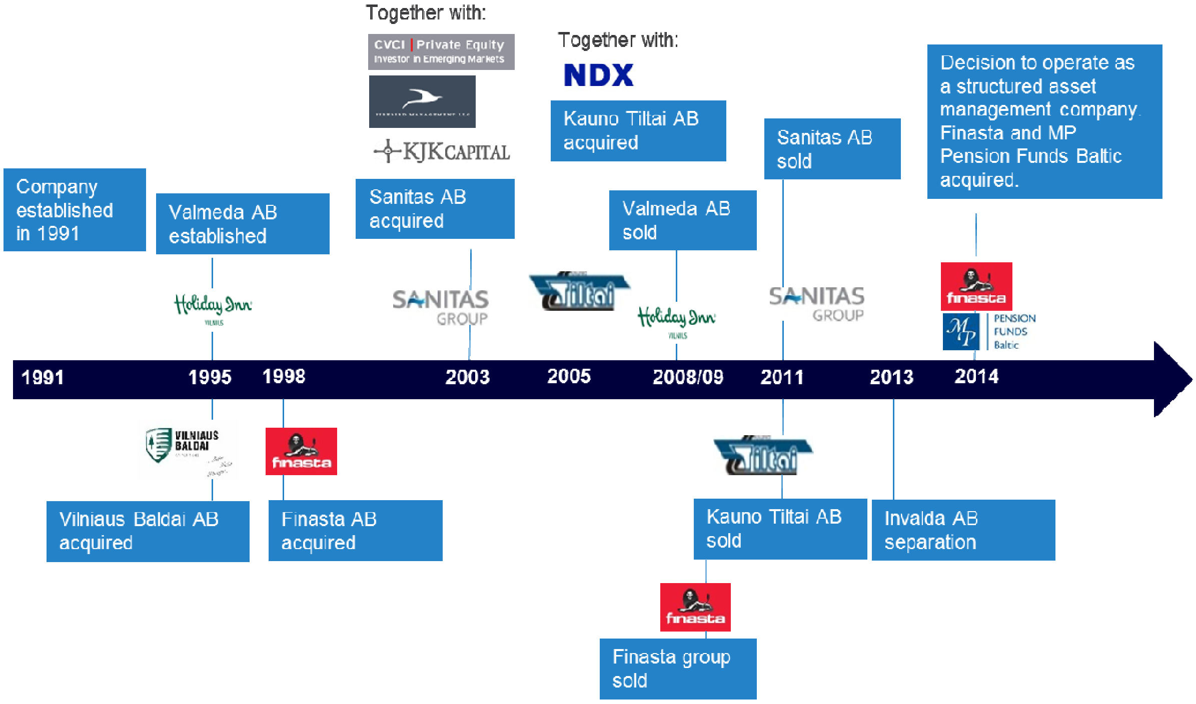


Fig. 2.2.1. Invalda INVL: 25 years of experience in the private equity market

Bank Finasta and FBC Finasta **Activity**: investment banking **Investment**: (2014-2015) EUR 4.3 mln **Sold**: (2015) EUR 6.1 mln	**Vilniaus Baldai AB** **Activity**: furniture manufacturing **Investment**: (1992-2013) EUR 5.2 mln **Sold**: (2013-2014) EUR 60 mln	**Umega AB** **Activity**: metal processing **Investment**: (1994-2011) EUR 0.6 mln **Sold**: (2012) EUR 1.4 mln	**Sanitas AB** **Activity**: generic medicines manufacturing **Investment**: (2003-2009) EUR 43.8 mln **Sold**: (2008-2011) EUR 123.9 mln	**Tiltra Group and Kauno Tiltai** **Activity**: road and bridge construction **Investment**: (2005-2007) EUR 7.2 mln **Sold**: (2011) EUR 52.9 mln
Agrowill Group AB **Activity**: production of agricultural products and investment into land of agricultural purpose **Investment**: (2003-2008) EUR 1.2 mln **Sold**: (2009-2010) EUR 1.5 mln	**Finasta Group** **Activity**: finance and investments **Investment**: (1998-2008) EUR 13.8 mln **Sold**: (2009) EUR 22.45 mln	**Valmeda AB** **Activity**: hotel management **Investment**: (1995-2003) EUR 4.3 mln **Sold**: (2008) EUR 23 mln	**Hidroprojektas UAB** **Activity**: designing and consultations **Investment**:(2001-2002) EUR 0.6 mln **Sold**: (2008) EUR 5.1 mln	**Giriu Bizonas UAB** **Activity**: particle board production **Investment**: (2005) EUR 7.6 mln **Sold**: (2008) EUR 9.2 mln
Apzeldinimas UAB **Activity**: investment into real estate **Investment**: (2005) EUR 0.87 mln **Sold**: (2006) EUR 5.1 mln	**Klaipedos Konditerija AB** **Activity**: production of candies and caramel **Investment**: (2000-2006) EUR 1.3 mln **Sold**: (2006) EUR 2.16 mln	**Vilmakas AB** **Activity**: manufacturing of wood articles **Investment**: (2004) EUR 0.5 mln **Sold**: (2005) EUR 0.9 mln	**Chemija AB** **Activity**: wholesale trading in chemical substances **Investment**: (1992) EUR 0.09 mln **Sold**: (2004) EUR 1.08 mln	**Vilniaus senamiescio restauravimo direkcija UAB** **Activity**: investment into real estate **Investment**: (2004-2005) EUR 0.6 mln **Sold**: (2007-2008) EUR 2.7 mln
Azuolas AB **Activity**: production of soft furniture **Investment**: (1992-1999) EUR 0.1 mln **Sold**: (2000) EUR 0.6 mln	**Medienos Plausas AB** **Activity**: production of soft fibreboards and moulded-fibre packaging **Investment**: (1992) EUR 0.15 mln **Sold**: (1997-1998) EUR 4.84 mln	**Other investments** Invalda INVL AB also invested in these companies: Visagino Duona, Birstono Mineraliniai Vandenys, Kedainiu Biochemija, Vilniaus Paukstynas, Zagares Zirgynas, Naujieji Verkiai, Grigiskes, Liejiniai, Jonavos Agroservisas, Sirijus, Lietkabelis, Vilniaus Vingis, Klijai, Rudalita, Senasis Merkurijus, Melioservisas, Galincius, Veruga, Medisteka, Epusis, Staduva, Vilbaldas, Bank Hermis, Vilniaus Bankas and others.		Dividends (if any) are included in the sale price.

Fig. 2.2.2. Private equity track record of Invalda INVL

2.3. Memberships in associations

Invalda INVL along with INVL Asset Management in Lithuania and Latvia is a full member of Invest Europe – the organisation that unites Europe’s private equity and venture capital companies and investors.

Invalda INVL is also part of the Lithuanian Private Equity and Venture Capital Association, which brings together the participants of Lithuania’s private equity and venture capital market. The organisation’s main goal is, together with the competent Lithuanian institutions and partners, to take part in shaping and implementing a common policy for the PE/VC industry.

Group company INVL Asset Management is a member of Lithuanian investment and pension funds (LIPFA) Association. LIPFA is an independent organisation that brings together the country's private investment management companies and branches of commercial banks engaged in investment activities. Members of the association actively participates in the activities of the association and contribute to the promotion of investment and the favorable environment for Lithuania.

Lithuanian Investment Managers Association (LIVA), one of whose founders is INVL Asset Management, aims to contribute to the development of investment, fund improvements in the legal environment and investor education.

INVL Asset Management is a member of Lithuanian financial markets institute. The activities of this organisation is focused on analysis of Lithuanian financial markets specific problems and research-based solutions delivery. The institute focuses on promotion of various business financing forms and public approach formation to the need for effective functioning of financial markets, the need for formation.

2.4. Information about the Issuer‘s group of companies

Currently, the largest part of Invalda INVL group assets is concentrated in Lithuania and Latvia. At the end of the reporting period the company acted in the field of asset management business and managed other private equity investments, investing in IT, real estate, agricultural, facility management and banking areas.

The asset management business is the core of the company's strategic, while other investments may be sold receiving attractive offers.

List of group companies as well as their contact information is presented at Annex 1.

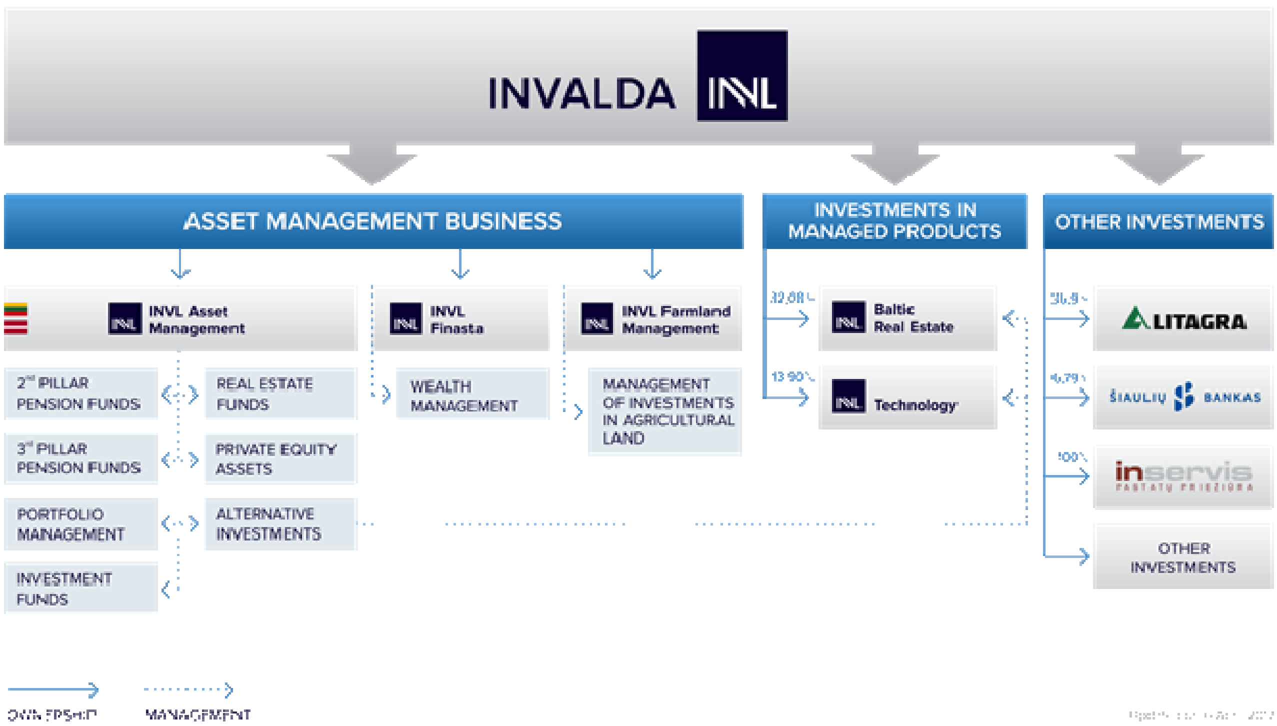


Fig. 2.4.1. The group companies of Invalda INVL as of 31 December 2016

II. FINANCIAL INFORMATION AND SIGNIFICANT EVENTS

3. Business environment

Baltic exchanges indexes ended the year with double-digit increases. Vilnius stock exchange index during the year increased by 14.92%, the Riga stock exchange index - 23.46%, recently pre-crisis level excessed Tallinn stock exchange index - 19.63%. In comparison, the European stock index Stoxx Europe 600 ended the year almost 2% below where it left the year 2015. US market shares had an annual increase of about 10%. Financial market experts point out that the last year was successful for Baltic exchanges, companies increased their transparency and openness, but the activity of investors, especially institutional, shrunk.

Table 3.1. Baltic stock market

Index/Shares	01.01.2016	31.12.2016	+/- %
OMX Tallin	898.99	1,075.50	19.63
OMX Riga	594.35	733.77	23.46
OMX Vilnius	485.99	558.50	14.92

Source: Nasdaq Baltic

Lithuania's economy recovered to its pre-crisis level in 2012 and has continued growing at a moderate pace. In 2016, GDP increased by 2.2%. Domestic consumption has been the main economic driver in recent years and will continue to support growth over the medium term. The unemployment level (7.9% in 2016) has come down amid rising employment and a shrinking population, which has set the stage for wage growth and increased residents' purchasing power. The average wage before taxes in 2016 rose 7.9% to EUR 771. Low inflation made it possible to increase not just nominal but also real income.

