

**CONFIRMATION OF RESPONSIBLE PERSONS**

6 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 INVL Technology hereby confirms that, to the best of our knowledge, the attached and Company's Financial Statements for 2016 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit or loss of INVL Technology.

Presented 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.

**ENCLOSED:**

1. Company's Financial Statements for 2016.
2. Annual Report for 2016.

Managing Partner of INVL Technology



Kazimieras Tonkūnas

Representative of the accounting company



Kristupas Baranauskas



# TECHNOLOGY

Special Closed-Ended Type Private Capital Investment Company's  
**INVL Technology Annual Report and Financial  
Statements for the year ended 31 December 2016,**

prepared according to international Financial Reporting Standards as adopted  
by the European Union, presented together with independent auditor's report.

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## Independent auditor's report

To the shareholders of INVL Technology UTIB

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the INVL Technology UTIB ("the Company") as at 31 December 2016, and its financial performance and its 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 Company's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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 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.

### Our audit approach

#### *Overview*

<b>Materiality</b>	Our materiality: € 197 thousand.
<b>Key audit matters</b>	Valuation of investments.

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania  
T: +370 (5) 239 2300, F: +370 (5) 239 2301, Email: [vilnius@lt.pwc.com](mailto:vilnius@lt.pwc.com), [www.pwc.com/lt](http://www.pwc.com/lt)

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





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.

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

### **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 materiality for the 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.

<b>Overall Company materiality</b>	€ 197 thousand.
<b>How we determined it</b>	1 % of total equity.
<b>Rationale for the materiality benchmark applied</b>	<p>We chose the equity as the benchmark because, in our view, it is an appropriate measure of underlying performance, and it is the benchmark against which the performance of the Company and other investment companies is most commonly measured by users, and it is a generally accepted benchmark. The key driver of the business and determinant of the Company's value is investments into various IT businesses. For this reason, the key area of focus in the audit of the financial statements is the valuation of investments.</p> <p>We chose 1%, which is within the range of acceptable quantitative materiality thresholds.</p>

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above € 10 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 investments (financial assets at fair value through profit or loss)**

*Refer to Note 5 to the financial statements on pages 21-26.*

The Company is an investment entity and classifies its investments in equity securities, as financial assets at fair value through profit or loss. Management estimated the fair value of the financial assets to be € 16,696 thousand as at 31 December 2016, as compared to € 16,955 thousand as at 31 December 2015. The net change in fair value of financial assets was recorded as a loss of € 4,013 thousand in the statement of comprehensive income.

The valuation of investments was based on the values determined by independent valuers.

The Company's investments in subsidiaries are not traded in an active market and the fair value is determined by using valuation techniques, primarily discounted cash flows and net assets value method for one investment.

Given the materiality of investments, the revaluation to fair value had a significant impact on the financial statements. We also focused on this area as the conclusions are dependent upon significant estimates involved in performing the valuation, and they are most sensitive to the assumptions underlying those valuations. In particular, the most significant estimates relate to discount rates, long-term growth rate and free cash flow forecasts made by management for the period of 5 years. Free cash flows were calculated as operating profit after tax plus depreciation, adjusted by change in working capital and minus capital expenditure.

For the above-mentioned reasons, due to existence of significant estimation uncertainty, we gave specific audit focus and attention to this area.

Our procedures in relation to management's valuation of investments included as follows:

- evaluation of the independent external valuers' competence, capabilities and objectivity;
- assessment of the methodologies used and appropriateness of key assumptions based on our knowledge of IT industry;
- testing, on a sample basis, whether specific information supplied to the valuers reflected the underlying information on financial performance of investments held by the Company;
- testing the data inputs underpinning the valuation for a sample of investments, including sales, profitability ratios, capital expenditure, by agreeing them back to the supporting documentation.

Because of the subjectivity involved in determining the value of investments and existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate independent valuations of investments used by management.

The values of investments adopted by the Company were all within an acceptable range. We also considered whether or not there was bias in determining individual values and found no evidence of bias.

We found that the key assumptions were supported by the available evidence. We found that the disclosures in Note 5 were appropriate.





## **Other information**

Management is responsible for the other information. The other information comprises the 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 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 or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated 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  
5 April 2017



## **BASIC DETAILS**

### **Investment committee**

Mr Kazimieras Tonkūnas (Chairman)  
Mrs Vida Juozapavičienė  
Mr Vytautas Plunksnis  
Mr Nerijus Drobavičius

### **Management Company**


INVL Asset Management UAB

### **Principal place of business and company code**

Registered office address:  
Gynėjų g. 14,  
Vilnius,  
Lithuania

Company code 300893533

These financial statements were authorised for issue by the Management Company and signed on 5 April 2017.



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Kazimieras Tonkūnas  
INVL Technology managing partner at  
INVL Asset Management UAB



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Kristupas Baranauskas  
Representative of the accounting  
company

## STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016	2015
<b>Income</b>			
Net change in fair value of financial assets	5	(4,013)	2,247
Dividend income	10	-	598
Interest income		1	30
Other revenue	11	97	260
<b>Total net income</b>		<b>(3,915)</b>	<b>3,135</b>
Management fee	13	(205)	-
Employee benefits		(189)	(289)
Other expenses		(232)	(229)
<b>Total operating expenses</b>	12	<b>(626)</b>	<b>(518)</b>
<b>Operating profit (loss)</b>		<b>(4,541)</b>	<b>2,617</b>
Finance costs	14	-	(168)
<b>Profit (loss) before tax for the reporting period</b>		<b>(4,541)</b>	<b>2,449</b>
Income tax benefit	15	26	65
<b>Profit (loss) for the reporting period</b>		<b>(4,515)</b>	<b>2,514</b>
Other comprehensive income for the reporting period, net of tax		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET OF INCOME TAX</b>		<b>(4,515)</b>	<b>2,514</b>
Basic and diluted earnings (deficit) per share (in EUR)	16	(0.37)	0.28

## STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2016	As at 31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	5	16,696	16,955
Intangible assets and property, plant and equipment		-	5
Deferred income tax assets	15	-	1
<b>Total non-current assets</b>		<b>16,696</b>	<b>16,961</b>
<b>Current assets</b>			
Trade and other receivables and loans granted	6,17	27	392
Prepayments and deferred charges		-	1
Cash and cash equivalents		3,128	6,994
<b>Total current assets</b>		<b>3,155</b>	<b>7,387</b>
<b>Total assets</b>		<b>19,851</b>	<b>24,348</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	3,531	3,531
Share premium	7	8,268	8,268
Reserves	8	10,154	9,977
Retained earnings		(2,225)	2,467
<b>Total equity</b>	9, 20.3	<b>19,728</b>	<b>24,243</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		1	44
Employment-related liabilities		-	49
Other current liabilities		122	12
<b>Total current liabilities</b>		<b>123</b>	<b>105</b>
<b>Total liabilities</b>		<b>123</b>	<b>105</b>
<b>Total equity and liabilities</b>		<b>19,851</b>	<b>24,348</b>



## STATEMENT OF CASH FLOWS

	Notes	2016	2015
<b>Cash flows from operating activities</b>			
Net profit for the reporting period		(4,515)	2,514
<b>Adjustments for:</b>			
Elimination of items of financing activities		-	168
Dividend income		-	(598)
Interest income		(1)	(30)
Depreciation and amortisation		1	3
Net change in fair value of financial assets	5	4,013	(2,247)
Income tax (benefit) expense	15	(26)	(65)
		(528)	(255)
Changes in working capital:			
Decrease (increase) in financial assets at fair value	5	(3,754)	194
Decrease (increase) in trade and other receivables		309	18
Decrease (increase) in other current assets		1	3
Increase (decrease) in trade payables		67	(7)
Dividends received	10	-	598
Increase (decrease) in other current liabilities		(49)	32
<b>Cash flows from (used in) operating activities</b>		<b>(3,954)</b>	<b>583</b>
Income tax paid		-	-
<b>Net cash flows from (used in) operating activities</b>		<b>(3,954)</b>	<b>583</b>
<b>Cash flows from investing activities</b>			
Acquisition of non-current assets		-	(3)
Interest received		13	58
Sale of non-current assets		4	-
Loans (granted)		(2)	(597)
Loan repayments received		73	731
<b>Net cash flows from (used in) investing activities</b>		<b>88</b>	<b>189</b>
<b>Cash flows from financing activities</b>			
Cash flows related to owners:			
Proceeds from distribution of newly issued shares	7	-	8,444
Cash balance at the company merged	4	-	41
		-	8,485
Cash flows related to other financing sources:			
Interest (paid)		-	(129)
Proceeds from borrowings		-	166
(Repayments) of borrowings		-	(2,325)
		-	(2,288)
<b>Net cash flows from (used in) financing activities</b>		<b>-</b>	<b>6,197</b>
<b>Foreign exchange effect on the balance of cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(3,866)</b>	<b>6,969</b>
<b>Cash and cash equivalents in the beginning of the</b>		<b>6,994</b>	<b>25</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>3,128</b>	<b>6,994</b>

## STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Legal reserve	Reserve for acquisition of own shares	Retained earnings	Total
<b>Balance at 31 December 2014</b>		<b>172</b>	<b>250</b>	<b>23</b>	<b>556</b>	<b>6,846</b>	<b>7,847</b>
Effect of merger	4	1,601	(71)	(23)	(556)	3,084	4,035
Redistribution of retained earnings to the reserves	8	-	-	177	9,800	(9,977)	-
Proceeds from distribution of newly issued shares, net of distribution costs	7	1,758	8,089	-	-	-	9,847
<b>Total transactions with owners of the Company, recognised directly in equity</b>		<b>3,359</b>	<b>8,018</b>	<b>154</b>	<b>9,244</b>	<b>(6,893)</b>	<b>13,882</b>
Net profit for 2015		-	-	-	-	2,514	2,514
<b>Total comprehensive income for 2015</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,514</b>	<b>2,514</b>
<b>Balance at 31 December 2015</b>		<b>3,531</b>	<b>8,268</b>	<b>177</b>	<b>9,800</b>	<b>2,467</b>	<b>24,243</b>
Redistribution of retained earnings to the reserves	8	-	-	177	-	(177)	-
<b>Total transactions with owners of the Company, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>177</b>	<b>-</b>	<b>(177)</b>	<b>-</b>
Net (loss) for 2016		-	-	-	-	(4,515)	(4,515)
<b>Total comprehensive income for 2016</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,515)</b>	<b>(4,515)</b>
<b>Balance at 31 December 2016</b>		<b>3,531</b>	<b>8,268</b>	<b>354</b>	<b>9,800</b>	<b>(2,225)</b>	<b>19,728</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General information**

INVL Technology UTIB (company code 300893533, formerly BAIP Grupė AB, hereinafter “the Company”) is a closed-ended type investment company registered in the Republic of Lithuania. The Company’s registered office address is Gynėjų g. 14, Vilnius, Lithuania.