An embargo introduced in 2015 and economic decline in Russia has hurt business, though Lithuanian companies have rather successfully found alternative markets in EU countries. While exports slightly shrank in 2016 (by 1.3%), that can be explained by lower prices for oil products and fertilizers.

Lithuania's GDP is forecast to accelerate in 2017 (the European Commission's growth forecast is 2.9%, Swedbank's is 2.8%, and SEB's is 2.5%). Inflation approaching 2% should slow growth of disposable income, so private consumption will grow more slowly. On the other hand, with intensification in the distribution of EU funds this year, both private and public sector investments are expected to recover. Economic growth should also get a boost from exports of goods and services, through uncertainty remains with regards to Great Britain's withdrawal from the EU and other challenges related to changes in the EU. The stable condition of public finances remains one of the country's advantages, with the budget deficit under control (the forecast for 2017 is a deficit of up to 1% of GDP) and an acceptable level of government debt (about 40% of GDP).

Table 3.2. Key economic indicators of Lithuania

Rate	2012	2013	2014	2015	2016
Real GDP annual change (excluding seasonal and labour days, percent)	3.9	3.4	3.5	1.7	2.2
Nominal GDP (EUR billion)	33.348	35.002	36.590	37.331	38.631
Retail trade turnover	4.8	4.3	5.3	4.5	4.1
(at constant prices, excluding vehicle trade) annual change (percent)	13.4	11.8	10.7	9.1	7.9
CPI, annual change* (%)	3.2	1.2	0.2	-0.7	0.7
HICP, annual average change (%)	646.4	677.8	714.5	756.9	822.8
Average monthly wage	2.6	4.8	5.4	5.9	8.7

Source: SEB bank, Statistics Lithuania

Table 3.3. Global GDP forecast

Country	2014	2015	2016	2017	2018
USA	2.4	2.6	1.6	2.6	2.6
Japan	-0.1	1.2	0.9	0.6	0.5
Germany	1.6	1.8	1.9	1.8	1.8
China	7.3	6.9	6.7	6.6	6.2
GB	2.9	2.2	2.0	1.1	1.2
Euro zone	0.9	2.0	1.8	1.8	1.9
Nordic countries	1.6	2.3	2.0	2.1	2.1
Baltic countries	2.8	2.0	1.8	2.7	3.1
Lithuania	3.5	1.7	2.2	2.5	3.0
Latvia	2.4	2.7	2.0	2.8	3.0
Estonia	2.9	1.4	1.6	2.2	2.6
OECD	1.9	2.4	1.8	2.1	2.1
Emerging markets	4.7	4.0	4.1	4.6	4.8
The world, PPP*	3.5	3.3	3.1	3.6	3.7

* Purchasing Power Parities

Source: SEB Nordic Outlook, February 2017, OECD, European Commission

3. Performance results of the issuer and the group

Table 4.1. Main items of financial statements, thousand EUR

EUR thousand	Company's			Group's		
	2014	2015	2016	2014	2015	2016
Non-current assets	37,140	46,333	51,667	35,565	44,467	48,581
Current assets	8,605	2,648	1,894	10,219	5,099	5,832
Equity	44,485	48,123	52,681	44,485	48,123	52,681
Non-current liabilities	-	-	-	-	76	82
Current liabilities	1,260	858	880	1,299	1,367	1,650
Result before taxes	22,346*	4,453	4,714	2,928	4,430	4,773
Net result	20,948*	4,188	4,770	4,010	4,188	4,770
Net result attributable to holders of the parent Company	-	-	-	4,027	4,188	4,770

** Company's profit for 2014 is not recalculated due to changes in accounting policy and it corresponds to the one in financial statements for 2015*

Table 4.2. Calculation of the net asset value of Invalda INVL, AB

EUR thousand	Evaluation criteria	2014	2015	2016
Investment into asset management	Equity method	5,731	6,604	7,513
Cash and cash equivalents	Book value	3,292	1,238	384
Deferred income tax asset	Book value	402	137	164
Investments into INVL Baltic Real Estate	Market price	1,628	1,985	8,183
Investments into INVL Technology	Market price	744	3,831	2,978
Other listed shares	Market price	1,143	513	901
Investments into Litagra, UAB (including loans granted)	Comparative method of multipliers	14,909	14,897	15,371
Investments into bank Finasta and FBC Finasta	Transaction value	4,284	-	-
Investments into Šiauliai Bank	Market price	-	6,363	11,505
Investments into Inservis, UAB (including loans granted)	Comparative method of multipliers	3,952	4,828	4,921
Investments into other subsidiary companies (including loans granted)	Fair value of net assets	1,434	1,121	965
Loans to group companies of INVL Baltic Real Estate	Book value	5,212	6,862	-
Loans to group companies and shareholders of INVL Technology	Book value	2,037	-	-
Other loans, other assets	Book value	977	602	676
Total assets	Book value	45,745	48,981	53,561
Liabilities	Book value	1,260	858	880
Net asset value	Book value	44,485	48,123	52,681

Table 4.3. Financial ratios

	Company's			Group's		
	2014	2015	2016	2014	2015	2016
Return on Equity (ROE), %	45.11	9.04	9.46	7.47	9.04	9.46
Debt ratio	0.03	0.02	0.02	0.03	0.03	0.03
Debt – Equity ratio	0.03	0.02	0.02	0.03	0.03	0.03
Liquidity ratio	6.83	3.09	2.15	7.87	3.73	3.53
Earnings per share (EPS), EUR	1.33	0.36	0.41	0.26	0.36	0.41
Price Earning ratio (P/E)	2.33	9.57	9.42	11.88	9.57	9.42

Invalda INVL, AB is an asset management and investment company. The significant impact for the profit of the company has investments recalculation by the true value as well as acquisition and selling deals, therefore not all company performance indicators are suitable for the evaluation of Invalda INVL, AB. Furthermore, investments into main asset management business are recorded at equity method in financial reports which may be different from the market price. That is why some ratios can show not real situation of the company.

5. Significant issuer's events for the reporting period and since the end of the last financial year

- On 7 March 2016 Invalda INVL AB informed having subscribed for the New Shares (15,546,663 shares for EUR 0.40 per share) of INVL Baltic Real Estate, AB have paid thereof by offsetting against the opposite homogeneous demands against the Company, arising from the loan agreements (for the amount of EUR 6,218,665.20). After the registration of newly issued shares Invalda INVL AB will own 32.1 percent of share capital in INVL Baltic Real Estate AB.
- On 8 March 2016 unaudited results of Invalda INVL, AB group for the 12 months of 2015 were announced: consolidated net profit attributable to shareholders of Invalda INVL, AB totalled to EUR 4.471 million, in the same period of 2014 it was EUR 4.027 million. Consolidated net profit totalled to EUR 4.471 million, in the same period of 2014 it was EUR 4.010 million. The net profit of Invalda INVL, AB for the 12 months of 2015 amounted to EUR 4.767 million, in the same period of 2014 it was EUR 20.498 million.
- On 7 April 2016 Invalda INVL announced about convocation of the General Shareholders Meeting of Invalda INVL and draft resolutions. The agenda of the General Shareholders Meeting of the public joint stock company Invalda INVL includes: Presentation of the public joint-stock company Invalda INVL consolidated annual report; presentation of the independent auditor's report on the financial statements of the public joint-stock company Invalda INVL; on the approval of the consolidated and stand-alone financial statements for 2015 of the public joint-stock company Invalda INVL.; regarding the distribution of the public joint-stock company Invalda INVL profit for 2015; regarding purchase of own shares of the public joint-stock company Invalda INVL; on the approval of the public joint-stock company Invalda INVL Employee Stock Option Policy; regarding the specific number of ordinary registered shares of the public joint-stock company Invalda INVL for which during year 2016 employees shall be offered options contracts and regarding the price of the shares.
- On 7 April 2016 Invalda INVL, AB announced audited results of Invalda INVL, AB group for the period for 2015, which showed that consolidated net profit attributable to shareholders of Invalda INVL, AB totalled to EUR 4.188 million. The net profit of Invalda INVL, AB for 2015 amounted to EUR 4.481 million.
- On 29 April 2016 the resolutions of General Shareholders meeting, which was held on the same day, were published.
- On 2 May 2016 Invalda INVL, AB announced that has signed Employee stock option contracts. On 29 April 2016 General Shareholders' Meeting of Invalda INVL has approved Invalda INVL Employee Stock Option Policy and authorized the Board of Invalda INVL to ensure the proper implementation of the Policy. In the Policy it is foreseen to offer Employees options contracts during the year 2016, on the basis of which according to the procedures and terms established in options contracts during the year 2019 Employees will be able to exercise the right to acquire 52,906 ordinary shares of Invalda INVL which nominal value is EUR 0.29, by paying for every acquired share 1 (one) euro. In order to the Policy provisions Invalda INVL signed options contracts with Employees for 52,906 ordinary registered shares of Invalda INVL.
- On 2 May 2016 announced that the Board of Invalda INVL, AB, taking into account the public joint stock company Invalda INVL has formed and not utilised the reserve for the purchase of own shares which is equal to EUR 10,570 million and considering the Resolution of the General Shareholders meeting held on 29 April 2016, initiates purchase of own ordinary registered EUR 0.29 (twenty nine euro cents) nominal value shares. The acquisition will be implemented through the market of official offer of NASDAQ Vilnius stock exchange. The purchase conditions were also announced.
- On 19 May 2016 Invalda INVL, AB finished the share buy-back. The company will purchase 1.14 % of own shares for the total amount of EUR 557,887.29 (without brokerage fees). Invalda INVL, AB could purchase up to 250.000 shares. During the share buy-back 135,739 units of shares were tendered. Every shareholder sold 100 % of offered shares for the price of EUR 4.11 per share. Share purchase procedure started from 5 May 2016 and was implemented through the market of official tender offers of NASDAQ Vilnius stock exchange until 19 May. The acquired shares will be settled on 23 May.
- On 23 May 2016 after the settlement of its own shares, there was announced that the total amount of voting rights in Invalda INVL equals to 11,586,609 units.
- On 31 May 2016 Invalda INVL, AB announced unaudited results of Invalda INVL, AB group for the 3 months of 2016. Consolidated net loss attributable to shareholders of Invalda INVL, AB amounted to EUR 0.18 million, consolidated equity capital for the 3 months of 2016 amounted to EUR 47.9 million, consolidated net loss totalled to EUR 0.18 million. The net loss of Invalda INVL, AB for the 3 months of 2016 amounted to EUR 0.1 million, equity capital of Invalda INVL, AB for the 3 months of 2016 amounted to EUR 48.4 million.

- On 18 August 2016 it was published that Invalda INVL, AB, one of the Baltic region's leading asset management groups, together with its INVL Asset Management subsidiaries in Lithuania and Latvia, has become a full member of Invest Europe - the organisation that unites Europe's private equity and venture capital sectors and investors. Invest Europe represents the private equity, venture capital and infrastructure sectors of European countries, along with their investors. Its members take a long-term approach to investing in privately held companies, providing them not only with capital but also with innovation and expertise. Invest Europe also seeks to contribute constructively to policy affecting private capital investment in Europe. It conducts research on the industry and shares information with its members. Moreover, Invest Europe acts as the guardian of the industry's professional standards, setting requirements for its members in the areas of accountability, good governance and transparency.
- On 31 August 2016 Invalda INVL announced unaudited results of the group for the 6 months of 2016. Consolidated net loss attributable to shareholders of Invalda INVL and consolidated net loss amounted to EUR 0.2 million, consolidated equity capital for the 6 months of 2016 amounted to EUR 47.5 million. The net profit of Invalda INVL for the 6 months of 2016 amounted to EUR 0.1 million, equity capital of the company for the 6 months of 2016 amounted to EUR 48.2 million.
- On 30 November 2016 results for 9 months of 2016 were announced. Consolidated net profit of Invalda INVL group amounted to EUR 1.1 million, consolidated equity capital in the end of 9 months of 2016 amounted to EUR 48.8 million. The net profit of Invalda INVL for the 9 months of 2016 amounted to EUR 1.35 million, equity capital of Invalda INVL in the end of 9 months of 2016 amounted to EUR 49.4 million.
- 24 February 2017 Cedus Invest UAB, a company 100 per cent controlled by Invalda INVL, together with other shareholders of Litagra UAB, initialled share purchase – sale agreement with Achema Group regarding sale of Litagra group trading business and grain elevators network, i.e. Litagros Prekyba AB, with its Latvian subsidiary Litagra SIA. Completion of the transaction is planned after obtaining the approval of the Competition Council and carrying out other actions foreseen in the agreement, including the reorganization of Litagra.

6. Information on the group's activities

6.1. Asset Management business

INVL FINASTA FARMLAND MANAGEMENT

Invalda INVL manages licensed asset management companies INVL Asset Management in Lithuania and Latvia, brokerage company INVL Finasta and land administration company INVL Farmland Management.

During the reporting period INVL Asset Management funds‘ portfolio changed: in June INVL Flexible Strategy Sub-Fund was merged to INVL Baltic Fund, on 1 July announced about the start of INVL Developing World Markets Bond sub-fund. This fund offers to invest in bonds world-wide and distribution and management fees are not applied until 2018.

On 14 July INVL Asset Management assumed the management of the closed-ended type investment company INVL Technology, and on 22 December – of the closed-ended type investment company INVL Baltic Real Estate.

INVL Asset Management, one of Lithuania's leading asset management companies, is now also authorised to manage investment funds intended for well-informed investors. On 13 October the Bank of Lithuania decided to add such permission to the company's operating license. On 13 February 2017 INVL Asset Management has established the first closed-end umbrella fund intended for informed investors, the INVL Alternative Assets Umbrella Fund, and its subfund, the INVL Baltic Forest Fund I.

Most of the pension funds managed by INVL Asset Management were among the top performers in their categories in Lithuania, both on a 1-year and a 5-year basis, judging by the published results of the country's funds for 2016. The returns earned by the company's pension funds last year ranged from 0.6% for the INVL Stabilo II 58+ fund, to 13.5% for the INVL III Equity fund (over the past 5 years these two funds had gains of 24.1% and 52.9%, respectively). The total assets under management of INVL Asset Management's pension funds increased by 33.5% during 2016 – from EUR 196 million to EUR 261.6 million.

For the five mutual funds that the company manages in Lithuania, returns in 2016 ranged from 1.7% for the INVL Emerging Europe ex Russia TOP20 Subfund, to 74.9% for the INVL Russia TOP20 Subfund (over the past 5 years these funds had gains of 44.9% and 39.4%, respectively). The INVL Global Emerging Markets Bond Subfund, which started up in July 2016, also had good results, earning a return of 4.5% in its first half-year of operations. The combined assets of the mutual funds which the group manages in Lithuania more than doubled during 2016 – from EUR 32.5 million to EUR 71.5 million

Table 6.1.1. Results of investment funds managed by INVL Asset Management, UAB

INVESTMENT PRODUCT	RECOMMENDED MIN. INVESTMENT PERIOD, YEARS	INVESTMENT FUND	2016 %	THE LAST 5 YEARS, %
Investment fund	3-5	INVL Emerging Europe ex Russia TOP 20 Subfund	1,7 / 5,5	44,9 / 1,5
		INVL Russia TOP20 Subfund	74,9 / 57,5	39,4 / 2,5
		INVL Baltic Fund	26,5 / 22,7	41,7 / 80,0
	2	INVL Global Emerging Markets Bond Subfund	4,5 / -2,2 Since 1 July 2016	Since 1 July 2016
	1-3	INVL Emerging Europe Bond Subfund	5,4 / 7,0	35,4 / 39,4

Table 6.1.2. Results of the 2nd pillar pension funds managed by INVL Asset Management, UAB

INVESTMENT PRODUCT	RECOMMENDED AGE, YEARS	PENSION FUNDS	2016, %	THE LAST 5 YEARS, %
II pillar pension fund	58-65	INVL STABILO II 58+	0,6 / 1,4	24,1 / 13,5
	53-57	INVL MEZZO II 53+	6,2 / 8,0	40,1 / 36,3
	47-52	INVL MEDIO II 47+	7,7 / 9,3	46,7 / 57,9
	16-46	INVL EXTREMO II 16+	11,2 / 11,6	64,6 / 70,1

Table 6.1.3. Results of the 3rd pillar pension funds managed by INVL Asset Management, UAB

INVESTMENT PRODUCT	RECCOMENDED AGE	PENSION FUNDS	2016, %	THE LAST 5 YEARS, %
III pillar pension funds	58-65 years	INVL STABILO III 58+	3,9 / 3,8	29,9 / 29,4
	47-52 years	INVL MEDIO III 47+	7,6 / 9,3	44,8 / n/a
	16-46 years	INVL EXTREMO III 16+	11,1 / 11,6	61,8 / n/a
	16-46 years	INVL III EQUITY	13,5 / 30,3	52,9 / 45,4

investment return % comparative index %

Table 6.1.4. Results of the 2nd pillar pension funds managed by INVL Asset Management, IPAS (Latvia)

INVESTMENT PRODUCT	RECOMMENDED AGE, YEARS	PENSION FUNDS	2016. %	THE LAST 5 YEARS, %
II pillar pension fund	16-46	INVL EKSTRA 16+	4,81	19,69
	47-57	INVL KOMFORTS 47+	3,64	20,58
	>58	INVL KONSERVATĪVAIS 58+	2,10	20,32

Table 6.1.5. Results of the 3rd pillar pension funds managed by INVL Asset Management, IPAS (Latvia)

INVESTMENT PRODUCT	RECCOMENDED AGE	PENSION FUNDS	2016, %	THE LAST 5 YEARS, %
III pillar pension fund	16-46	INVL PENSIJU PLANAS „JŪRA-AKTĪVAIS"	1,90	12,33
	47-57	INVL PENSIJU PLANAS „SAULE-SABALANSĒTAIS"	1,18	15,04
	>58	INVL PENSIJU PLANAS „DZINTARS-KONSERVATĪVAIS"	-0,21	12,93
	47-57	PENSIJU PLANAS „INVL SABALANSĒTAIS 47+"*	-1,41	
	>58	PENSIJU PLANAS „INVL KONSERVATĪVAIS 58+"**	-2,80	

Table 6.1.6. Results of the asset management

EUR million (if not stated otherwise)	2014		2015		2016	
	Lithuania	Latvia	Lithuania	Latvia	Lithuania	Latvia
Number of clients, units	113.7	48.0	118.2	48.5	126.2	52.2
Asset under management	230.2	45.1	265.2	63.0	422.4	86.3
2nd pillar pension funds	155.2	40.5	179.0	45.7	238.5	55.9
3rd pillar pension funds	8.3	1.2	10.6	1.2	15.5	1.2
Investment funds	24.5	2.1	31.7	1.9	71.5	-
Portfolios	28.3	1.2	33.6	1.3	39.2	0.6
Alternative assets	13.9	0.1	10.3	12.9	57.7	28.6
Revenues	2.4	0.6	2.9	0.7	4.1	1.0
Profit before tax (EUR thousand)**	(10)	150	(709)	30	(687)	144

*eliminated investments into own products, for which management fee is not charged

** according to accounting data of Invalda INVL

Table 6.1.7. Number of employees

Number of employees	2014	2015	2016
-	58	58	80

6.2. Other investments

Company	Activity	Owned shares, %	Value of the owned shares 31.12.2016, thous. EUR
INVL TECHNOLOGY www.invltechnology.com	● Investments in information technology company; >300 employees at group companies; >200 clients served each year; >50 countries where projects were implemented; ● Closed-ended type investment company license obtained 14.07.2016. Management transferred to INVL Asset Management; ● Listed on NASDAQ Vilnius stock exchange; ● In 2016 company owned enterprises value amounted to EUR 16.7 million (in the end of 2015 it amounted to EUR 16.96 million). Equity of the company amounted to EUR 19.7 million as of 31.12.2016; ● Accounted loss of the change in shares‘ value amounted to EUR 0.5 million.	13.9	2,978
INVL BALTIC REAL ESTATE www.invlbalticrealestate.com	● Investments in commercial real estate company; ● EUR 52 mln investment assets value; ● EUR 31 mln consolidated equity capital; ● INVL Baltic Real Estate earned EUR 4.5 mln net profit or 10% more than in 2015 (EUR 4.1 mln) ● 85% area leased out; >130 tenants; ● Closed-ended type investment company license obtained 22.12.2016. Management transferred to INVL Asset Management; ● Listed on NASDAQ Vilnius stock exchange; ● In 2016 EUR 220 thousand earned from this investment (included dividends received)	32.1	8,183
LITAGRA www.litagragroup.lt	● Crop and livestock (milk) production, grain processing and services for agriculture; ● 25 years of agriculture sector experience; ● Consolidated net profit of Litagra group for the 2015-2016 financial year, which ended 30 June, amounted to EUR 155 million, or 18.2 percent more than for the 2014-2015 financial year, EBITDA decreased by 11 percent to EUR 5 million, while the net profit decreased by 10% till EUR 1.4 million. ● On February 2017 share purchase – sale agreement was signed with Achema Group regarding sale of Litagra group trading business and grain elevators network, i.e. Litagros Prekyba AB, with its Latvian subsidiary Litagra SIA. .	36.9	15,371

ŠIAULIŲ BANKAS www.sb.lt	>70 bank branches; >20 years of banking sector experience; ● Listed on NASDAQ Vilnius stock Exchange; ● In 2016 Siauliu bankas group earned EUR 43.7 million net profit. It is 83 % more than in 2015 and this is the best result in the history of the bank.	6.79	11,505
inservis PASTATŲ PRIEŽIŪRA www.inservis.lt	● Facility Management company; ● 2 mln sq. m. of premises managed; ● about 300 certified professionals; ● 8 Lithuanian cities where services are provided; ● Facility management companies sales decreased by 8% to EUR 7.0 million, EBITDA decreased by 25% to EUR 0.6 million and the net profit decreased by 17% till EUR 0.5 million.	100	4,921
KELIO ŽENKLAI uždaroji akcinė bendrovė www.keliozenklai.lt	● Solid wood, metal and road maintenance equipment manufacturing company; >80 employees; ● 35 years of road sign production experience.	100	953

7. Estimation of Issuer's and Group's activity last year and activity plans and forecasts

7.1. Evaluation of implementation of goals for 2016

In 2016 Invalda INVL planned to further strengthen and develop the asset management business. It was estimated that in 2016 a number of managed entities will grow, operations in new asset management segments will start and the overall size of assets under management will significantly increase.

Investment products of group's asset management company INVL Asset Management earned returns in 2016. Profit calculated eight of the second and third pillar pension funds, as well as four investment funds. Also INVL Global Emerging Markets Bonds Subfond, operating since July of the last year, was profitable. .

According to the pension finds results published by the Bank of Lithuania, most of the INVL Asset Management managed funds have been among the leaders in their respective categories both in the past year as well as the five-year results.

In October 2016 INVL Asset Management received the right to manage investment funds for informed investors. The company has already announced about the start of activity of the fund INVL Baltic Forest Fund I for informed investors which will invest into forests.

7.2. Activity plans and forecasts

The priority of the Invalda INVL Group is to ensure successful management of assets entrusted to us by clients. In 2017, we will further expand our range of investment solutions and products in order to achieve that the products managed by the Group are among the best choices on the market in their categories.

One of the main objectives is the establishment of a private equity fund investing in the Baltics. This would enable to further pursue the activity which has been developed since 1991 by making investments in regional companies, growing them, developing and generating value for all stakeholders, thus contributing to the growth of the Baltic countries.

As the assets managed by us exceeded EUR 500 million in 2016, our future plans are to grow and invest in the organic development of the asset management business and, upon emergence of new opportunities, we plan to implement new acquisitions in this business.

Priority will be further given to the qualitative and quantitative growth of the asset management business and generation of long-term value rather than to short-term financial goals.

The change in the value of equity investments has a significant impact on the operating result of Invalda INVL. Based on the precondition that the global and Lithuanian political and business environment will not undergo any significant changes, we have a serious ground to believe that the year 2017 will be successful for both the historical investments of the Group and investments in the products managed by the Invalda INVL Group.

We seek to achieve that Invalda INVL is the leading specialised asset management and investment group in Lithuania and one of the leaders in the region. We work to make sure that the year 2017 and subsequent years would be successful for our clients, employees and shareholders.