On 9 February 2015 the Company was merged with its then parent company, INVL Technology AB (company code 303299817, hereinafter “the Former Parent Company”) into BAIP Grupė AB (Note 4).

On 7 July 2015, the Company successfully completed its secondary public offering, thereby attracting EUR 10 million (Note 7).

During the Shareholders Meeting held on 7 March 2016, the Company’s shareholders approved the Company’s transformation into a closed-end investment entity.

On 14 July 2016 the Company has been issued a closed-ended type investment company (UTIB) license by the Bank of Lithuania. Under the company’s Articles of Association, INVL Technology UTIB will operate until 14 July 2026, with extension possible for further two years. With the status of an investment entity, the Company’s activities are supervised by the Bank of Lithuania, thereby providing additional security to the investors.

As the Company has obtained the status of a closed-ended type investment company, its management was replaced by INVL Asset Management (‘the Management Company’, also referred as ‘the management’), which is entitled to the Management Fee (Note 2.10) and the Success Fee (Note 2.10) payable if the Company delivers annual internal rate of return exceeding 8 percent based on initial net asset value (Note 2.15) as of 13 July 2016 which is equal EUR 23,906,150.

Based on the Articles of Association, an Investment Committee was formed to make decisions on the Company’s activities and control its investments. The Investment Committee consists of 4 (four) representatives of the Management Company (employees, members of management bodies of the Management Company, other persons appointed by a decision of the Board of the Management Company). An approval of the Investment Committee must be obtained for acquisition of all investments of the Company and for their sale.

The Company has also signed an agreement on depository services with SEB Bankas which acts depository of the Company’s assets.

The Company operates as a cluster of IT businesses working with large corporate and public entities with a focus in four key areas: business climate improvement and e-governance, IT infrastructure, cyber security and solutions for IT-intensive industries. The major investments of INVL technology are currently in businesses based in Lithuania, Estonia, Norway, Moldova, Tanzania, Rwanda, Uganda and Bangladesh.

Seeking to ensure considerable return on investments for investors, the Company is seeking to invest in mature IT businesses offering solutions to large corporate and public entities that have production capacities in the Baltic States, Scandinavia and the CEE region, and a synergy potential from cooperation with other entities of the Company. The Company also seeks to increase the value of entities managed by it by promoting their growth and additional acquisitions with financial and intellectual capital and management support, and assisting with globalisation of their businesses through sales channels in the markets of East Africa and Southeast Asia.

The Management Company manages the portfolio of investment instruments of the Company following principles of diversification set in the Articles of Association (the conformity of the portfolio of investment instruments of the Company to the those principles shall be achieved within four years from the date the Bank of Lithuania issued a permission to certify Company’s incorporation documents and to choose the Depository). The Company cannot invest more than 30% of net asset value of the Company into any single issuer of the instrument. More detailed requirements are lined out in the Articles of Association of the Company.

As at 31 December 2016 and 2015, the Company’s authorised share capital was divided into 12,175,321 ordinary registered shares with par value of EUR 0.29 each. All the shares of the Company have been fully paid. The Company’s subsidiaries hold no shares of the Company.

The shareholders holding ownership to or otherwise controlling over 5% of the Company’s authorised share capital (by number of votes held) are as follows as of 31 December 2016:



**INVL TECHNOLOGY UTIB**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**  
(All amounts are in EUR thousands unless otherwise stated)

	<b>Number of votes conferred by shares held under the title of ownership</b>	<b>Voting rights held, %</b>
LJB Investments UAB	2,424,152	19.91%
Invalda INVL AB	1,691,737	13.90%
Ms Irena Ona Mišeikienė	1,466,421	12.04%
Lietuvos Draudimas AB	909,090	7.47%
Mr Kazimieras Tonkūnas	675,452	5.55%
Mr Alvydas Banys	618,745	5.08%
Other minor shareholders	4,389,724	36.05%
<b>Total</b>	<b>12,175,321</b>	<b>100.00%</b>

The following shareholders of the Company have signed the Shareholders' Agreement, dated 26 November 2014 (which was amended on 27 May 2015): LJB Investments UAB, Irena Ona Mišeikienė, Lucrum Investicija UAB, Invalda INVL AB, Alvydas Banys, Darius Šulnis, Indrė Mišeikytė, Kazimieras Tonkūnas, Gytis Umantas, Artūras Milašauskas, Vida Juozapavičienė, Marius Leščinskas, Rokas Ralys and Tomas Šeikus. On 31 December 2015 the parties of the Shareholders' Agreement owned 68.97% of the Company Shares. Following the indicated agreement LJB Investments UAB, Irena Ona Mišeikienė, Lucrum Investicija UAB, Invalda INVL AB, Alvydas Banys, Darius Šulnis and Indrė Mišeikytė for 12 months from the last increase of the share capital of the Company (which was registered with the Register of Legal Entities on 8 July 2015) obliged not to sell more than 50 percent of Shares held by them at that time. Furthermore, Kazimieras Tonkūnas, Gytis Umantas, Artūras Milašauskas, Vida Juozapavičienė, Marius Leščinskas, Rokas Ralys and Tomas Šeikus have also obliged not to sell any of Shares held by them at that time for 12 months from the last increase of the share capital of the Company (8 July 2015). However, taking into consideration that the above indicated 12 months lock-up period expired on 8 July 2016 as well as that all the main obligations of the parties to the Shareholders' Agreement were duly fulfilled, the Company has no information about any control over the Issuer as at 31 December 2016.

The shareholders holding ownership to or otherwise controlling over 5% of the Company's authorised share capital (by number of votes held) as of 31 December 2015 were as follows:

	<b>Number of votes conferred by shares held under the title of ownership</b>	<b>Voting rights held, %</b>
LJB Investments UAB	2,424,152	19.91%
Invalda INVL AB	1,906,032	15.65%
Ms Irena Ona Mišeikienė	1,466,421	12.04%
Lietuvos Draudimas AB	909,090	7.47%
Mr Kazimieras Tonkūnas	675,452	5.55%
Mr Alvydas Banys	618,745	5.08%
Other minor shareholders	4,175,429	34.30%
<b>Total</b>	<b>12,175,321</b>	<b>100.00%</b>

The Company's shares are traded in the Baltic Secondary List of NASDAQ Vilnius stock exchange. The liquidity of the shares of INVL Technology is expected to be increased by Šiaulių Bankas. Under an agreement that has been signed, starting on 8 August 2016 the bank provides market maker services, displaying buy and sell quotations for the shares of INVL Technology during at least 85 per cent of trading time on the exchange.

As at 31 December 2016, the Company had no employees (31 December 2015: 9).

According to the Lithuanian Law on Companies, the annual financial statements prepared by management must be authorised for issue by the General Shareholders' Meeting. The shareholders have a statutory right not to approve the annual financial statements and request that management prepare a new set of financial statements.

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

### **2.1 Accounting for the merger and presentation of comparative figures**

On 9 February 2015, BAIP Grupé AB was merged with the Former Parent Company (which ceased its activities without liquidation) and thereafter has continued its activities under a new name of INVL Technology AB. Upon merger, all the rights and obligations of the Former Parent Company were passed to the New Parent Company, which continues its activities following the merger. Upon merger, the assets and liabilities of two merging entities were combined line-by-line basis at their predecessor amounts. Equity of the Company until the merger represents equity structure of the Former Parent Company, and thereafter of the New Parent Company. Effects of the merger are disclosed in Note 4.

### **2.2 Basis of preparation**

#### Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Company meets the definition criteria of an investment entity under IFRS 10. The Company has no subsidiaries that provide services related to the Company's investment activities – therefore no subsidiaries to be consolidated – therefore the Company does not prepare consolidated financial statements.

These financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value. The financial statements are presented in EUR thousands, and all the amounts have been rounded to the nearest thousand unless otherwise stated.

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

#### Standards and amendments endorsed by the EU that are effective for annual periods beginning on 1 January 2016

The standards and amendments endorsed by the EU that are effective for annual periods beginning on 1 January 2016 had no significant impact on the Company's financial statements and operation results.

#### Standards endorsed by the EU that are not yet effective and that have not been early adopted by the Company

The Company has not early adopted any new standards, amendments and interpretations endorsed by the EU after 1 January 2016 that are not yet mandatory. The Company does not expect these standards will have significant impact on the Company's financial statements and results of operation except for IFRS 9 "Financial Instruments: Classification and Measurement"

#### *IFRS 9 "Financial Instruments: Classification and Measurement"*

The Company accounts for its investments at fair value under IFRS 10 and does not expect significant impact of the adoption of IFRS 9 for its financial assets. The Company, after transformation to closed-end investment company (Note 1) will be liable to account for success fee if certain threshold is met. The Company measures such liability at fair value (Note 2.10) and with application of IFRS 9 the Company will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. The Company has not yet estimated effect of application of IFRS 9 in the financial statements and results of operations.

## **2.3 Investment entity and consolidated financial statements**

### Investment entity

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

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

### Subsidiaries

The Company meets the definition of an investment entity as defined by IFRS 10 and is required to account for the investments in its subsidiaries at fair value through profit and loss. The fair value of subsidiary investments is determined on a consistent basis as described in the Note 5.

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

## **2.4 Functional and presentation currency**

The Company's functional and presentation currency is euro after Lithuania adopted euro as its official currency with effect from 1 January 2015.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the year end. All translation differences are accounted for in profit or loss. All non-monetary items carried at historical cost and denominated in foreign currency are translated using the exchange rates prevailing at the dates of original transactions. All non-monetary items carried at fair value and denominated in foreign currency are translated using the exchange rates prevailing at the dates of fair value measurement.

As all amounts in these financial statements have been presented in EUR thousands, individual amounts have been rounded up. Due to the rounding effects, the totals in the tables may not add up.

## **2.5 Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement 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.

At the end of each reporting period fair values for unlisted equity securities are determined by the external qualified valuer using valuation techniques. Such valuation techniques may include earnings multiples (based on the budget earnings or historical earnings of the issuer and earnings multiples of comparable listed companies) and discounted cash flows (based on the expected future cash flows discounted at an appropriate discount rate). The Company adjusts the valuation model as deemed necessary for factors such as non-maintainable earnings, seasonality of earnings, market risk differences in operations relative to the peer multiples etc. The valuation techniques also consider the original transaction price and take into account the relevant developments since the acquisition of the investments and other factors pertinent to the valuation of the investments, with reference to such rights in connection with realisation, recent third-party transactions of comparable types of instruments, and reliable indicative offers from potential buyers. In determining fair value, the Company may rely on the financial data of investee portfolio companies and on estimates by the management of the investee portfolio companies as to the effect of future developments. Although the external qualified valuer uses its best judgement, and cross-references results of primary valuation models against secondary models in estimating the fair value of investments, there are inherent limitations in any estimation techniques. Whilst the fair value estimates presented herein attempt to present the amount the Company could realise in a current transaction, the final realisation may be different as future events will also affect the current estimates of fair value. The



effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements.

Where portfolio investments are held through subsidiary holding companies, the net assets of the holding company are added to the value of the portfolio investment being assessed to produce the fair value of the holding company held by the Company.

## **2.6 Financial assets**

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

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

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

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all risks and rewards of ownership of the financial assets, i.e. has transferred the contractual rights to receive cash flows from the financial assets, or when it retains the contractual rights to receive cash flows from the financial assets, it assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients).

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

The Company classifies its investments in equity securities, 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 Company's documented investment strategy. The Company's policy requires the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. This sub-category includes unconsolidated subsidiaries that are part of the Company's investment portfolio. During the periods presented in these financial statements, all the financial assets at fair value through profit or loss have been designated to that category.

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

### Loans and receivables

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

## **2.7 Impairment of financial assets**

### Assets carried at amortised cost

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

The Company assesses whether objective evidence of impairment exists individually for financial assets. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. When financial asset is assessed as uncollectible the impaired asset is derecognised.

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.

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, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

## **2.8 Trade and other 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.

## **2.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

## **2.10 Success fee and Management fee**

The Management Fee is the remuneration paid to the Management Company for management of the assets of the Company, which is payable for each quarter of a calendar year and is 0,5 percent of the weighted average capitalisation of the Company, calculated according to the Articles of Association. The Management Fee during Investment Period for a full quarter is 0,625 percent (Investment Period is five years after obtaining a license for the Company (Note 1)). The Management Fee for the Investment Period is disbursed according to the following rules:

- 80 percent of the Management Fee is paid not later than 5 Business Day after the last day of the quarter of a calendar year;
- 20 percent of the Management Fee (total amount cannot exceed EUR 750 thousand) is disbursed with the first disbursement of Success Fee; if Success Fee is not disbursed, this portion of Management Fee is not payable.

After Investment Period Management Fee is payable for each quarter of a calendar year and is 0,5 percent of the weighted average capitalisation of the Company, calculated according to the Articles of Association.

The Success Fee depends on the return earned by the Company, which shall be calculated for the whole Company but not for an individual shareholder and is based on internal rate of return. The Success Fee is disbursed after annual internal rate

return of disbursements reaches annual rate of 8 percent during lifetime of the Company. The basis of calculation of annual internal rate of return is initial net assets value of the Company as of 13 July 2016 and is equal EUR 23,906,150.

After internal rate of return reaches 8 percent, excess return earned is allocated as the Success Fee until total return on investment is distributed according to the proportion of 80/20 (20 percent of the return is the Success Fee payable to the Management Company). Any amounts exceeding aforementioned return are disbursed to the shareholders after 20 percent deduction as the Success Fee payable to the Management Company.

The Success Fee shall be disbursed to the Management Company only after the Shareholders are paid their initial investment) with average annual return of 8 percent. Until then, the Success Fee shall be accumulated and reflected in financial statements as a liability to the Management Company according accounting policy. The Success Fee shall be disbursed to the Management Company each time when funds are disbursed to Shareholders if the condition provided above is satisfied (Note 2.11).

## **2.11 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 Company determines the classification of its financial liabilities at initial recognition.

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

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

### Trade payables

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

### Borrowings

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

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

### Management fee and Success Fee

Non-contingent Management Fee payable quarterly is recorded as a financial liability and is measured at amortised cost.

The Company uses valuation techniques to measure the contingent Management Fee and the Success Fee payable for the period. Under this method, as the fee relates to the provision of services no financial liability would be recorded on day one as at that point the contract is executory, that is, both parties have to perform. Once management services have been provided it appears the definition of a financial liability, albeit contingent, is satisfied. Therefore, a financial liability related to the contingent Management Fee portion payable with the Success Fee and the Success Fee payable until disbursement for the past quarter is recognised as financial liability on the last day of the quarter.

The financial liability being recognised is the amount that the Company is liable to pay as a result of the quality of the service provided by the Management Company to date, as represented by the performance of the Company relative to 8% benchmark. Accordingly, the financial liability is recorded at fair value using valuation techniques. Detailed valuation techniques are described in Note 13.

## **2.12 Borrowing costs**

Borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **2.13 Revenue recognition**

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of services

For sale of services, revenue is recognised in the reporting period in which the services have been rendered, by reference to stage of completion of the specific transaction which is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

#### Interest income

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

#### Dividend income

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

### **2.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from share premium.

The financial instrument (shares of the Company) include legal obligation for the issuing entity to deliver pro rata share of its net assets upon liquidation, which is certain to occur as the Company has finite life (Note 1), subject to approval of the shareholders. However, the shares of the Company meet the following conditions thus shares of the Company are treated as equity:

- It entitles the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. The entity's net assets are those assets that remain after deducting all other claims on its asset;
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.

### **2.15 Net Asset Value**

Net asset value is non-IFRS financial measure disclosed by the Company and means the difference between the carrying amount of the total assets owned by the Company reduced by the long-term and current liabilities of the Company, i.e. residual interest in the entity by the shareholders and equals to the total equity of the Company.

### **2.16 Segment reporting**

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 the Investment Committee of the Management Company that makes strategic decisions. All financial information, including the measure of profit, total assets and total liabilities, is analysed as a single operating segment – investments in information technology businesses, therefore, it is not further disclosed in these financial statements.

### **2.17 Current and deferred income tax**

Following the provisions of the Lithuanian Law on Corporate Income Tax, investment income of closed-end investment companies operating in accordance with the Lithuanian Law on Collective Investment Undertakings shall not be subject to taxation.

Before the Company became closed-ended type investment company, the tax expense for the period comprised current and deferred tax. Current and deferred tax is recognised in profit or loss, 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. The standard income tax rate in Lithuania was 15 % in 2016 and 2015.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Following the provisions of the Lithuanian Law on Corporate Income Tax, applicable to the Company before it became closed-end type investment Company, the 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 shall not be taxed 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 is expected to be met by the management of the Company, no deferred tax liabilities or assets are recognised in respect of temporary differences associated with carrying amounts of these investments.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is discontinued if the Company changes its activities on which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. As from 1 January 2014, current year taxable profit can be reduced by previous year tax losses only up to 70%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

## **2.18 Employee benefits**

### Social security contributions

The Company pays 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 Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

### Bonus plans

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

## **3 Accounting estimates and judgements**

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

### **3.1 Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in these financial statements:

#### Investment entity status

The management periodically reviews whether the Company meets all the definition criteria of an investment entity referred to in Note 2.3. In addition, the management assesses the Company's business objective (Note 1), investment strategy, origin of



income and fair value valuation techniques. According to the management, the Company met all the definition criteria of an investment entity throughout all the periods presented in these financial statements.

#### Recognition of the Success fee and the Management Fee

The Company elected to use fair value model for the recognition of the success fee and the management fee portion payable upon first payment of the success fee. Payment of the success fee is subject to the future events and involves the use of valuation techniques and unobservable Level 3 inputs, such as long term growth rates, discount rates for the estimation of the current value of financial liability which are reviewed periodically to ensure reliability. Details of the inputs and valuation models used to determine Level 3 fair value are provided in Note 13.

### **3.2 Accounting 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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur.

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

#### Fair value of investments that are not traded in an active market

Fair values of investments in subsidiaries that are not traded in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The valuation techniques 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 are provided in Note 5.

## **4 Merger of BAIP Grupé AB and INVL Technology AB**

On 9 February 2015, the reorganisation of the Former Parent Company and BAIP Grupé AB was completed, whereby the Former Parent Company was merged to BAIP Grupé AB. BAIP Grupé AB took over all rights and obligations of the Former Parent Company and continues its activities under a new name of INVL Technology AB. The Company's shares are quoted on NASDAQ Vilnius stock exchange. The trading with the Company's shares was renewed in March 2015.

Before the merger, the Former Parent Company's authorised share capital amounted to EUR 172 thousand and was divided into 592,730 ordinary registered shares with par value of EUR 0.29 each. The authorised share capital of BAIP Grupé AB amounted to EUR 1,767 thousand and was divided into 6,092,685 ordinary registered shares with par value of EUR 0.29 each. The proportion at which the shares owned by the shareholders of the Former Parent Company were exchanged into the shares of BAIP Grupé AB was equal to 6.7856, i.e. in exchange for one share of the Former Parent Company, the shareholder of the Former Parent Company received 6.7856 ordinary shares of the Company with par value of EUR 0.29 each. The previously issued shares of both the Former Parent Company and BAIP Grupé AB were cancelled on the day of merger and a new authorised share capital was formed. Following the merger, the newly formed share capital of INVL Technology AB (former BAIP Grupé AB) was divided into 6,114,714 ordinary registered shares with par value of EUR 0.29 each. There were no changes in the Board of Directors and the Managing Director of INVL Technology AB (former BAIP Grupé AB), which continued its activities after the merger and until the change in the legal status, i.e. becoming closed-ended type investment company.