II. Information About Securities

8. Information about Issuer's authorised capital

8.1. Adjustments of the authorised capital

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

- The reorganisation of Invalda, AB and one of the largest shareholders Nenuorama, AB was finished on 28 September 2007. Nenuorama, AB was merged with Invalda, AB. Changing Nenuorama, AB shares into Invalda, AB ones, 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 EUR 12.3 million.
- The share capital of Invalda, AB was increased till EUR 14.96 million after conversion of EUR 14.48 million bonds.
- The share capital of Invalda, AB was increased by EUR 1.7 million till EUR 16.67 million after conversion of EUR 2.15 million and EUR 7.24 million convertible bonds.
- On 6 August 2012 the share capital of Invalda, AB was decreased till EUR 15 million. 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 was EUR 7.19 million.
- The amended Articles of Association of Invalda LT, AB were registered with the Register of Legal Entities on 29 April 2014. The Articles of Association were amended due to split-off of the company. After the completion of the split-off of Invalda LT, the authorised capital was EUR 3.44 million and was divided into 11,865,993 ordinary registered shares.
- The amended Articles of Association were registered with the Register of Legal Entities on 11 May 2015. According to amended Articles of Association the name of the company was changed into Invalda INVL, AB. The authorised capital was recounted into EUR and makes EUR 3,441,137.97. It is divided into 11,865,993 ordinary registered shares with nominal value EUR 0.29 each.

8.2. Structure of the authorized capital

Table 8.2.1. Structure of Invalda INVL, AB authorised capital as of 31 December 2016.

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	11,865,993	11,586,609	0.29	3,441,137.97	100

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

Invalda INVL group manages asset management company INVL Asset Management and financial brokerage company INVL Finasta. According to Lithuanian law, a natural or legal person (or persons acting in concert), indirectly willing to acquire or increase their shareholding in an asset management company (more than 20, 30 or 50 percent), have to obtain a decision from the Bank of Lithuania not to object this acquisition. This means that investors, willing to acquire more than 20 percent shareholding in Invalda INVL, AB, can do so only with a prior decision from the Bank of Lithuania.

Invalda INVL also owns asset management company INVL Asset Management in Latvia, therefore according Latvian Financial and Capital Market Commission restrictions under acquisition of the shareholding in Invalda INVL must be fulfilled as well.

8.3. Information about the Issuer's treasury shares

Since the beginning of 2016 until the release of the report, the company implemented own share acquisition process for one time.

Share purchase started on 5 May 2016. Share purchase ended on 19 May 2016. Max number of shares to be acquired (units): 250,000. The company acquired 135,739 units of own shares (1.14 percent), EUR 557,887.29 (without brokerage fee) were paid for the acquired shares. The price of one share was EUR 4.11. The authorised capital of Invalda INVL is EUR 3,441,137.97. It is divided into 11,865,993 ordinary registered shares with nominal value EUR 0.29 each. Taking into consideration the fact that the shares own by the company does not give the voting rights, the total amount of shares with voting rights in Invalda INVL, AB (ISIN LT0000102279) equals to 11,586,609 units.

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

The Articles of Association of Invalda INVL, AB may be amended by resolution of the General Shareholders' Meeting, if the decision is 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 11 May 2015. The document is published on the company's website.

10. Shareholders

10.1. Information about shareholders of the company

The Shareholders of Invalda INVL, AB Alvydas Banys, LJB Investments, UAB, Irena Ona Mišeikienė, Indrė Mišeikytė, Darius Šulnis, Lucrum investicija, UAB, have signed the agreement on the implementation of a long-term corporate governance policy, so their votes are countable together .

Table 10.1.1. Shareholders who held title to more than 5% of Invalda INVL, AB authorised capital and/or votes as of 31 December 2016.

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 str. 9A, Vilnius	3,515,855	29.63	30.35	61.75	92.10
Irena Ona Mišeikienė	3,369,435	28.40	29.08	63.02	92.10
Darius Šulnis	0	0.00	0.00	92.10	92.10
Lucrum Investicija, UAB code 300806471. Gynėjų str. 14, Vilnius	2,401,442	20.24	20.73	71.37	92.10
Alvydas Banys	910,875	7.68	7.86	82.24	92.10
Indrė Mišeikytė	236,867	2.00	2.04	90.06	92.10

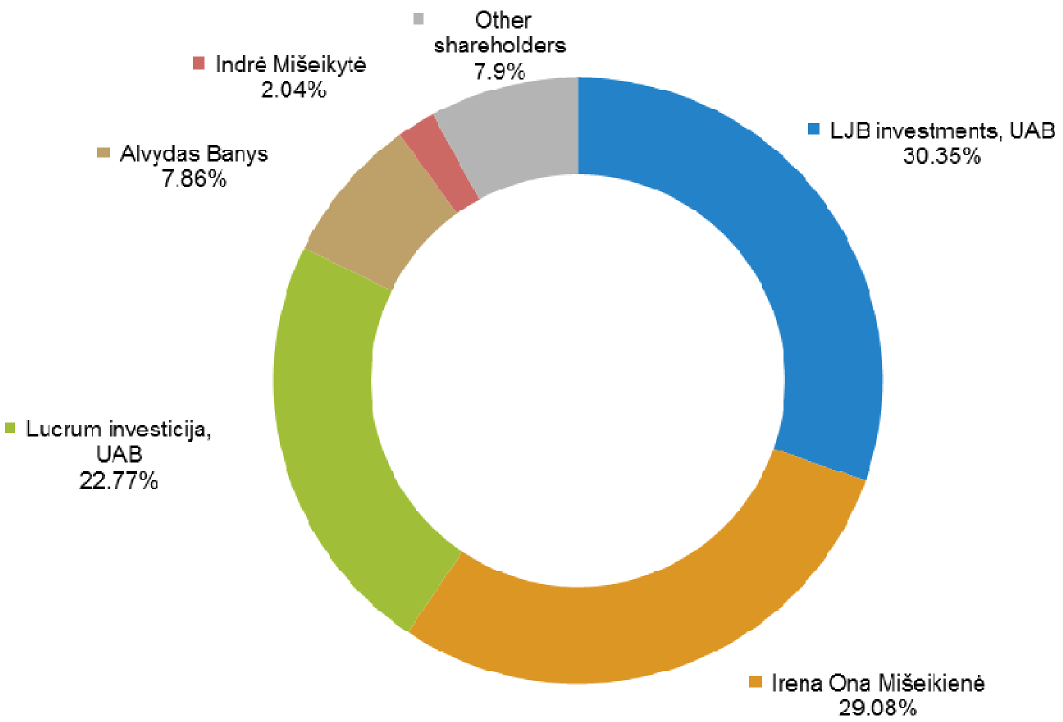


Fig. 10.1.1. Votes as of 31 December 2016

There are no shareholders entitled to special rights of control.

Invalda INVL, 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 2016. At the end of 2016 the total number of shareholders was 3,532.

Table 10.1.2. Distribution of shareholders according to investors groups, as of 31 December 2016.

Investors group	Shareholders		Share of votes given by the shares held by the shareholders	
	number	percent	amount	percent
Households and non-profit institutions providing services to households	3,510	99.41	5,656,982	48.82
Private companies	17	0.48	5,928,636	51.17
Financial and insurance companies	4	0.11	991	0.01
Total*	3,531	100	11,586,609	100.00

** Treasury shares of Invalda INVL are not calculated*

Table 10.1.3. Distribution of shareholders according to countries, as of 31 December 2016.

	Shareholders		Share of votes given by the shares held by the shareholders	
	number	percent	number	percent
Lithuania	3,488	98.78	11,575,107	99.90
Other EU countries	26	0.74	6,302	0.05
Non-EU countries	17	0.48	5,200	0.04
Total*	3,531	100.00	11,586,609	100.00

** Treasury shares of Invalda INVL are not calculated*

10.2. Rights and obligations carried by the shares

10.2.1. 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 the company’s funds when the authorised capital of the company is reduced with a view to paying out the company’s funds to the shareholders;
3) to receive a part of assets of the company in liquidation;
4) 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;
5) 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;
6) 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;
7) other property rights provided by laws;
8) to attend the General Shareholders’ Meetings;
9) to submit to the Company in advance the questions connected with the issues on the agenda of the General Meeting of Shareholders;
10) to vote at the General Shareholders’ Meetings according to voting rights carried by their shares;
11) to receive information on the Company specified in the Law on Companies of the Republic of Lithuania;
12) to appeal to the court for reparation of damage resulting from nonfeasance or malfeasance by the Company’s manager and the Board members of their obligations prescribed by the Law on Companies of Republic of Lithuania and other laws of the Republic of Lithuania and the Company’s Articles of Association as well as in other cases laid down by laws;
13) other non-property rights established by laws and the Company’s Articles of Association.

10.2.2. 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 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.

Each shareholder shall be entitled to authorise a natural or legal person to represent him when maintaining contacts with the Company and other persons.

11. 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 starting from 2014 15 % tax is applied to the dividends. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes[1].

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

Table 11.1. Ratios related with shares.

	2014	2015	2016
Net Asset Value per share, EUR	3.75	4.11	4.55
Price to book value (P/Bv)	0.83	0.83	0.85

12. Trading in Issuer's securities as well as securities of the group companies'

12.1. Trading in Issuer's securities

Table 12.1.1. Main characteristics of Invalda INVL, AB shares admitted to trading

Shares issued, units	11,865,993
Shares with voting rights, units	11,586,609
Nominal value	0.29 EUR
Total nominal value	3,441,317.97 EUR
ISIN code	LT0000102279
Name	IVL1L
Exchange	NASDAQ Vilnius
List	Baltic Secondary list Baltic Main List (from 1 January 2008 until 20 July 2015)
Listing date	19 December 1995
Indrawn into indexes	VILSE (OMX Vilnius Index) OMXBPI (OMX Baltic All Share Price Index) B40PI (OMX Baltic Financials Price Index) B8000PI (OMX Baltic Financials PI) B8700PI (OMX Baltic Finl Svc PI) B8000GI (OMX Baltic Financials GI) B8700GI (OMX Baltic Finl Svc GI)

Company uses no services of liquidity providers.

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

Table 12.1.2. Trading in Invalda INVL, AB shares

	2012	2013	2014	2015	2016
Share price, EUR					
- open	1.930	1.970	3.380	3.100	3.460
- high	2.940	3.450	3.490	3.780	4.080
- low	1.871	1.960	2.760	2.950	3.260
- medium	2.308	2.539	1.906	3.397	3.769
- last	1.970	3.450	3.100	3.400	3.860
Turnover, units	2,514,347	2,210,184	83,287	51,038	48,837
Turnover, EUR	5,857,710	5,192,330	261,512	173,403	178,190
Traded volume, units	5,754	3,870	531	328	322

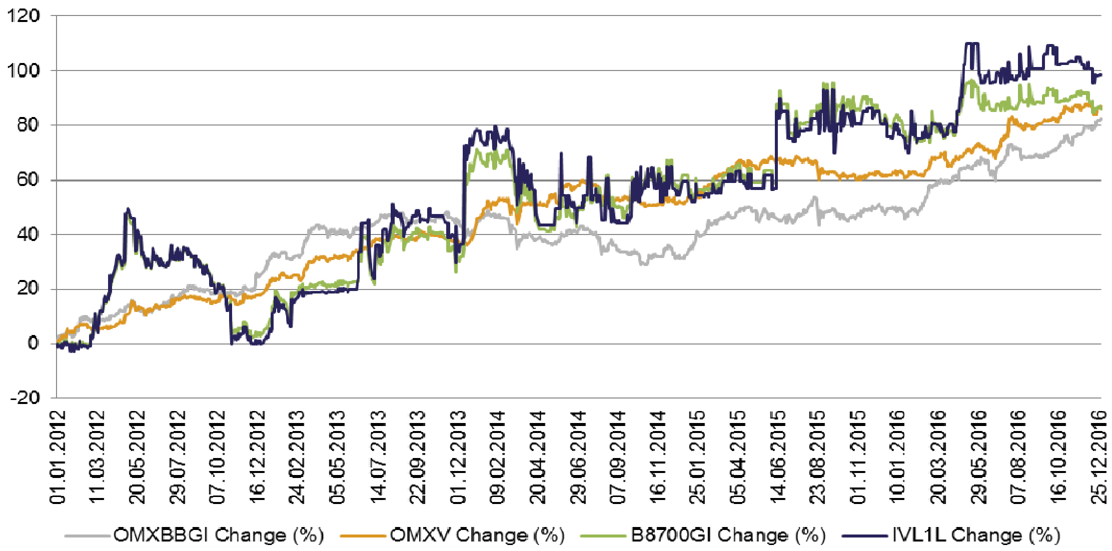


Fig. 12.1.1. Changes of Invalda INVL shares and indexes

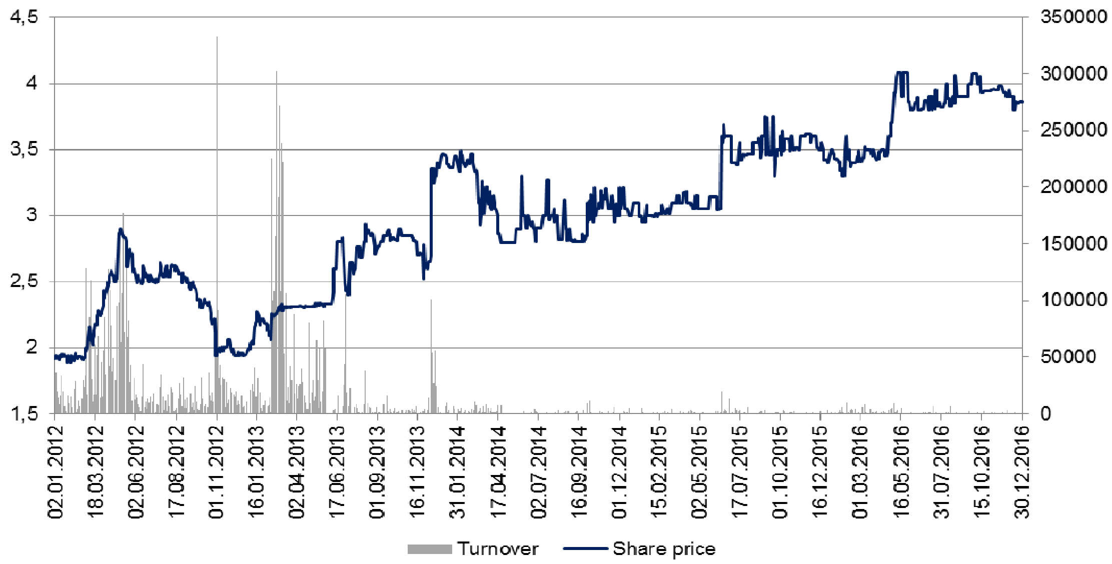


Fig. 12.1.2. Turnover of Invalda INVL. AB shares and share price

Table 12.1.3. Trading in the company's shares during the period of 2012–2016 (quarterly) on NASDAQ Vilnius:

Reporting period	Price, €			Last trading date	Total turnover	
	high	low	last		units	€
2012, 1st Q	2.280	1.871	2.274	30.03.2012	670,763	1,373,701
2012, 2nd Q	2.940	2.274	2.55	29.06.2012	20,800	2,629,952
2012, 3rd Q	2.650	2.350	2.370	28.09.2012	234,143	593,480
2012, 4th Q	1.900	2.390	1.970	28.12.2012	622,601	1,260,577
2013, 1st Q	2.340	1.960	2.310	28.03.2013	1,544,840	3,491,797
2013, 2nd Q	2.830	2.170	2.650	28.06.2013	390,915	911,640
2013, 3rd Q	2.950	2.400	2.830	30.09.2013	151,216	395,465
2013, 4th Q	3.450	2.520	3.450	30.12.2013	123,213	393,429
2014, 1st Q	3.490	2.930	3.140	31.03.2014	38,533	127,372
2014, 2nd Q	3.300	2.760	2.910	30.06.2014	17,650	52,319
2014, 3rd Q	3.270	2.800	2.850	30.09.2014	9,075	26,252
2014, 4th Q	3.210	2.950	3.100	30.12.2014	18,029	55,572
2015, 1st Q	3.150	2.950	3.100	30.03.2015	8,730	26,507
2015, 2nd Q	3.700	3.040	3.600	30.06.2015	20,746	71,633
2015, 3rd Q	3.780	3.300	3.500	30.09.2015	13,800	47,835
2015, 4th Q	3.640	3.400	3.400	30.12.2015	7,762	27,426
2016, 1st Q	3.600	3.260	3.430	31.03.2016	24,762	85,437
2016, 2nd Q	4.080	3.430	3.870	30.06.2016	11,848	45,092
2016, 3rd Q	4.070	3.800	4.070	30.09.2016	7,573	29,404
2016, 4th Q	4.070	3.800	3.860	30.12.2016	4,654	18,257

Table 12.1.4. Capitalisation

Last trading date	Number of issued shares. units	Last price. €	Capitalisation. €
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

31.03.2014	22,797,297	3.140	71,583,513
30.06.2014	11,865,993	2.910	34,530,040
30.09.2014	11,865,993	2.850	33,818,080
30.09.2014	11,865,993	3.100	36,784,578
31.03.2015	11,865,993	3.100	36,784,578
30.06.2015	11,865,993	3.600	42,717,574
30.09.2015	11,865,993	3.500	41,530,975
30.09.2015	11,865,993	3.400	40,344,376
31.03.2016	11,865,993	3.430	40,700,356
30.06.2016	11,586,609	3.870	44,840,177
30.09.2016	11,586,609	4.070	47,157,499
30.12.2016	11,586,609	3.860	44,724,311

12.2. Trading in securities of the group companies’

Shares of subsidiary companies of Invalda INVL, forming the group, are not traded on stock exchanges. INVL Baltic Real Estate, INVL Technology and Siaulių Bankas, companies assigned to other investments, are listed on Nasdaq Vilnius stock exchange.

12.2.1. Information about trading in INVL Baltic Real Estate shares

Table 12.2.1.1. Main characteristics of INVL Baltic Real Estate shares admitted to trading

ISIN code	LT0000127151
Name	INR1L
Exchange, list	NASDAQ Vilnius, Baltic Secondary list
Listing date	04.06.2014
Shares issued, units	65,750,000
Nominal value, EUR	0.29
Total nominal value, EUR	19,067,500

Table 12.2.1.2. Trading in INVL Baltic Real Estate shares, EUR

	2014	2015	2016
Share price, EUR			
- open	0.326	0.300	0.399
- high	0.407	0.380	0.447
- low	0.297	0.200	0.380
- last	0.300	0.360	0.388
Turnover, units	15,919	54,827	491,425
Turnover, EUR	22,947.85	38,363.38	197,175.25
Traded volume, units	125	170	382

The data is provided since 4 June 2014, from the beginning of the listing of the Former Parent Company. 2014- 2015 the share price was adjusted due to the Reorganisation.

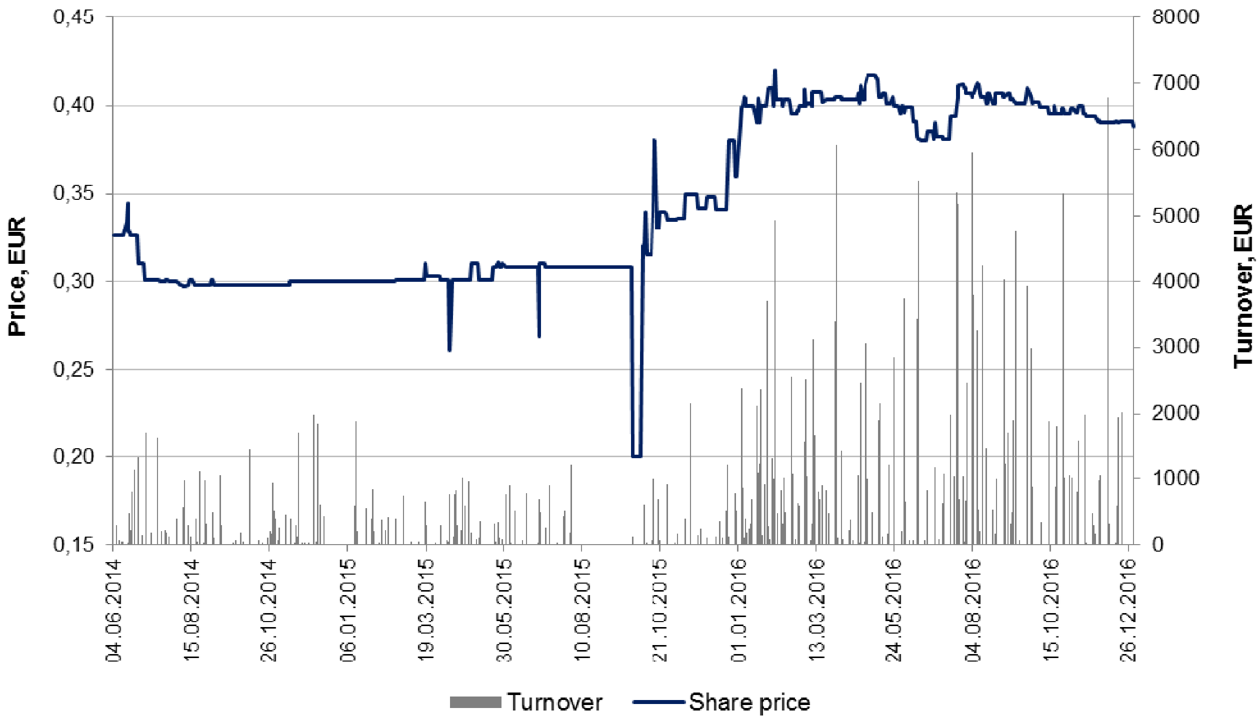


Fig. 12.2.1.1. INVL Baltic Real Estate share price and turnover

12.2.2. Information about trading in INVL Technology shares

Table 12.2.2.1. Main characteristics of INVL Technology shares admitted to trading

ISIN code	LT0000128860
Name	INC1L
Exchange, list	NASDAQ Vilnius, Baltic Secondary list
Listing date	4 June 2014
Shares issued, units	12,175,321
Nominal value, EUR	0.29
Total nominal value, EUR	3,530,843.09

Table 12.2.2.2. Trading in INVL Baltic Real Estate shares, EUR

	2014	2015	2016
Share price, EUR			
- open	1.47	1.47	2.01
- high	1.62	2.24	2.07
- low	1.23	1.33	1.75
- last	1.47	2.01	1.76
Turnover, units	1,889	113,015	65,075
Turnover, EUR	18,007	224,169	110,836
Traded volume, units	143	419	307

The data is provided since 4 June 2014, from the beginning of the listing of the Former Parent Company. 2014- 2015 the share price was adjusted due to the Reorganisation.

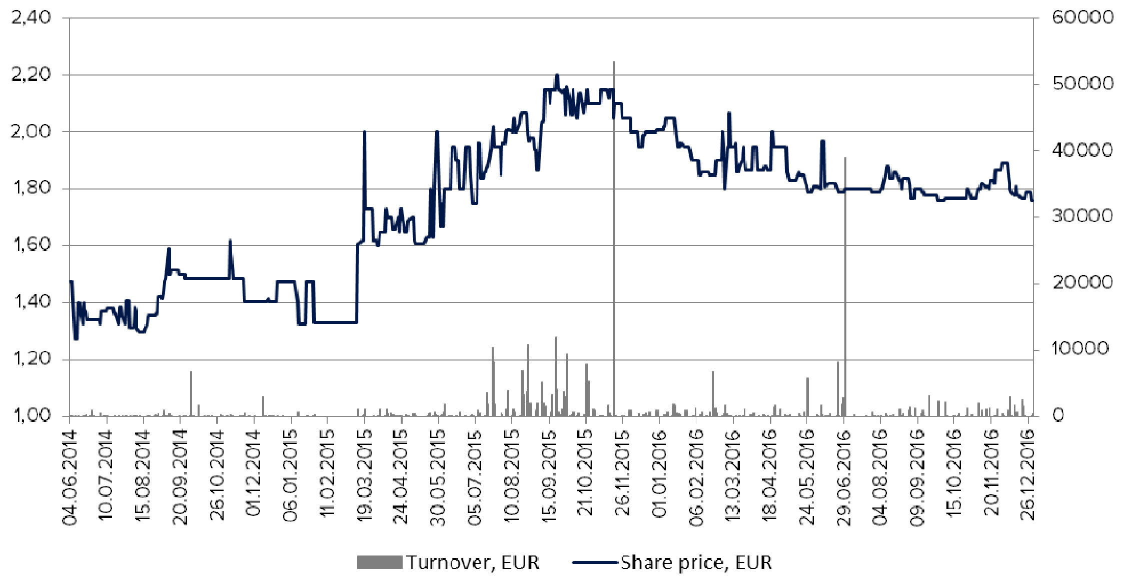


Fig. 12.2.2.1. INVL Technology share price and turnover

12.2.3. Information about trading in Šiaulių bankas shares

Table 12.2.3.1. Main characteristics of Šiaulių bankas shares admitted to trading

ISIN code	LT0000102253
Name	SAB1L
Exchange, list	NASDAQ Vilnius, Baltic Main list
Listing date	29-11-1994
Shares issued, units	377,488,477
Nominal value, EUR	0.29
Total nominal value, EUR	109,471,658.33

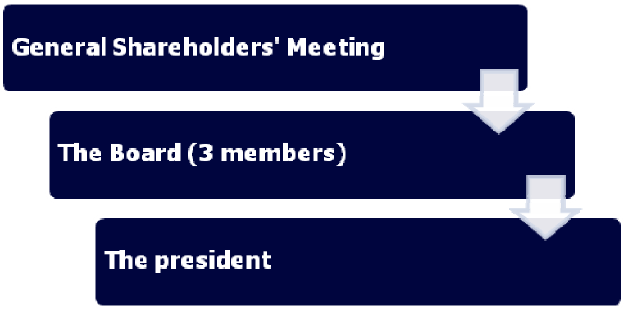
Table 12.2.3.2. Trading in Šiaulių bankas shares, EUR

	2014	2015	2016
Share price, EUR			
- open	0.270	0.271	0.298
- high	0.331	0.323	0.469
- low	0.266	0.267	0.262
- last	0.266	0.298	0.449
Turnover, units	28,107,139	43,084,506	65,709,337
Turnover, EUR	8,148,885	12,698,428	23,120,252

Fig. 12.2.3.1. Šiaulių bankas share price and turnover

III. ISSUER'S MANAGING BODIES

13. Structure. authorities. the procedure for appointment and replacement



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

13.1. General Shareholders' Meeting

13.1.1. Powers of the General Shareholders' Meeting

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

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

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

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

- amend the Articles of Association of the Company. unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
- 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.