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The table below reflects the merger effects on the balance sheet:

	Former Parent Company INVL Technology AB	BAIP Grupé AB	Elimination and effects of merger	Merged entity (INVL Technology AB
Property, plant and equipment and intangible assets	-	5	-	5
Financial assets at fair value through profit or loss (Note 5)	7,828	14,900	(7,826)*	14,902
Deferred income tax assets	-	3	-	3
Loans granted	-	240	-	240
Prepayments and deferred charges	-	4	-	4
Trade and other receivables	-	266	-	266
Cash and cash equivalents	22	41	-	63
<b>Total assets</b>	<b>7,850</b>	<b>15,459</b>	<b>(7,826)</b>	<b>15,483</b>
Share capital	172	1,767	(165)	1,774
Share premium	250	179	(250)	179
Reserves	579	-	(579)	-
Retained earnings	6,844	9,916	(6,832)	9,928
<b>Total equity**</b>	<b>7,845</b>	<b>11,862</b>	<b>(7,826)</b>	<b>11,881</b>
Liabilities	5	3,597	-	3,602
<b>Total equity and liabilities</b>	<b>7,850</b>	<b>15,459</b>	<b>(7,826)</b>	<b>15,483</b>

\* Elimination of the shares of BAIP Grupé AB owned by the Former Parent Company. The Former Parent Company owned 65.65% of the shares of the New Parent Company; since the merger the net assets of the New Parent Company are presented in full amounts; the difference between the net assets in the amount of EUR 4,036 thousand was recognised as an increase to equity of the Company.

\*\* Upon merger, share capital, share premium, legal reserve and reserve for acquisition of own shares were amended to reflect the equity structure of the New Parent Company. The remaining impact of the merger on equity was recognised against retained earnings.

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company's financial assets at fair value through profit or loss included assets attributed to Level 3 in the fair value hierarchy. The Company has no Level 1 or Level 2 instruments.

The table below presents the Company's direct and indirect investments in unconsolidated subsidiaries as at 31 December 2016:

Name	Country of incorporation	Shares (voting rights) held directly/indirectly by the Company, (%)	Profile of activities
Informatikos Pasaulis UAB	Lithuania	100	Dormant
Vitma UAB	Lithuania	100	Information technology solutions
BAIP UAB *	Lithuania	100	Information technology solutions
Acena UAB*	Lithuania	100	Information technology solutions
Norway Registers Development AS	Norway	100	Information technology solutions
NRD UAB*	Lithuania	76.50	Information technology solutions
Norway Registers Development East Africa Ltd*	Tanzania	70	Information technology solutions
Norway Registers Development Rwanda Ltd*	Rwanda	100	Information technology solutions
Infobank Uganda Ltd*	Uganda	30	Information technology solutions
NRD CS UAB	Lithuania	100	Information technology solutions
ETRONIKA UAB*	Lithuania	80	Information technology solutions
FINtime UAB	Lithuania	100	Business process outsourcing
Inventio UAB	Lithuania	100	Information technology solutions
Algoritmy Sistemov UAB*	Lithuania	100	Information technology solutions
Andmevara AS	Estonia	100	Information technology solutions
Andmevara SRL*	Moldova	100	Information technology solutions

\* These entities were indirectly controlled by the Company as at 31 December 2016.

As of 31 December 2016 the subsidiary of the Company Norway Registers Development AS was in process of establishing subsidiary in Bangladesh. The subsidiary was established in February 2017.

As of 31 December 2016 the subsidiary of the Company Algoritmy Sistemov UAB was in the process of acquiring of Profectus Novus UAB. As of the issue date of these financial statements, the outcome of transaction was not clear. The Company expects to provide outcome of the transaction during 1 half of 2017.

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The table below presents the Company's direct and indirect investments in unconsolidated subsidiaries as at 31 December 2015:

<b>Name</b>	<b>Country of incorporation</b>	<b>Shares (voting rights) held directly/indirectly by the Company, (%)</b>	<b>Profile of activities</b>
Informatikos Pasaulis UAB	Lithuania	100	Information technology solutions
Vitma UAB	Lithuania	100	Information technology solutions
BAIP UAB *	Lithuania	100	Information technology solutions
Acena UAB*	Lithuania	100	Information technology solutions
Norway Registers Development AS	Norway	100	Information technology solutions
NRD UAB*	Lithuania	76.50	Information technology solutions
Norway Registers Development East Africa Ltd*	Tanzania	70	Information technology solutions
Infobank Uganda Ltd*	Uganda	30	Information technology solutions
NRD CS UAB	Lithuania	100	Information technology solutions
ETRONIKA UAB*	Lithuania	80	Information technology solutions
Inventio UAB	Lithuania	100	Dormant

\* These entities were indirectly controlled by the Company as at 31 December 2015.

The Company conducts an independent valuation of its investments in subsidiaries when preparing the annual financial statements. As at 31 December 2016, the valuation was carried out by Deloitte Verslo Konsultacijos UAB using the income approach (31 December 2015: income approach). In the opinion of the management, the fair value of investments was determined appropriately using the inputs and ratios properly selected and reasonably reflecting the investments. The fair value of investments was determined in compliance with the International Valuation Standards approved by the International Valuation Standards Council. For the income approach, the discounted cash flow method was used. It was based on free cash flow forecasts made by management for the period of 5 years. Free cash flows were calculated as net operating profit after tax plus depreciation and minus change in working capital and capital expenditure.

The fair values of the Company's unconsolidated subsidiaries were as follows:

<b>Name</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>	<b>At 9 February 2015*</b>
Vitma UAB Group*	7,710	11,474	12,800
Acena UAB	-	-	400
Inventio UAB***	3,222	-	2
NRD Group**	2,870	3,708	700
NRD CS UAB	1,908	1,773	1,000
Andmevara AS****	733	-	-
FINtime UAB	253	-	-
Informatikos Pasaulis UAB	-	-	-
<b>Total</b>	<b>16,696</b>	<b>16,955</b>	<b>14,902</b>

\* As at 31 December 2016 and 2015, Vitma UAB group consisted of Vitma UAB together with the entities controlled by it – BAIP UAB and Acena UAB; As at 9 February 2015, Acena UAB was controlled directly by the Company

\*\* As at 31 December 2016 and 2015, NRD Group consisted of Norway Registers Development AS together with the entities controlled by it – NRD UAB, Etronika UAB, Norway Registers Development Rwanda Ltd (established in 2016) and Norway Registers Development East Africa Ltd, and its associate Infobank Uganda Ltd.

\*\*\* As at 31 December 2016 Inventio UAB includes Algoritmy Sistemų UAB

\*\*\*\*As at 31 December 2016 Andmvera AS also includes Andmevara SRL.

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*As at 31 December 2016*

Under the valid loan agreement with DNB bank AB, the subsidiaries indirectly controlled by the Company BAIP UAB and NRD UAB are required to obtain the bank's prior approval when declaring the dividends or making other distributions to shareholders.

As at 31 December 2016, other subsidiaries of the Company had no significant restrictions on the payment of dividends to the Company or on the repayments of loans to the Company by the unconsolidated subsidiaries. The changes in the fair value of the Company's subsidiaries may expose the Company to potential losses.

On 22 December 2015, Inventio UAB (an entity controlled by the Company) signed an agreement on the acquisition of a 100% stake in Algoritmy Sistemov UAB (engaged in information system development) for the total amount of EUR 2,385 thousand. The transaction was completed on 18 March 2016. The transaction was financed from additional contributions by the Company to increase the share capital of Inventio UAB up to EUR 2,395 thousand in 2016.

The table below presents movements in Level 3 financial instruments during 2016:

Opening balance at 1 January 2016	16,955
Additional contributions to share capital	3,090
Acquisitions	664
Disposals during the year	-
Gain (loss) recognised in the income statement	(4,013)
<b>Closing balance at 31 December 2016</b>	<b>16,696</b>
<b>Unrealised gain or loss recognised in the income statement on assets controlled at the end of the reporting period</b>	<b>(4,013)</b>

In 2016, additional contributions to share capital consisted of increase in the share capital of subsidiary Inventio UAB for the acquisition of Algoritmy Sistemov UAB, establishment of FINtime UAB, increase in the share capital of subsidiary Norway Registers Development AS.

The biggest loss on revaluation of EUR 3,764 thousand was on Vitma Group, engaged in IT infrastructure business. The revenue of the IT infrastructure businesses reached EUR 11,100 thousand in 2016, while in 2015 it was EUR 12,149 thousand. EBITDA and net profit in this area decreased in 2016 due to higher costs for international expansion and one-off costs. EBITDA was EUR 373 thousand and net loss was EUR 107 thousand for the year ended 31 December 2016, while EBITDA in 2015 was EUR 1,273 thousand and net profit - EUR 998 thousand. During 2016 BAIP experienced one-off EUR 332 thousand direct costs (including related legal expenses) for the illegal actions of company's partners. The company has taken measures to ensure the internal control procedures in order to avoid such situation in the future and plans to claim compensation for the incurred damages. Business results in the area of IT infrastructure were also impacted by delays in the start of a new EU structural funds investment program, which has reduced public sector demand for IT services this year. Procurement under the new EU program, which is currently being set up, is expected to begin at the end of 2017. Lost income in the Baltic public sector in 2016 has been offset by international activities and long-term service agreements with large corporate clients, namely banks and retail chains.



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The fair value of the Company's investments was determined by Deloitte Verslo Konsultācijas UAB. The table below presents the inputs and the fair value valuation techniques (Level 3) for investments in subsidiaries and the sensitivity analysis to changes in the inputs used:

Name	Fair value, EUR '000	Valuation technique	Inputs	Input value	Reasonable possible shift - /+	Change in valuation +/-
Vitma UAB	7,710	Discounted cash flow	Weighted average cost of capital	9.4%	-/+ 0.5 %	575 / (500)
			Long-term growth rate	2.0%	-/+ 0.5 %	(413) / 477
			Free cash flows	-	-/+ 10 %	(674) / 674
			Discount for lack of marketability	9.8%	-/+ 2 %	148 / (148)
			5y revenue growth rate	-	-/+ 0.5 %	(285) / 290
NRD Group	2,870	Discounted cash flow	Weighted average cost of capital	12.5%	-/+ 0.5 %	155 / (140)
			Long-term growth rate	2.0%	-/+ 0.5 %	(103) / 113
			Free cash flows	-	-/+ 10 %	(293) / 293
			Discount for lack of marketability	9.8%	-/+ 2 %	63 / (63)
			5y revenue growth rate	-	-/+ 0.5 %	(53) / 54
NRD CS UAB	1,908	Discounted cash flow	Weighted average cost of capital	10.9%	-/+ 0.5 %	107 / (95)
			Long-term growth rate	2.0%	-/+ 0.5 %	(73) / 82
			Free cash flows	-	-/+ 10 %	(153) / 153
			Discount for lack of marketability	12.7%	-/+ 2 %	43 / (43)
			5y revenue growth rate	-	-/+ 0.5 %	(32) / 33
Andmevara	733	Discounted cash flow	Weighted average cost of capital	9.7%	-/+ 0.5 %	43 / (38)
			Long-term growth rate	2.0%	-/+ 0.5 %	(30) / 34
			Free cash flows	-	-/+ 10 %	(53) / 53
			Discount for lack of marketability	9.8%	-/+ 2 %	16 / (16)
			5y revenue growth rate	-	-/+ 0.5 %	(14) / 14
Inventio	3,222	Discounted cash flow	Weighted average cost of capital	9.8%	-/+ 0.5 %	161 / (141)
			Long-term growth rate	2.0%	-/+ 0.5 %	(111) / 127
			Free cash flows	-	-/+ 10 %	(248) / 248
			Discount for lack of marketability	9.8%	-/+ 2 %	65 / (65)
			5y revenue growth rate	-	-/+ 0.5 %	(45) / 46
Fintime	253	Net assets value	N/A	N/A	N/A	N/A
<b>Total:</b>	<b>16,696</b>					

The fair value was based on discounted cash flow method, which was selected by the external valuator as the best representation of the company specific development potential, except for FINtime UAB, where net assets value method was used. Different method was selected as because as of current moment the entity does not expect to generate significant free cash flows. Sensitivity is not applicable as no variable inputs were used. Due to the limited number of comparable companies and transactions, lack of reliability of the market data and limited comparability of peers, the results of the guideline public companies and transaction methods were used as a supplementary analysis and were provided only for illustrative purposes in valuation report.

Cash flow projections made by management for the period of 5 years (2017-2021) were used as a basis in the income method. Free cash flows were calculated as operating profit after tax plus depreciation/amortisation of property, plant and equipment and intangible assets, plus or minus changes in working capital and minus capital expenditure. The resulting value was adjusted by discount for lack of marketability and the amount of surplus assets/liabilities. As part of the valuation process, valuator had analysed items presented on the balance sheet of each company and had identified assets and liabilities, which can be treated

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as surplus assets (e.g. net working capital above normalised level, non-operating cash balances, loans to related parties) and debt/debt like items; all of which were adjusted when arriving at equity value of the company.

In the opinion of the management, the fair value was determined appropriately using the inputs and ratios properly selected and reasonably reflecting the investments.

*As at 31 December 2015*

In 2015, Vitma UAB declared and paid out interim-period dividends of EUR 598 thousand (Note 10).

Under the valid loan agreement with DNB Bankas AB, the subsidiaries indirectly controlled by the Company BAIP UAB and NRD UAB are required to obtain the bank's prior approval when declaring the dividends or making other distributions to shareholders.

As at 31 December 2015, other subsidiaries of the Company had no significant restrictions on the payment of dividends to the Company or on the repayments of loans to the Company by the unconsolidated subsidiaries. The changes in the fair value of the Company's subsidiaries may expose the Company to potential losses.

On 22 December 2015, Inventio UAB (an entity controlled by the Company) signed an agreement on the acquisition of a 100% stake in Algoritmy Sistemov UAB (engaged in information system development) for the total amount of EUR 2,385 thousand. The transaction was completed on 18 March 2016. The transaction was financed from additional contributions by the Company to increase the share capital of Inventio UAB up to EUR 2,395 thousand in 2016.

The table below presents movements in Level 3 financial instruments during 2015:

Opening balance at 31 December 2014	7,828
Effect of merger (Note 4)	7,074
Balance after merger as at 9 February 2015	14,902
Additional contributions to share capital	218
Disposals during the year	(412)
Gain (loss) recognised in the income statement	2,247
<b>Closing balance at 31 December 2015</b>	<b>16,955</b>
<b>Unrealised gain or loss recognised in the income statement on assets controlled at the end of the reporting period</b>	<b>2,247</b>

In 2015, additional contributions to share capital consisted of increase in the share capital of subsidiary Norway Registers Development AS. The increase in share capital was conducted to finance the acquisition of Etronika UAB.

In 2015, the Company sold its shareholding in Acena UAB to subsidiary BAIP UAB. The transaction was implemented in order to simplify the Company's investment portfolio structure and management through combining the businesses operating in the field of IT infrastructure.

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The fair value of the Company's investments was determined by Deloitte Verslo Konsultācijas UAB. The table below presents the inputs and the fair value valuation techniques (Level 3) for investments in subsidiaries and the sensitivity analysis to changes in the inputs used:

Name	Fair value, EUR '000	Valuation technique	Inputs	Input value	Reasonable possible shift +/-	Change in valuation +/-
Vitma UAB	11,474	Discounted cash flow	Weighted average cost of capital	9.40%	-/+ 0.5 pp	811 / (703)
			5-year revenue growth	3-6%	-/+ 0.5 pp	(432) / 441
			EBITDA margin	11-12%	-/+ 0.5 pp	(773) / 772
			Long-term growth rate	2%	-/+ 0.5 pp	(535) / 617
			Discount for lack of marketability	10.31%	-/+ 2 pp	255 / (255)
NRD Group	3,708	Discounted cash flow	Weighted average cost of capital	11.60%	-/+ 0.5 pp	220 / (198)
			5-year revenue growth	4-7%	-/+ 0.5 pp	(123) / 120
			EBITDA margin	6-12%	-/+ 0.5 pp	(271) / 271
			Long-term growth rate	2%	-/+ 0.5 pp	(135) / 151
			Discount for lack of marketability	10.28%	-/+ 2 pp	82 / (82)
NRD CS UAB	1,773	Discounted cash flow	Weighted average cost of capital	15.30%	-/+ 0.5 pp	69 / (64)
			5-year revenue growth	5-8%	-/+ 1.0 pp	(82) / 85
			EBITDA margin	14-17%	-/+ 1.0 pp	(120) / 120
			Long-term growth rate	2%	-/+ 0.5 pp	(41) / 44
			Discount for lack of marketability	13.54%	-/+ 2 pp	41 / (41)
<b>Total:</b>	<b>16,955</b>					

The fair value was based on discounted cash flow method, which was selected by the external valuator as the best representation of the company specific development potential. Due to the limited number of comparable companies and transactions, lack of reliability of the market data and limited comparability of peers, the results of the guideline public companies and transaction methods were used as a supplementary analysis and were provided only for illustrative purposes in valuation report.

Cash flow projections made by management for the period of 5 years (2016-2020) were used as a basis in the income method. Free cash flows were calculated as operating profit after tax plus depreciation/amortisation of property, plant and equipment and intangible assets, plus or minus changes in working capital and minus capital expenditure. The resulting value was adjusted by discount for lack of marketability and the amount of surplus assets/liabilities. As part of the valuation process, valuator had analysed items presented on the balance sheet of each company and had identified assets and liabilities, which can be treated as surplus assets (e.g. net working capital above normalised level, non-operating cash balances, loans to related parties) and debt/debt like items; all of which were adjusted when arriving at equity value of the company.

The significant fair value increase of NRD Group is a result of acquisition of Etronika UAB, changes in expected development of Norway Registers Development East Africa Ltd., as well as changes in valuation inputs of Norway Registers Development AS and NRD UAB (decrease of WACC and increase in EBITDA margin).

In the opinion of the management, the fair value was determined appropriately using the inputs and ratios properly selected and reasonably reflecting the investments.

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**6 Trade and other receivables**

	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
Receivables from subsidiaries for services rendered	-	131
Receivables from subsidiaries for tax losses transferred (Note 17)	27	65
Loans granted to subsidiaries and accrued interest thereon	-	83
Dividends receivable from subsidiaries	-	113
	<b>27</b>	<b>392</b>

Receivables for services from subsidiaries are non-interest-bearing, and their settlement term is typically 10 to 60 days.

The terms of the loans granted to subsidiaries are disclosed in more detail in Note 17.

As at 31 December 2016 all receivables of the Company were not past due and were not impaired.

The ageing analysis of the Company's receivables as at 31 December 2015:

	<b>Receivables not past due and not impaired</b>	<b>Receivables past due but not impaired</b>				<b>Receivables Impaired</b>	<b>Total</b>
		<b>Less than 30 days</b>	<b>30 to 90 days</b>	<b>90 to 180 days</b>	<b>More than 180 days</b>		
Receivables for services rendered	26	4	9	11	81	-	<b>131</b>
Receivables for tax losses transferred	65	-	-	-	-	-	<b>65</b>
Loans granted	83	-	-	-	-	-	<b>83</b>
Dividends receivable	-	-	-	-	113	-	<b>113</b>
	<b>174</b>	<b>4</b>	<b>9</b>	<b>11</b>	<b>194</b>	<b>-</b>	<b>392</b>

All receivables past due but not impaired were receivables from subsidiaries. In the opinion of the Company's management, these receivables were not impaired since the Company has full control of cash flows of subsidiaries and there were no restrictions on transfer of the above-indicated balances to the Company. If necessary, the Company was able to collect these amounts in cash, offset them against the amounts payable to the subsidiaries, or capitalise them as an additional contribution to the share capital of the subsidiary.

Credit quality of receivables neither past due nor impaired

As at 31 December 2016, receivables neither past due nor impaired amounting to EUR 27 thousand were receivables from the subsidiaries which had no debts overdue as at 31 December 2016.

As at 31 December 2015, receivables neither past due nor impaired amounting to EUR 107 thousand were receivables from the subsidiaries which had no debts overdue as at 31 December 2015. The remaining amount of EUR 67 thousand consists of the receivables from the subsidiaries which have other debts overdue.

As at the reporting date, for receivables from subsidiaries neither past due nor impaired there were no indications that the debtors will fail to fulfil their liabilities in due time, since the Company has full control over the cash flows of the subsidiaries and there are no restrictions on transfer of the above-indicated balances to the Company. The maximum exposure to credit risk as at the reporting date is equal to the carrying amount of each group of receivables indicated in the table above. The Company holds no collateral as a security.

## **7 Increase in share capital**

On 7 July 2015, the Company completed its public offering of shares. The confirmed offering price per share of the Company was EUR 1.65. The investors subscribed for 6,060,607 shares of the Company. The total offering price EUR 10,000 thousand. The Company's costs related to the offering amounted to EUR 153 thousand and they were included directly in equity as a deduction from share premium. Part of proceeds were received as an offset against the Company's borrowings from one of its major shareholder Invalda INVL AB in amount of EUR 1,403 thousand, whereas the remaining part of EUR 8,597 thousand was received in cash. Following the increase in share capital, the Company's share capital amounted to EUR 3,531 thousand, and it was divided into 12,175,321 ordinary registered shares with par value of EUR 0.29 each.