13.1.2. Convocation of the General Shareholders' Meeting of Invalda INVL, 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, then 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 INVL, 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.

1 (one) Shareholders‘ Meeting of Invalda INVL, AB was held in 2016. Ordinary Shareholders‘ Meeting of Invalda INVL, AB was held on 29 April 2016. The president of the company attended the Meeting. He presented to the shareholders the company's annual report for the last year. The Chief Financial 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.

13.2. The Board

13.2.1. 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.

13.2.2. 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 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.

21 Meeting of the Board of the company have been held in 2016. Alvydas Banys, Indrė Mišeikytė and Darius Šulnis are Members of the Board of Invalda INVL. All members of the Board attended all meetings either in person or by distance.

13.3. 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.

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

The Board of Invalda INVL, AB was elected during the Extraordinary General Shareholders' Meeting on 28 May 2013. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. Mr. Šulnis was appointed as the President of the company on 22 May 2013.

Alvydas Banys – Chairman of the Board

Term of office	From 2013 until 2017
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic's Institute of Lithuania's Science Academy.
Work experience	Since 1 July 2013 Invalda INVL, 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 INVL, AB	Personally: 910,875 units of shares. 7.68 % of authorised capital and 7.86 % votes; together with controlled company LJB Investments: 4,426,730 units of shares. 37.31 % of authorized capital and 38.21 % votes. Total votes together with persons acting in concert - 92.10 %.
Participation in other companies	INVL Baltic Farmland, AB – Chairman of the Board Litagra, UAB – Member of the Board

Indre Miseikyte – Member of the Board

The term of office	From 2013 until 2017
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture.
Work experience	Since May 2012 Invalda INVL, AB - Advisor Since June 2013 Invalda Privatus Kapitalas, AB - Advisor Since 2002 Inreal Valdymas, UAB - Architect 2000 – 2002 Gildeta, UAB - Architect 1997 – 2000 Kremi, UAB - Architect 1996 – 2002 Invalda, AB - Architect 1996 – 1997 Gildeta, UAB - Architect 1994 – 1996 Vilniaus Baldai, AB - Architect
Owned amount of shares in Invalda INVL, AB	Personally: 236,867 units of shares. 2 % of authorised capital and 2.04 % votes. Total votes together with persons acting in concert - 92.10 %.
Participation in other companies	Invalda Privatus Kapitalas, AB – Member of the Board INVL Baltic Farmland, AB – Member of the Board

Darius Sulnis – Member of the Board, the President

The term of office in the Board	From 2013 until 2017
Educational background and qualifications	Duke University (USA). Business Administration. Global Executive MBA. Vilnius University. Faculty of Economics. Master in Accounting and Audit. Financial broker's license (general) No. A109.
Work experience	Since the beginning of 2015 – CEO of INVL Asset Management, UAB. 2006 – 2011 Invalda. AB – President. 2011 – 2013 Invalda. AB – Advisor. Since May 2013 Invalda INVL, 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 INVL, AB	Personally: 0 units of shares. 0.00 % of authorised capital and votes; together with controlled company Lucrum Investicija: 2,401,442 units of shares. 20.24 % of authorised capital. 22.77 % of votes. Total votes together with persons acting in concert - 92.10 %.
Participation in other companies	INVL Asset Management, UAB – CEO, Chairman of the Board INVL Asset Management, IPAS (Latvia) - Member of the Supervisory Board INVL atklātajs pensiju fonds, AS (Latvia) – Member of the Supervisory Board Litagra, UAB – Member of the Board INVL Baltic Farmland, AB – Member of the Board

Raimondas Rajeckas – CFO

Educational background and qualifications	Vilnius University, Faculty of Economics.
Work experience	Since 2006 Invalda LT, AB – CFO 2001 – 2006 Valmeda, AB – CFO 2000 – 2001 Galincius, AB – CFO 2000 – 2001 Invaldos Marketingas, UAB (current name Inreal Valdymas. UAB) – CFO 2000 – 2002 Gildeta, AB – Accountant 1998 – 2000 Invalda, AB – Accountant
Owned amount of shares in Invalda INVL, AB	-
Participation in other companies	Aktyvo, UAB – Director Aktyvus Valdymas, UAB – Director Iniciatyvos Fondas, VSI – Director MBGK, UAB – Director MGK Invest, UAB – Director RPNG, UAB – Director Regenus, UAB – Director Cedus Invest, UAB – Director Cedus, UAB – Director Imoniu Grupe Inservis, UAB – Member of the Board

15. 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 INVL, 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).

Danutė Kadanaitė – Member of the Audit Committee

The term of office	Since 2013 until 2017
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 INVL, AB	-

Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2013 until 2017
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 of Biotechpharma, UAB. 2010 – 2012 Senior Director of TEVA Biopharmaceuticals (USA). 2004-2010 – TEVA Pharmaceuticals, Chief Financial Officer for the Baltic States. 2001-2004 – Sicor Biotech, Chief Financial Officer 1999 – 2001 Senior Manager of PricewaterhouseCoopers. 1994 – 1999 Senior Auditor, Manager of Coopers & Lybrand.
Owned amount of shares in Invalda INVL, AB	-

16. 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 2016 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 INVL, AB group.

Table 16.1. Information about calculated remuneration for Invalda INVL, AB managers for 2016

	Calculated remuneration. thousand EUR		
	2014	2015	2016
For members of the Board (according to employment contracts as employees of the company)[2]	211	215	214
For each member of the Board (average per month)	6	6	6
For members of administration (the President and CFO)[2]	135	136	132
For each member of administration (average per month)	6	6	5.5

[2] Company and Group companies calculated remuneration

V. OTHER INFORMATION

17. Agreements with intermediaries on public trading in securities

Invalda INVL, AB has signed agreements with these intermediaries:

- Siauliu Bankas, AB (Tilzes str. 149, Siauliai, Lithuania; tel. +370 41 595 607) – the agreement on investment services, the agreement on management of securities accounting, the agreement on payment of dividends;
- 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 management of securities account;
- 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;
- Bank Zachodni WBK S.A. (Rynek 9/11, 50-950 Wrocław, Poland; tel. +61 856 4445) – the agreement of intermediation;
- AB SEB Pank (Tornimae str. 2., 15010, Tallin, Estonia; tel. +372 6657 772) - the agreement of intermediation.

18. Information on Issuer's branches and representative offices

Invalda INVL, AB has no branches or representative offices.

19. Risk management

19.1. A description of the principal risks and uncertainties

Business risks

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

Invalda INVL, 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.

The main activity of Invalda INVL – asset management business. Significant part of companies' assets consists of II pillar assets in Lithuania and Latvia, wherefore the change in legal acts in the pension system could have a negative effect in this business area.

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. 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 INVL, AB can be traded below NAV.

We have not approved dividend payment policy and established a minimum dividend payment level; therefore we cannot assure you of our ability to make distributions to our shareholders in the future.

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

Credit risk - a risk that purchases of products and services of group companies will not fulfil their obligations and this would make negative effect on profit. Failure to fulfil major part of liabilities in time would affect 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 INVL, 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 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.

19.2. 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 23 of explanatory notes of consolidated and company's financial statements in 2016.

19.3. 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.

20. Issuer's and its group companies' non – financial results. Information related to social responsibility. environment and employees

20.1. Responsible business actions in the company

•Ethical business practice

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

Seeking to implement social initiative promotion programmes in 2007 Invalda INVL established a public enterprise Iniciatyvos Fondas.

The activities of Iniciatyvos Fondas involve the organisation of different programmes designed to enhance knowledge and awareness. The priorities defined for the activities of the foundation may differ from year to year while maintaining its key principle, rather than supporting individual projects, initiate and implement larger-scale integrated projects designed to encourage individual target groups to take independent initiatives and actively contribute to the growth of the Lithuanian economy and the development of a responsible and sustainable society.

Iniciatyvos Fondas organised and implemented the following programs:

– designed to encourage its participants to independently address different social and environmental problems in specific locations;

– designed to promote the feeling of responsibility among young people (schoolchildren) and city communities, teach them to take care of nature and protect environment;

– collecting books from people and donating these book to various libraries;

– designed to promote physical activity of young people (a collective exercise “I’ll grow active 2011” has been recognised as Lithuanian record).

– to encourage young people to read and desire to excel;

– to encourage positive thinking

More information is provided on the web page of Iniciatyvos fondas www.iniciatyvosfondas.lt

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

Invalda INVL 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 INVL, AB.

20.2. Employees

Invalda INVL, 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. 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 2016 was 8 (in 2015 it was 11). The asset management business is strategic for Invalda INVL group, several employees of the company started working in a group’s asset management company, therefore the average number of employees of Invalda INVL decreased. All company’s employees have higher university education.

Table 20.2.1. Number of employees and average monthly salary

	Measuring units	2014	2015	2016
Total amount of employees as of the end of the period	person	13	10	7
- managers	person	4	4	4
- specialists	person	9	6	3
Average monthly salary (calculated for)	EUR	2,911	2,786	2,905
- managers	EUR	5,186	4,525	4,377
- specialists	EUR	1,782	1,662	1,458

Number of employees in Invalda INVL Group was 468 on 31 December 2016 (450 on 31 December 2015).

20.3. 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.

21. 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.

22. Information on the related parties' transactions

During the reporting period, the largest share of the company and a group of transactions with related parties accounted for loans, computer services, rent and utility costs of purchases, land administration services and asset management services (only group). The detailed information on the related parties' transactions has been disclosed in the section 25 of the consolidated and Company's financial statements for 2016 explanatory notes.

23. 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

In 2016 there were no concluded 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.

24. Significant investments made during the reporting period

The largest Invalda INVL investment was acquisition of shares of Nasdaq Vilnius listed company INVL Baltic Real Estate for EUR 6.22 million, converting the loans granted to the public offering shares in March 2016. Invalda INVL owns 32.08% of shares of INVL Baltic Real Estate.

More information is provided in the section 3 of the consolidated and Company's financial statements for 2016 explanatory notes.