## **8 Reserves**

As at 31 December 2016, the Company's reserves consisted of the reserve for acquisition of own shares amounting to EUR 9,800 thousand and legal reserve amounting to EUR 354 thousand (31 December 2015: EUR 9,800 thousand and EUR 177 thousand, respectively). The reserves were formed upon appropriation of the Company's result for the year.

### 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 acquisition of own shares

Reserve for acquisition of own shares is formed for the purpose of acquiring own shares in order to keep their liquidity and manage price fluctuations. It is formed from profit for appropriation. The reserve cannot be used to increase the share capital. The reserve is reduced upon annulment of own shares. During the ordinary general meeting of shareholders, the shareholder may decide to transfer the amounts not used for acquisition of own shares to the retained earnings. The Company's management did not have a formally approved programme for buy-up of its own shares as at the reporting date.

## **9 Net Asset Value (non-IFRS measure)**

Initial net asset value of the Company on 13 July 2016 was EUR 23,906,150:

	<b>At 31 December 2016</b>	<b>At 13 July 2016</b>
Net asset value, total, EUR	19,727,655	23,906,150
Net asset value per share, EUR	1.6203	1.9635

## **10 Dividend income**

There were no dividend income in 2016. In 2015 dividend income consisted of interim dividends declared by subsidiary Vitma UAB.

## **11 Other revenue**

	<b>2016</b>	<b>2015</b>
Accounting and management services	93	235
Other revenue	4	25
	<b>97</b>	<b>260</b>

In 2016 all revenue was received from subsidiaries directly or indirectly controlled by the Company before the Company became closed-end investment entity (Note 1). After the Company became closed-end type investment company, it does not earn such revenue. Other revenue of EUR 29 thousand was received in Norway. Revenue is attributed to geographical areas in view of the state of incorporation of the buyer.



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In 2015 all revenue was received from subsidiaries directly or indirectly controlled by the Company. Other revenue of EUR 58 thousand was received in Norway, whereas the remaining amount was received in Lithuania. Revenue is attributed to geographical areas in view of the state of incorporation of the buyer.

**12 Operating expenses**

	2016	2015
Employee benefits	144	220
Taxes paid by employer	45	69
<i>Employee benefits</i>	<i>189</i>	<i>289</i>
Professional services	180	101
Advertising and marketing	12	34
Rent and maintenance of premises	10	22
Lease and maintenance of motor vehicles	13	27
Other expenses	17	45
<i>Other expenses</i>	<i>232</i>	<i>229</i>
<i>Management fee</i>	<i>205</i>	<i>-</i>
<b>Total</b>	<b>626</b>	<b>518</b>

**13 Management fee and Success fee**

Management fee recorded in the profit (loss) represents management fee paid quarterly to the Management Company.

Amount of financial liability, related to the portion of the Management fee payable with the Success fee and the Success fee, as of balance sheet date, was estimated as follows:

- Financial liability, related to the Success fee payable, was estimated using Monte Carlo simulation method, using weighted 5 year EBITDA growth and long term growth rate used in valuation of the investments (Note 5) and discounted using weighted average cost of capital (Note 5). Each value was weighted based on value of respective investment as of balance sheet date;
- Financial liability, related to the portion of the contingent Management fee payable with the Success fee, is set to zero, if financial liability, related to the Success fee payable, equals to zero; otherwise, financial liability is calculated as the Management fee (Note 2.10) and discounted using the same rate as financial liability, related to the Success fee payable.

The table below presents the inputs and the fair value valuation techniques (Level 3) for the calculation of financial liability and the sensitivity analysis to changes in the inputs used:

Name	Fair value, EUR '000	Valuation technique	Inputs	Input value
Success fee	-	Monte Carlo simulation	Weighted average cost of capital	10.21%
			5-year growth range	3.44%- 5.31%
			Long-term growth rate	2%
			Number of simulations	10,000
			Alfa	3
			Beta	3
Management fee	-	Discounted cash flow	Weighted average cost of capital	10.21%

Reasonable possible shift does not indicate change in fair value above zero. Required annual compounded growth rate above initial net asset value (Note 9) is 8%.

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**14 Finance costs**

	<b>2016</b>	<b>2015</b>
Interest expenses on borrowings from related parties (Note 17)	-	(168)
	<b>-</b>	<b>(168)</b>

**15 Income tax**

**Income tax expense (benefit) components**

	<b>2016</b>	<b>2015</b>
Current income tax	-	-
Deferred income tax (benefit)	(26)	(65)
Income tax (benefit) recognised in the statement of comprehensive income	<b>(26)</b>	<b>(65)</b>

The reconciliation of the Company's reported income tax expenses to the theoretical amount that would arise using the effective income tax rate on profit before tax:

	<b>2016</b>	<b>2015</b>
<b>Profit (loss) before tax</b>	<b>(4,541)</b>	<b>2,449</b>
Income tax at the rate of 15 %	(681)	367
Tax effect of non-taxable income (net change in fair value of financial assets, dividends)	602	(427)
Tax effect of non-deductible expenses	53	(5)
Deferred tax asset not recognised	-	-
Income tax (benefit) recognised in the statement of comprehensive income	<b>(26)</b>	<b>(65)</b>

The Company recognised deferred income tax benefit comprising income tax assets calculated on tax loss for the reporting period.

Movements in the Company's deferred income tax assets and liabilities during 2016 were as follows:

	<b>At 31 December 2015</b>	<b>Recognised in the income statement</b>	<b>Tax losses transferred</b>	<b>At 31 December 2016</b>
<b>Deferred income tax assets</b>				
Tax losses	-	27	(27)	-
Accruals	1	(1)	-	-
<b>Recognised deferred income tax assets, net</b>	<b>1</b>	<b>26</b>	<b>(27)</b>	<b>-</b>

In the statement of financial position, deferred income tax assets were reduced by EUR 27 thousand, because the Company's tax losses for the reporting period were transferred to the subsidiaries in return for consideration equal to 15% of the amount of tax losses transferred.

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Movements in the Company's deferred income tax assets and liabilities during 2015 were as follows:

	At 31 December 2014	Taken over on merger	Recognised in the income statement	Tax losses transferred	At 31 December 2015
<b>Deferred income tax assets</b>					
Tax losses	-	2	65	(67)	-
Accruals	-	1	-	-	1
<b>Recognised deferred income tax assets, net</b>	<b>-</b>	<b>3</b>	<b>65</b>	<b>(67)</b>	<b>1</b>

In the statement of financial position, deferred income tax assets were reduced by EUR 67 thousand, because the Company's tax losses for the reporting period were transferred to the subsidiary in return for consideration equal to 15% of the amount of tax losses transferred.

The Company does not account for deferred income tax liabilities related to change in the fair value of financial assets, because the Company's investments meet the criteria defined in the Law on Corporate Income Tax, under which the revenue on disposal of investments is exempt from income tax.

## 16 Earnings per share

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

The weighted average number of shares for 12 months of 2016 was as follows:

Calculation of weighted average for 12 months of 2016	Number of shares (thousand)	Par value (EUR)	Issued/365 (days)	Weighted average (thousand)
Shares outstanding as at 31 December 2015	12,175	0.29	365/365	12,175
<b>Shares outstanding as at 31 December 2016</b>	<b>12,175</b>	<b>0.29</b>		<b>12,175</b>

The following table reflects data on profit and shares used in the basic earnings per share computations:

	2016
Net profit attributable to the equity holders of the parent entity (EUR '000)	(4,515)
Weighted average number of ordinary shares (thousand)	12,175
<b>Basic earnings per share (EUR)</b>	<b>(0.37)</b>

The Company's diluted earnings per share were the same as basic earnings per share in 2016.

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The weighted average number of shares for 12 months of 2015 was as follows:

Calculation of weighted average for 12 months of 2015	Number of shares (thousand)	Par value (EUR)	Issued/365 (days)	Weighted average (thousand)
Shares outstanding as at 31 December 2014*	6,115	0.29	365/365	6,115
Shares registered on 8 July 2015 during public offering	6,060	0.29	176/365	2,922
Shares outstanding as at 31 December 2015	<b>12,175</b>			<b>9,037</b>
* The number of shares was adjusted in view of the share exchange proportion during the merger which took place on 9 February (Note 4).				

The following table reflects data on profit and shares used in the basic earnings per share computations:

	2015
Net profit attributable to the equity holders of the parent entity (EUR '000)	2,514
Weighted average number of ordinary shares (thousand)	9,037
<b>Basic earnings per share (EUR)</b>	<b>0.28</b>

The Company's diluted earnings per share were the same as basic earnings per share in 2015.

## 17 Related-party transactions

The parties are deemed to be related when one party has a possibility to control the other party or has significant influence over the other party in making financial and operating decisions. In 2015 and 2016, the Company's related parties included subsidiaries, the Company's shareholders who have significance influence (Note 1), the Company's management and management company INVL Asset Management AB. AB Invalda INVL and the entities controlled by AB Invalda INVL (hereinafter the Other related parties) are also considered to be related parties, because the shareholders of the Company, having significance influence, also have a joint control over AB Invalda INVL group until end of shareholders' agreement (Note 1).

The Company's transactions with other related parties during 2016 and outstanding balances as at 31 December 2016 were as follows:

	Revenue and income from related parties	Purchases from related parties	Receivables from related parties	Payables to related parties
<i>The Company's subsidiaries</i>				
Management and accounting services	93	7	-	-
Tax losses transferred	28	-	27	-
Other activities	3	22	-	-
	<b>124</b>	<b>29</b>	<b>27</b>	<b>-</b>
<i>Other related parties</i>				
Management fee	-	205	-	109
	<b>-</b>	<b>205</b>	<b>-</b>	<b>109</b>

Changes in loans granted to subsidiaries during 2016:

At 1 January 2016	83
Interest charged	1
Loans granted	2
Loan repayments received	(73)
Interest received	(13)
Foreign exchange effect on the balance of loans	-
At 31 December 2016	-

**INV L TECHNOLOGY UTIB**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**  
(All amounts are in EUR thousands unless otherwise stated)

The Company's transactions with other related parties during 2015 and outstanding balances as at 31 December 2015 were as follows:

	<b>Revenue and income from related parties</b>	<b>Purchases from related parties</b>	<b>Receivables from related parties</b>	<b>Payables to related parties</b>
<i>The Company's management</i>				
Lease of assets	-	3	-	-
	-	<b>3</b>	-	-
<i>The Company's subsidiaries</i>				
Dividends	598	-	113	-
Disposal of financial assets	412	-	-	-
Management and accounting services	235	-	131	-
Tax losses transferred	65	-	65	-
Other activities	23	52	-	28
	<b>1,333</b>	<b>52</b>	<b>309</b>	<b>28</b>
<i>Other related parties</i>				
Operating expenses	1	123	-	-
	<b>1</b>	<b>123</b>	-	-

Changes in loans granted to subsidiaries during 2015:

At 1 January 2015	-
Loans granted to subsidiaries that were taken over on merger (Note 4)	240
Additional loans granted during the year	597
Interest charged	30
Loan repayments received	(731)
Interest received	(58)
Foreign exchange effect on the balance of loans	5
At 31 December 2015	<b>83</b>

The repayment date for loans granted to subsidiaries is between 31 January 2016 and 31 December 2016, and the interest rate ranges from 11% to 18%, which approximates the interest rate available in the market. One loan is denominated in USD, and the other loan is denominated in EUR. The loans granted are not subordinated for the benefit of the bank, however, they are not secured with any collateral.

Changes in borrowings from subsidiaries during 2015:

At 1 January 2015	-
Borrowings from subsidiaries that were taken over on merger (Note 4)	1,668
Interest charged	79
Repayments of borrowings	(1,650)
Interest paid	(97)
At 31 December 2015	-



**INVL TECHNOLOGY UTIB**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**  
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Changes in borrowings from Invalda INVL AB during 2015:

At 1 January 2015	-
Borrowings from Invalda INVL AB that were taken over on merger (Note 4)	1,855
Additional borrowings during the year	166
Interest charged	89
Payable amount offset against the contribution for newly issued shares of the Company (Note 7)	(1,403)
Repayments of borrowings	(675)
Interest paid	(32)
At 31 December 2015	-

Compensation to key management and other benefits

Compensation to key management consists of current employee benefits. Key management of the Company included the members of the Board of Directors and the Managing Director of the Company until the Company became closed end investment entity (Note 1). Afterwards the Company does not have management personnel.

	2016	2015
Salaries, bonuses and other benefits	101	80
Social security contributions	31	25
Total compensation to management	<b>132</b>	<b>105</b>

## 18 Segment reporting

The Company has defined its operating segments in a manner consistent with the internal reporting provided to the Investment committee of the Management company that is responsible for making strategic decisions.

The Investment committee is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The Investment committee's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The internal reporting provided to the Investment committee for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in the reportable segments during the year.

The Company is domiciled in Lithuania. All of the Company's dividend income was from a single investment in entity incorporated in Lithuania in 2015 (Note 10). Revenue by country is disclosed in Note 11. The Company has no significant assets classified as non-current assets.

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**19 Financial instruments by category**

The Company's financial assets at fair value through profit or loss consisted of assets in Level 3. The Company has no instruments in Level 1 and 2.

	Loans and receivables	Financial assets at fair value through profit or loss	Total
<b>At 31 December 2016</b>			
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit or loss	-	16,696	16,696
Receivables	27	-	27
Cash and cash equivalents	3,128	-	3,128
<b>Total</b>	<b>3,155</b>	<b>16,696</b>	<b>19,851</b>

	Loans and receivables	Financial assets at fair value through profit or loss	Total
<b>At 31 December 2015</b>			
<b>Assets as per statement of financial position</b>			
Financial assets at fair value through profit or loss	-	16,955	16,955
Receivables	392	-	392
Cash and cash equivalents	6,994	-	6,994
<b>Total</b>	<b>7,386</b>	<b>16,955</b>	<b>24,341</b>

	Financial liabilities at amortised cost
<b>At 31 December 2016</b>	
<b>Liabilities as per statement of financial position</b>	
Trade payables	1
Other current liabilities, excluding taxes and employee benefits	122
<b>Total</b>	<b>123</b>

	Financial liabilities at amortised cost
<b>At 31 December 2015</b>	
<b>Liabilities as per statement of financial position</b>	
Trade payables	44
Other current liabilities, excluding taxes and employee benefits	12
<b>Total</b>	<b>56</b>

## 20 Financial risk management

### 20.1 Financial risk factors

The risk management function within the Company is carried out by the Management Company in respect of financial risks (credit, liquidity, market, foreign exchange and interest rate risks), operational risk and legal risk. The primary objective of the financial risk management function is to establish the risk limits, and then make sure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of the internal policies and procedures necessary to mitigate the operational and legal risks.

The Company's financial liabilities consisted of trade and other payables. The Company has various categories of financial assets, however, the major items of its financial assets were financial assets at fair value through profit loss consisting of the investments in unconsolidated subsidiaries and cash and cash equivalents received.

The Company is being managed in a way that its portfolio companies are operating independently from each other. This helps to diversify the operational risk and to create conditions for selling any controlled business without exposing the Company to any risks.

The Company's business objective is to achieve medium to long-term return on investments in carefully selected unlisted private companies operating in information technology sector. The goal of the Company is increase value of its investments with the purpose to sell the investments at the end of this life (Note 1) earning adequate return for the shareholders and success fee if applicable (Note 2.10)

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

#### Credit risk

Credit risk arises from cash and cash equivalents, outstanding balances of trade and other receivables, and outstanding balances of loans granted.

With respect to trade and other receivables neither past due nor impaired, there were no indications as at the reporting date that the debtors will fail to fulfil their liabilities in due time, since the Company constantly reviews the balances of receivables. The Company has no significant transactions in a country other than the countries of domicile of the subsidiaries and their investments. All receivables of the Company are from subsidiaries, and their settlement terms are set by the Company itself.

With respect to credit risk arising from other financial assets of the Company (consisting of cash and cash equivalents), the Company's exposure to credit risk arises from default of the counterparty. The maximum exposure to credit risk was equal to the carrying amount of these instruments:

<b>Assets with no credit rating assigned</b>	<b>At 31 December 2016</b>	<b>At 31 December 2015</b>
Trade and other receivables	27	309
Loans granted	-	83
Cash and cash equivalents	3,128	6,994
<b>Total current assets</b>	<b>3,155</b>	<b>7,386</b>

The Company accepts the services from the banks and the financial institutions which (or the controlling financial institutions of which) have been assigned a high credit rating by an independent rating agency. As at 31 December 2016 and 2015, the Company's cash balances were mostly held in the financial institutions which have not been assigned individual credit ratings, but the controlling financial institutions of which have been assigned "Prime-1" rating by Moody's agency.

#### Interest rate risk

The Company had no significant borrowings or loans granted, therefore has not been exposed to significant interest rate risk.

#### Price risk

The Company's investments are susceptible to price risk arising from uncertainties about future values of the investments that are not traded in an active market. To manage the price risk, the Investment committee reviews the performance of the portfolio companies at least on a quarterly basis, and keep regular contact with the management of the portfolio companies for business development and day-to-day operation matters.

As at 31 December 2016, the fair value of the Company's investments exposed to price risk was EUR 16,696 thousand (31 December 2015: EUR 16,955 thousand).

#### Liquidity risk

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 its commitments at a given date in accordance with the strategic plans.

Liquidity risk of the Company is managed by the Management company. The liquidity risk management is divided into long-term and short-term risk management.

The aim of the short-term liquidity risk management is to meet the day-to-day needs for funds. Each subsidiary is independently planning its internal cash flows. Short-term liquidity of the Company is managed through monthly monitoring of the liquidity status at the Company.

Long-term liquidity risk is managed by analysing the cash flow projections by taking into account the potential sources of financing. Before approving a new investment project, the Company evaluates the possibilities to attract the required funding. Based on monthly reports, the Company makes projections of monetary income and expenses over the next one year, thereby ensuring an effective planning of the Company's funding.

As at 31 December 2016, the Company's financial liabilities (grouped by maturity based on undiscounted contractual payments) consisted of accrued expenses amounting to EUR 123 to be settled within 3 months after the reporting date.

As at 31 December 2015, the Company's financial liabilities (grouped by maturity based on undiscounted contractual payments) consisted of trade and other payables and other current liabilities amounting to EUR 54 thousand to be settled within 3 months after the reporting date.

The Company expects no liquidity issues in the foreseeable future.

#### Foreign exchange risk

The Company has no material exposures or transactions in currencies other than euro, therefore it is not exposed to foreign currency risk.

### **20.2 Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company carries investments in subsidiaries at fair value, please refer to Note 5 for more details.

The Company's principal financial instruments that are not carried at fair value in the statement of financial position are cash and cash equivalents, trade and other receivables, as well as trade and other payables.

The carrying amount of the cash and cash equivalents, trade and other receivables, as well as trade and other payables of 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.

### **20.3 Capital management**

The Company's primary objective when managing capital is to safeguard that the Company will be able to maintain a strong credit health and healthy capital ratios in order to support its business and maximise returns for shareholders. The Company's capital management is conducted through supervision of activities of individual subsidiaries to ensure that their capital is sufficient to continue as a going concern. Management of entities oversee to ensure that the subsidiaries are in compliance with

the capital requirements defined in relevant legal acts and loan contracts, and that they provide the Company's management with the necessary information.

The Company's capital comprises share capital, share premium, reserves and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risks specific to its activity. To maintain or adjust the capital structure, the Company may issue new shares, reduce share capital, and adjust the dividend payment to shareholders.

In 2015, the Company organised a secondary public offering that was successfully completed and attracted EUR 10 million (Note 7).

During 2016, no changes were introduced in the objectives of capital management, policies or processes.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Lithuanian Law on Companies. As at 31 December 2016 and 2015, the Company complied with this requirement.

After the Company received the licence to operate as closed-end investment entity (Note 1), the Company became the entity with limited life and will operate until 14 July 2026, with extension possible for a further two years subject approval by the shareholders. Based on Articles of Association, the shareholders of the Company must make a decision to liquidate the Company. The residual equity of the Company, after deduction of all liabilities shall be allocated to the shareholders of the Company on pro-rata basis based on the number of shares held.

As at 31 December 2016 and 2015, the Company's authorised share capital was divided into 12,175,321 ordinary registered shares with par value of EUR 0.29 each. All the shares of the Company have been fully paid. The Company's subsidiaries hold no shares of the Company. There are no obligations to repurchase or redeem shares of the Company. Residual equity of the Company as of 31 December 2016 was EUR 19,728 thousand (EUR 24,243 thousand as of 31 December 2015).

## **21 Events after the reporting period**

**On 3 January 2017** Investment committee of the Company made a decision to liquidate Informatikos Pasaulis UAB, the dormant subsidiary of the Company. No loss is expected as this entity was already valued at zero.