25. References to and additional explanations of the data presented in the 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 2016. In the Extraordinary Shareholders' Meeting of the company held 28 October 2015 the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial years 2015, 2016 and 2017 and the payment in amount of EUR 11,000 (plus VAT) for audit of annual financial statements of each calendar year was set. 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 INVL, AB during 2016 is presented on the company's website www.invaldainvl.com

Table 27.1. Summary of the notifications on transactions in Invalda INVL, AB shares concluded by managers of the Company during 2016

Date	Person	Number of securities	Security price (EUR)	Total value of transaction (EUR)	Form of transactio n	Type of transaction	Placement of transaction
23.05.2016	LJB investments, UAB, code 300822575	96,475	4,11	396,512.25	transfer	share sale purchase	AUTO

Explanations:
AUTO – auto matched deals on the stock exchange

Table 27.2. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
07.03.2016	Invalda INVL AB notification on subscription for INVL Baltic Real Estate AB shares
08.03.2016	Invalda INVL, AB preliminary operating results and factsheet for 12 months of 2015
07.04.2016	Convocation of the General Shareholders Meeting of Invalda INVL and draft resolutions
07.04.2016	Audited results of Invalda INVL, AB group for the period for 2015
29.04.2016	Annual information of the public joint - stock company Invalda INVL
29.04.2016	Resolutions of the Shareholders Meeting of Invalda INVL, AB
02.05.2016	Employee stock option contracts signed
02.05.2016	On purchase of own shares
19.05.2016	Invalda INVL, AB will buy-back 1.14 % shares
23.05.2016	Notification on transaction concluded by the manager of the company
23.05.2016	Amount of voting rights in Invalda INVL, AB
31.05.2016	Unaudited results of Invalda INVL, AB group for the 3 months of 2016
31.08.2016	Unaudited results of Invalda INVL, AB group for the 6 months of 2016
30.11.2016	Unaudited results of Invalda INVL AB group for the 9 months of 2016
28.12.2016	Invalda INVL investor's calendar for the 2017

President Darius Šulnis

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
ASSET MANAGEMENT BUSINESS			
INVL Asset Management, UAB	Code 126263073 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 21.07.2003	Pension and investment funds management. portfolio management services, real estate funds management	Telephone +370 700 55959 E-mail info@invl.com www.invl.com
INVL Asset Management, IPAS (Latvia)	Code 40003605043 Address Smilšu iela 7-1. Riga Legal form – private limited liability company Registration date 02.10.2002	Pension and investment funds management, portfolio management services	Telephone +371 67 092 988 E-mail LV@finasta.com www.finasta.com/lat/en
INVL Farmland Management	Code 303788352 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 26.02.2016	Administration of agricultural land	E-mail kristina.urboniene@invl.com
INVL Finasta, FMĮ UAB	Code 122570630 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 28.05.2015	Brokerage services	Telephone +370 5 211 12 94 E-mail gerovesvaldymas@invl.com www.invl.com
Invalda INVLT Investments, UAB	Code 303252237 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Telephone +370 5 263 6129
OTHER INVESTMENTS			
INVL Technology, SUTPKIB	Code 300893533 Address Gynėjų str. 16, Vilnius Legal form – joint stock company Registration date 27.06.2007	Investments info information technology businesses	Telephone +370 5 279 0601 E-mail info@invltechnology.lt www.invltechnology.lt
INVL Baltic Real Estate, SUTNTIB	Code 152105644 Address Gynėjų str. 14, Vilnius Legal form – joint stock company Registration date 28.01.1997	Investments into commercial real estate. Rent of commercial real estate.	Telephone + 370 5 279 06 01 E-mail breinfo@invl.com www.invlbalticrealestate.com

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 5 236 1601 E-mail office@litagra.lt www.litagra.lt
Cedus Invest, UAB	Code 302576631 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into agriculture companies	Telephone +370 5 263 6129 Fax +370 5 279 0530
Šiaulių bankas, AB	Code 112025254 Address Tilžės str.149, Šiauliai Legal form – joint stock company Registration date 04.02.1992	Commercial banking	Telephone +370 41 595 607 Fax. +370 41 430 774 E-mail info@sb.lt www.siauliubankas.lt
Inservis, UAB	Code 126180446 Address Juozapaviciaus str. 6. 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 prieziura@inservis.lt www.inservis.lt
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 info@priemiestis.lt www.priemiestis.lt
Jurita, UAB	Code 220152850 Address Justiniskiu str. 62. Vilnius Legal form – private limited liability company Registration date 28.12.1990	Facility management. engineering systems oversight and incidents management, multi-apartment house management	Telephone +370 5 248 2088 E-mail info@jurita.lt www.jurita.lt
Imoniu Grupe Inservis, UAB	Code 301673796 Address Gynėjų str. 14, 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
Informacinio verslo paslaugų įmonė, AB	Code 123043773 Address Gedimino pr. 31, Vilnius Legal form – joint stock company Registration date 05.04.1995	Software tools for computerized processing of economic information	Telephone +370 5 236 4808, fax +370 5 262 3623 E-mail info@ivpi.lt www.ivpi.lt
Kelio Zenklai, UAB	Code 185274242 Address Gelezinkelio str. 28. Pilviskiai. Vilkaviskio r. Legal form – private limited liability company Registration date 06.09.1994	metal and wood processing and wholesale trade	Telephone +370 342 67 756 Fax +370 342 67 644 E-mail info@keliozenklai.lt www.keliozenklai.lt

Iniciatyvos Fondas, VsI	Code 300657209 Address Gynėjų str. 14. 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 info@iniciatyvosfondas.lt www.iniciatyvosfondas.lt
Aktyvo, UAB	Code 301206846 Address Gynėjų str. 14, 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 Address Gymėjų str. 14, Vilnius Legal form – private limited liability company Registration date 07.04.2008	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MBGK, UAB	Code 300083611 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.01.2005	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MGK Invest, UAB	Code 302531757 Address Gynėjų str. 14, 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
Consult Invalda, UAB	Code 302575814 Address Gynėjų str. 14, 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
RPNG, UAB	Code 302575892 Address Gynėjų str. 14, 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 Gynėjų str. 14, 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 Gynėjų str. 14, 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

APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

Invalda INVL, 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 Vilnius, discloses its compliance with the Governance Code, approved by NASDAQ Vilnius for the companies listed on the regulated market. and its specific provisions.

PRINCIPLES/ RECOMMENDATIONS	YES / NO / NOT APPLI-CABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a Company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company constantly discloses information about group's activities and objectives in notifications on material events, 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 fulfilment of the Company's strategic objectives taking count of the shareholders' equity increase.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board is not formed. Nevertheless. the Board and the President acts in close cooperation seeking to obtain the maximum benefit for the Company and its shareholders. The Board periodically reviews and assesses Company's activity results. The President may conclude the transactions referred to in subparagraphs 3. 4. 5 and 6. paragraph 4. Article 34 of the Law on Companies of the Republic of Lithuania. provided that there is a decision of the Board to enter into these transactions.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees. creditors. suppliers. clients. local community). participating in or connected with the company's operation. are duly respected.	Yes	The Company respects all rights and interests of the persons other than the Company's shareholders participating in or connected with the Company's operation.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the Company. the effective oversight of the Company's management bodies. an appropriate balance and distribution of functions between the Company's bodies. protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a General Shareholders' Meeting and the Chief Financial Officer. it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company. accountability and control on the part of the Chief Executive Officer. who. in its turn. facilitate a more efficient and transparent management process.	No	Due to its size, it is not expedient to form the Supervisory Board. Therefore the 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	Yes	The functions set forth in this recommendation are performed by the collegial management body – the

governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.		Board.
2.3. When a company chooses to form only one collegial body. it is recommended that it should be a supervisory body. i.e. the Supervisory Board. In such a case. the Supervisory Board is responsible for the effective monitoring of the functions performed by the company's Chief Financial Officer.	No	Only one collegial body is formed in the Company - the Board. It performs all essential management functions and ensures accountability and control of the President of the Company. The Supervisory Board is not formed in the Company.
2.4. The collegial supervisory body to be elected by the General Shareholders' Meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body. i.e. the Board. Principles III and IV should apply to the Board as long as that does not contradict the essence and purpose of this body.	Yes	The provisions set forth in III and IV principles are applied on the Board's formation and activity as long as that does not contradict with the essence and purpose of this body.
2.5. Company's management and supervisory bodies should comprise such number of Board (executive directors) and Supervisory (non-executive directors) Board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	There are 3 independent Board members in the Company who do not have any other mutual interests but only activity within the Board and who act seeking benefit to the Company and its shareholders.
2.6. Non-executive directors or members of the Supervisory Board should be appointed for specified terms subject to individual re-election. at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the Management Board.	No	The Supervisory Board is not formed in the Company and there are no non–executive directors either.
2.7. Chairman of the collegial body elected by the General Shareholders' Meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a Supervisory Board but rather the Board. it is recommended that the chairman of the Board and Chief Financial Officer of the company should be a different person. Company's Chief Financial Officer should not be immediately nominated as the chairman of the collegial body elected by the General Shareholders' Meeting. When a company chooses to departure from these recommendations. it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The Chairman of the Board is not the manager of the Company. His current or past office constitutes has no obstacles to conduct independent and impartial supervision.
Principle III: The order of the formation of a collegial body to be elected by a General Shareholders' Meeting. **The order of the formation a collegial body to be elected by a General Shareholders' Meeting should ensure representation of minority shareholders. accountability of this body to the shareholders and objective monitoring of the Company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a General Shareholders' Meeting (hereinafter in this Principle referred to as	Yes	The Board operates impartially, objectively and represents the interests of all shareholders equally.

the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.		
3.2. Names and surnames of the candidates to become members of a collegial body. information about their education. qualification. professional background. positions taken and potential conflicts of interest should be disclosed early enough before the General Shareholders' Meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence. the sample list of which is set out in Recommendation 3.7. should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should. on yearly basis. collect data provided in this item on its members and disclose this in the company's annual report.	Yes	According to the Board's procedures and regulations 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, and all other circumstances that can affect the independence of the candidate as well as the data on their education, qualifications, professional experience, other important information. The Board members obligate to inform the Chairman of the Board in case of the changes of the data. The information of these changes shall be disclosed to the shareholders in the Company's periodical reports. Information about current members of the Board. their educational background, qualification, professional experience, participation in other companies is disclosed on Company's website.
3.3. Should a person be nominated for members of a collegial body. such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant. the collegial body should. in its annual report. disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the composition of the Board, members' education, work experience and participation in other companies is disclosed in Company's periodical reports and website.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members. the desired composition of the collegial body shall be determined with regard to the company's structure and activities. and have this periodically evaluated. The collegial body should ensure that it is composed of members who. as a whole. have the required diversity of knowledge. judgment and experience to complete their tasks properly. The members of the Audit Committee. collectively. should have a recent knowledge and relevant experience in the fields of finance. accounting and/or audit for the stock exchange listed companies. At least one of the members of the 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.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties. corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	Presently. members of the Board do not perform the assessment of their skills and knowledge.
3.6. In order to ensure that all material conflicts of	No	Independency of the elected Board members is not

interest related with a member of the collegial body are resolved properly. the collegial body should comprise a sufficient number of independent members.		assessed and the content of independent members' sufficiency isn't set either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business. family or other relationship with the company. its controlling shareholder or the management of either. that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list. moreover. relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time. assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) he/she is not an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) of the company or any associated company and has not been such during the last five years; 2) he/she is not an employee of the company or some any company and has not been such during the last three years. except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) he/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) he/she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner. shareholder. director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial. legal. counselling and consulting services). major client or organization receiving significant payments from the company or its group;	No	Members of the Board are elected by the General Shareholders' Meeting. They are independent and in their actions seek the benefit to the Company and its shareholders. however fail to meet the recommendation on independency.

6) he/she is not and has not been. during the last three years. partner or employee of the current or former external audit company of the company or associated companies; 7) he/she is not an executive director or member of the Board in some other company where executive director of the company or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) is non-executive director or member of the Supervisory Board. he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) he/she has not been in the position of a member of the collegial body for over than 12 years; 9) he/she is not a close relative to an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse). children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that. despite a particular member meets all the criteria of independence laid down in this Code. he can not be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body. the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code. the company should disclose its reasons for nevertheless considering the member to be independent. In addition. the company should annually disclose which members of the collegial body it considers to be independent.	No	No Board members' independency assessment and announcement practice is applicable in the Company.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year. the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body. the company should require independent members to have their independence periodically re-confirmed.	No	No Board members' independency assessment and announcement practice is applicable in the Company.

3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body. they may be remunerated from the company's funds. The General Shareholders' Meeting should approve the amount of such remuneration.	Not applicable	The Board members are not remunerated for their work and participation in the meeting of the Board from the Company's funds.
Principle IV: The duties and liabilities of a collegial body elected by the General Shareholders' Meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the General Shareholders' Meeting. and the powers granted to the collegial body should ensure effective monitoring of the Company's management bodies and protection of interests of all the Company's shareholders.**		
4.1. The collegial body elected by the General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Board submits Company's annual financial statement and consolidated annual financial statement, profit distribution drafts to the General Shareholders' Meeting, delivers consolidated annual report, also performs all other functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in good faith. with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis. decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence. and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about. the member should make adequate conclusions. Should an independent member resign from his office. he should explain the reasons in a letter addressed to the collegial body or Audit Committee and. if necessary. respective company-not-pertaining body (institution).	Yes	According to the information held with the Company, all Board members act in good will with respect to the Company, are guided by the interests of the Company, not by the personal or third parties' interests and seek to preserve their independency while adopting the decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company. shareholders of the company should be notified.	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.
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	Yes	The Board treats all shareholders honestly and impartially.

of the collegial body when communicating with and committing to shareholders.		
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.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately. the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties. including the right to obtain. in particular from employees of the company. all the necessary information or to seek independent legal. accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems. the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department. executive directors or collegial management organs of the company concerned.	Yes	The Board is independent while adopting decisions which are significant for the activity and strategy of the Company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors. determination of directors' remuneration and control and assessment of the company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body. it is recommended that the collegial body should establish Nomination. Remuneration. and Audit Committees. Companies should ensure that the functions attributable to the Nomination. Remuneration. and Audit Committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members. the functions assigned to the three committees may be	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.

performed by the collegial body itself. provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role. operation. and transparency) should apply. where relevant. to the collegial body as a whole.	
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration. and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended. in principle. to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself. which remains fully responsible for the decisions taken in its field of competence.	
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body. they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the Company chooses not to set up a Supervisory Board. Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition. number of meetings and attendance over the year. and their main activities. Audit Committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	
4.11. In order to ensure independence and impartiality of the committees. members of the collegial body that are not members of the committee should commonly have a right to	

participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	
4.12. Nomination Committee. 4.12.1. Key functions of the Nomination Committee should be the following: 1) identify and recommend. for the approval of the collegial body. candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills. knowledge and experience on the management body. prepare a description of the roles and capabilities required to assume a particular office. and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure. size. composition and performance of the supervisory and management bodies. and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills. knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination Committee should consider proposals by other parties. including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management. Chief Financial Officer of the company should be consulted by. and entitled to submit proposals to the Nomination Committee.	
4.13. Remuneration Committee. 4.13.1. Key functions of the Remuneration Committee should be the following: 1) make proposals. for the approval of the collegial body. on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation. including the fixed remuneration. performance-based remuneration schemes. pension arrangements. and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria. with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) make proposals to the collegial body on the	

individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so. the Committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) periodically review the remuneration policy for executive directors or members of management body. including the policy regarding share-based remuneration. and its implementation; 5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; 6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); 7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees. the Committee should: 1) consider general policy regarding the granting of the above mentioned schemes. in particular stock options. and make any related proposals to the collegial body; 2) examine the related information that is given in the company's annual report and documents intended for the use during the General Shareholders' Meeting; 3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares. specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the Remuneration Committee. the Committee should at least address the chairman of the collegial body and/or Chief Financial Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The Remuneration Committee should report on the exercise of its functions to the shareholders and be present at the Annual General Shareholders' Meeting for this purpose.	

4.14. Audit Committee. 4.14.1. Key functions of the Audit Committee should be the following: 1) observe the integrity of the financial information provided by the company. in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified. managed and reflected in the information provided; 3) ensure the efficiency of the internal audit function. among other things. by making recommendations on the selection. appointment. reappointment and removal of the head of the internal audit department and on the budget of the department. and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company. the need for one should be reviewed at least annually; 4) make recommendations to the collegial body related with selection. appointment. reappointment and removal of the external auditor (to be done by the General Shareholders' Meeting) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) monitor independence and impartiality of the external auditor. in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners. the level of fees paid by the company. and similar issues. In order to prevent occurrence of material conflicts of interest. the Committee. based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network. should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16. 2002 Commission Recommendation 2002/590/EC. the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded. (b) permissible only after review by the Committee. and (c) permissible without referral to the Committee; 6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting. financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to	Yes	The members of the Audit Committee are elected by the General Shareholders' Meeting. The main functions of the Audit Committee should be the following: - provide recommendations with selection, appointment, reappointment and removal of an external Audit Company as well as the terms and conditions of engagement with the Audit Company; - monitor the process of external audit; - monitor how the external auditor and Audit Company follow the principles of independence and objectivity; - observe the process of preparation of financial reports of the Company; - monitor the efficiency of the internal control and risk management systems of the Company. Once a year review the need of the internal audit function; –monitor the implementation of the audit firm's recommendations and comments imposed by the Board and the manager of the company. 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 analyses the independence and other criteria of the potential auditors and gives the necessary conclusions to the management. Each year the Audit committee prepares activity report on the main conclusions regarding Company's activity.

different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body. Chief Financial Officer (or superior employees in charge of finances. treasury and accounting). or internal and external auditors in the meetings of the Committee is required (if required. when). The Committee should be entitled. when needed. to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management. but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors. 4.14.5. The Audit Committee should be informed of the internal auditor's work program. and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit. 4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company. by way of complaints or through anonymous submissions (normally to an independent member of the collegial body). and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months. at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure. work organization and ability to act as a group. evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should. at least once a year. make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures. and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	Yes	Once a year the Board conducts its performance evaluation. The structure and members of the Board did not change within the last year. 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. During the year 2016 the Board analysed available information. discussed and adopted decisions concerning essential matters of Invalda INVL AB and its group.

Principle V: The working procedure of the Company's collegial bodies. **The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The 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.	Yes	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 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[3].	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 each Member of the Board about the meeting by phone or by email.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process. chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings. their agendas and resolving other issues of corporate governance. Members of the company's Board should be free to attend meetings of the company's Supervisory Board. especially where issues concerning removal of the Board members. their liability or remuneration are discussed.	No	The Company may not implement this recommendation since only the Board is formed.

[3] 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.

Principle VI: The equitable treatment of shareholders and shareholder rights. **The corporate governance framework should ensure the equitable treatment of all shareholders. including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting. ownership. dividend and other rights to all their holders.	Yes	Shares which compose the authorised capital of the Company grant equal rights to all shareholders.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance. i.e. before they purchase shares.	Yes	The Company informs shareholders about the rights of newly issued shares. Information about the rights of already issued shares is provided in the Shareholders' Policy approved by the Board. the Articles of the Association. Company's annual report.
6.3. Transactions that are important to the company and its shareholders. such as transfer. investment. and pledge of the company's assets or any other type of encumbrance should be subject to approval of the General Shareholders' Meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues. including approval of transactions referred to above. are discussed.	Yes	Shareholders of the Company have equal opportunities to get familiarised and participate in adopting decisions important to the Company. Approval of the General Shareholders' Meeting is also necessary in cases stipulated in Chapter V of the Law on Companies of the Republic of Lithuania. No other cases when the approval of the General Shareholders' Meeting should be obtained are foreseen. since it would impair Company's business considering the nature of the Company's activity.
6.4. Procedures of convening and conducting a General Shareholders' Meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue. date. and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting. the Company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Share-holders' Meeting and receive answers to them.	Yes	The procedures of convening and conducting of the General Shareholders' Meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meetings get familiarised with the draft resolutions and materials necessary for adopting the decision in advance. also give questions to the Board members.
6.5. If is possible. in order to ensure shareholders living abroad the right to access to the information. it is recommended that documents on the course of the General Shareholders' Meeting. should be placed on the publicly accessible website of the company not only in Lithuanian language. but in English and /or other foreign languages in advance. It is recommended that the minutes of the General Shareholders' Meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information. whenever feasible. documents referred to in this recommendation should be published in Lithuanian. English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The documents prepared for the General Shareholders' Meeting are published in Lithuanian and English on the Company's website. The decisions of General Shareholders' Meetings for the last 9 years are also published on Company's website.
6.6. Shareholders should be furnished with the opportunity to vote in the General Shareholders'	Yes	The Company's shareholders are furnished with the opportunity to participate in the General

Meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.		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 cannot participate and vote in General Shareholders' Meetings via electronic means of communication.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation. in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur. a member of the company's supervisory and management body should. within reasonable time. inform other members of the same collegial body or the company's body that has elected him/her. or to the company's shareholders about a situation of a conflict of interest. indicate the nature of the conflict and value. where possible.	Yes	The Board members fully comply with these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets. the use of which has not been mutually agreed upon. with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Shareholders' Meeting or any other corporate body authorised by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company. a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally. by recording this in the minutes of the meeting. to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject		

to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.		
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval. revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors. in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.**		
8.1. A Company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company. Information about the benefits and loans for the members of the management bodies is provided in the periodical reports. financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and. if appropriate. the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.		
8.3. Remuneration statement should leastwise include the following information: 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options. shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods. applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration. as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting. as referred to in point 8.15 of this Code; 11) sufficient information on the composition of		

peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.	
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include. inter alia. information on the duration of contracts with executive directors and members of the management bodies. the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.	
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration. inclusive of other benefits. that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: - the total amount of remuneration paid or due to the director for services performed during the relevant financial year. inclusive of. where relevant. attendance fees fixed by the Annual General Shareholders' Meeting; - the remuneration and advantages received from any undertaking belonging to the same group; - the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; - if permissible by the law. any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; - compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; - total estimated value of non-cash benefits considered as remuneration. other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes. the following information should be disclosed: - the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;	

- the number of shares options exercised during the relevant financial year and. for each of them. the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; - the number of share options unexercised at the end of the financial year; their exercise price. the exercise date and the main conditions for the exercise of the rights; - all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: - when the pension scheme is a defined-benefit scheme. changes in the directors' accrued benefits under that scheme during the relevant financial year; - when the pension scheme is defined-contribution scheme. detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans. advance payments or guarantees. including the amount outstanding and the interest rate.	
8.6. Where the remuneration policy includes variable components of remuneration. companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	
8.8. Where a variable component of remuneration is awarded. a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration. which should. in general. not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	

8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes. during which a policy of remuneration of directors is being established. should also be disclosed. Information should include data. if applicable. on authorities and composition of the remuneration committee. names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.		
8.13. Shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements. should be subject to predetermined and measurable performance criteria.		
8.15. After vesting. directors should retain a number of shares. until the end of their mandate. subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed. for example. twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders. in particular institutional shareholders. should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations. the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement should be put for voting in Annual General Shareholders' Meeting. The vote may be either mandatory or advisory.		
8.19. Schemes anticipating remuneration of directors in shares. share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the	Yes	Annual General Shareholders meeting of Invalda INVL, which took place on 29 April 2016, approved employees' stock option policy and instructed the Board to ensure its proper implementation. 2 May 2016 the company announced about signed stock option contracts.

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.	
8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting: 1) grant of share-based schemes. including share options. to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options. if permissible by law; 5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	
8.21. Should national law or company's Articles of Association allow. any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination. or the average of the market values over a number of days preceding the date when the exercise price is determined. should also be subject to the shareholders' approval.	
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.	
8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8. the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms. as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market. hold the shares in reserve or issue new ones. There should also be a summary on scheme-	

related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		

Principle IX: The role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the Company value. jobs and financial sustainability. For the purposes of this Principle. the concept "stakeholders" includes investors. employees. creditors. suppliers. clients. local community and other persons having certain interest in the Company concerned.

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned events has been constantly 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.		

Principle X: Information disclosure and transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the Company. including the financial situation. performance and governance of the Company.

10.1. The company should disclose information on: 1) the financial and operating results of the company; 2) company objectives; 3) persons holding by the right of ownership or in control of a block of shares in the company; 4) members of the company's supervisory and management bodies. Chief Financial Officer of the company and their remuneration; 5) material foreseeable risk factors; 6) transactions between the company and connected persons. as well as transactions concluded outside the course of the company's regular operations; 7) material issues regarding employees and other stakeholders; 8) governance structures and strategy. This list should be deemed as a minimum recommendation. while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information set forth in this recommendation is disclosed in the notifications on material event. periodical reports. This information is also published on Company's website.
10.2. It is recommended to the company. which is the parent of other companies. that consolidated results of the whole group to which the Company		

belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		
10.3. It is recommended that information on the professional background. qualifications of the members of supervisory and management bodies. Chief Financial Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Financial Officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders. including employees. creditors. suppliers. local community. as well as the company's policy with regard to human resources. employee participation schemes in the company's share capital. etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the NASDAQ OMX Vilnius. so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company discloses information via NASDAQ 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. The company publishes its information prior to or after the trade sessions on the NASDAQ 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 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 news distribution service. It is also published on company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company publishes all information indicated in this recommendation on its website.

Principle XI: The selection of the Company's auditor

The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's

conclusion and opinion.		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The annual Company's and consolidated financial statements and consolidated annual report are conducted by the independent audit company. The interim financial statements are not conducted by the audit company.
11.2. It is recommended that the company's Supervisory Board and. where it is not set up. the company's Board should propose a candidate firm of auditors to the General Shareholders' Meeting.	Yes	The candidate audit company is suggested to the General Shareholders' Meeting by the Board.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's Supervisory Board and. where it is not formed. the company's Board upon their consideration which firm of auditors to propose for the General Shareholders' Meeting.	Not applicable	The audit company does not provide non-audit services to the Company.