**On 17 January 2017** INVL Technology acquired EUR 1.55 million of bonds issued by its portfolio company BAIP UAB. Annual interest rate of bonds – 7.625 percent. Bonds currency – Euro. Bonds mature on 30 June 2017. BAIP UAB will keep money raised in the bond issue in a separate account and does not plan to use the funds for the company's operational activities. BAIP UAB will use money raised in the bond issue to ensure the participation in a foreign tender.

**On 3 February 2017** Norway Registers Development AS announced that it has established a subsidiary entity in Dhaka. NRD Bangladesh was registered on 2 February 2017. Norway Registers Development AS holds 99 percent of the shares of the company and NRD CS – the remaining 1 percent.



# TECHNOLOGY

## Special Closed-Ended Type Private Capital Investment Company's INVL Technology Annual Report of 2016

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

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## Foreword of the Managing Partner of INVL Technology, CEF



Having become a closed-end investment company in the middle of last year, we aim to generate a significant return for investors by 2026, and that's why we've focused on decisions which make it possible to boost the value of the business portfolio over the medium and long term. We've given priority to expansion of constant access to markets and of the portfolio of business holdings. For their part, the businesses INVL Technology owns have focused on developing and enhancing new and existing products and strengthening competencies for international operations.

The strategy of INVL Technology managed companies is backed up by Northern Europe priority areas for export and economic development. The companies directly managed by INVL Technology operate in their home markets in North Europe and implement projects in the countries of Subsaharan Africa as well as South and Southeast Asia. Subsidiary companies are also established in these rapidly growing, frontier markets, where demand for IT services is growing more rapidly than elsewhere in the world. These subsidiaries assist INVL Technology managed companies with project implementation on the ground and they also directly operate in Subsaharan Africa as well as South and Southeast Asia.

At the start of 2017, INVL Technology's portfolio of directly and indirectly controlled businesses included 16 active companies. Six were added in the past year: the company FINtime was established in Lithuania and Norway Registers Development Rwanda Ltd was established in Rwanda; the creation of NRD Bangladesh, which began in late 2016, was completed in February this year; and the newly acquired companies Algoritmu Sistemos in Lithuania and Andmevara in Estonia and Moldova joined the portfolio.

INVL Technology's companies, expanding the range of their services, conducted projects in 17 countries in 2016. They provided services to state and commercial institutions, banks, law enforcement structures and other organisations. Bhutan, Uganda, Bangladesh, Moldova delegations visited Lithuania. By the start of 2017, their enlarged network of representative offices provided continual access to nine markets. Such representative offices currently operate in Lithuania, Latvia, Estonia, Moldova, Norway, Tanzania, Rwanda, Uganda and Bangladesh.

In 2016 INVL Technology managed companies also invested in its own product and service development. NRD CS, company of the cybersecurity, worked with the open source projects for law enforcement, strengthened analysis in law enforcement agencies and build community of analysts. ETRONIKA, UAB is NRD group's company specialised in e-banking and m-signature solutions and invested in e-banking solution Banktron 8 this year.

Companies also strengthened its partnership with institutional partners such as the Kaunas University of Technology in Lithuania, the national response to security incidents by CERT.LV in Latvia, Estonian Ministry of Foreign Affairs and the e-Governance Academy in Estonia, Uganda's National Information Technology Agency (NITA-U), Rwanda development Board (RDB) and others.

The valuation of INVL Technology's investment assets in 2016 was influenced by poorer performance of its businesses due to the costs of regional expansion and development of proprietary products, non-recurring events, and a cyclical contraction of the market caused by delays in the start of a new EU structural funds investment programme.

We'll continue to actively develop the companies we've acquired. Our objective is to make them global operations, toward that end taking advantage of our businesses' access to markets and intellectual capital. We expect to start seeing some of the potential of the new markets, products, and acquisitions already during 2017.

**INVL Asset Management, UAB**  
**INVL Technology Managing Partner**

**Kazimieras Tonkūnas**

# I. GENERAL INFORMATION

## 1 Reporting period for which the report is prepared

The Annual Report for the year 2016 is prepared for the period from 1 January 2016 until 31 December 2016. The Report was audited. In this Annual Report, special closed-ended type private capital investment company INVL Technology is referred to as the Company.

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

### 2.1. INFORMATION ABOUT THE ISSUER

17 May 2016 the Register of Legal Entities has registered Articles of Association of a special closed-ended type private capital investment company INVL Technology. On 14 July 2016 the Bank of Lithuania issued INVL Technology a closed-ended type investment company licence.

Name of the Issuer	Special closed-end type private capital investment company INVL Technology
Code	300893533
Address	Gynėjų str. 16, LT-01109 Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	<a href="mailto:info@invltechnology.lt">info@invltechnology.lt</a>
Website	<a href="http://www.invltechnology.lt">www.invltechnology.lt</a>
Legal form	Public joint-stock company
Type of the company	Closed-ended type investment company
Date and place of registration	27 June 2007 (version 42, 9th February 2015). Register of Legal Entities
Date on which the supervisory authority approved the documents on the formation of the collective investment undertaking	14 July 2016
Register in which data about the Company are accumulated and stored	Register of Legal Entities
Management company	INVL Asset Management UAB, code 126263073, licence No. VĮK-005
The depository	SEB Bank, AB, code 112021238, bank licence No. 2

### 2.2. INFORMATION ON COMPANY'S GOALS, PHILOSOPHY AND STRATEGY

On 14 July 2016 INVL Technology received a closed-ended type investment company licence, issued by the Bank of Lithuania. Under the company's Articles of Association, a closed-ended type investment company (CEF) INVL Technology will operate until 14 July 2026, with a possible extension for two more years.

INVL Technology strategy is to invest in national-level European IT businesses with high globalisation potential and grow them into global players by utilizing the sales channels and intellectual capital of the managed companies.

In 2016, the priority for INVL Technology was expansion of the regular sales channels as well as the portfolio of the managed companies.

The priority for the managed companies was new product development as well as increasing their capacity for international operations. During this period of intensive investment, the collaboration between INVL Technology managed companies is an important aspect of the value growth by 2026. It allows the companies to utilise their resources more effectively, share and take over the best-practices, use sales channels in foreign markets and together develop new specialised competences.

During 2016, six new companies have joined the portfolio of INVL Technology directly and indirectly managed companies. In 2017, this portfolio included 16 companies that implemented projects in 17 countries during the reporting period and provided services to public and private sector organisations, banks, law enforcement agencies and other organisations in various countries. In the meantime, regular market reach of INVL Technology managed companies expanded to 9 countries.

INVL Technology has investments in the Norwegian company Norway Registers Development AS with subsidiaries NRD UAB and Etronika UAB in Lithuania, Norway Registers Development East Africa Ltd. in Tanzania, Norway Registers Development Rwanda Ltd. in Rwanda, Norway Registers Development Bangladesh Ltd. in Bangladesh and Infobank Uganda Ltd. in Uganda. It has also invested in BAIP UAB with its subsidiary ACENA UAB, NRD CS UAB and ALGORITMU SISTEMOS UAB, all in Lithuania, and Estonia's Andmevara AS with its subsidiary Andmevara SRL in Moldova.

INVL Technology – company, investing in IT businesses, listed on NASDAQ Baltic stock exchange (Nasdaq Vilnius: INC1L) from June 2014.

### 2.3. PARTICIPATION IN ASSOCIATION

INVL Asset Management, UAB, the management company of INVL Technology, is a part of Invalda INVL, one of the leading asset management groups in the Baltics.

Invalda INVL together with INVL Asset Management in Lithuania and Latvia is a European private equity and venture capital sector companies and investors organization uniting Invest Europe full member.

Invalda INVL owned Lithuanian Private Equity and Venture Capital Association, which brings together private equity and venture capital market participants in Lithuania.

### 2.4. INFORMATION ABOUT THE ISSUER'S GROUP OF COMPANIES

INVL Technology operates as a cluster of IT businesses working with large corporate and government entities with a focus in four key areas: business climate improvement and e-governance, IT infrastructure, cyber security and IT intensive industries' solutions:



Companies working in the area of **Business climate improvement and e-governance** combine legal, consultancy and information technology skills to address governance and economic digital infrastructure development challenges effectively. They develop national state-of-art registries and provide digital and mobile signature, digital platforms for finance and retail sectors, state taxes, information distribution, digital licences, digital documents and other economic digital infrastructure solutions.



Companies working in the area of **IT infrastructure** provide information systems' resilience and mobility services for the largest corporate IT users, central banks and public sector organisations with high data availability requirements. Companies are acknowledged as strategic IT infrastructure architects and assist organisations to ensure their business continuity processes.



**Cybersecurity** companies provide technology consulting, incident response and National Computer Incident Response Teams (CIRTs/SOCs) establishment services. They are focused on the services to law enforcement, national communication regulators, CERTs, and corporate information security departments.



Companies working in the area of **IT intensive industries' solutions** develop high quality, effective and reliable information systems and business process facilitating programs for large and medium-sized public organizations and enterprises. Main fields of activities include e-governance, e-health, finance, social security, environmental protection and education.

## 2.4.1. PORTFOLIO COMPANIES OF INV L TECHNOLOGY:

### BUSINESS CLIMATE IMPROVEMENT AND E-GOVERNANCE::



#### NLD Companies

**Norway Registers Development AS (NRD AS)** is management consulting and IT services' company, specializing in the development of national registers, e-governance solutions and public sector reforms backed by ICT solutions. NRD was established in Norway in 1995. More information – [www.nrd.no](http://www.nrd.no)

**NRD UAB** was incorporated in October 1998. NRD, UAB is a subsidiary company and information system design and development excellence center of Norway Registers Development AS. NRD, UAB specializes in business, property, mortgage, licences, citizen's registry and tax information systems creation and development. More information – [www.nrd.lt](http://www.nrd.lt)

**Norway Registers Development East Africa Limited** - NRD AS subsidiary in East Africa, established in April 2013. Provides on-site delivery of NRD group services, supports the companies in East Africa in the delivery of information security technologies as a value added distributor and assists other organizations investing in East Africa in the creation, development, maintenance and security of their information technology infrastructure. Performs audit of information systems, provides IT management consulting and trainings. More information – [www.nrd.co.tz](http://www.nrd.co.tz)

**Norway Registers Development Rwanda Limited (NRD Rwanda)** was registered in Kigali on 22 February 2016. NRD Rwanda offer full portfolio of NRD group and other INV L Technology businesses' services. In addition, backing the regional export strategy of Rwanda, it also participate in projects in Burundi and Democratic Republic of the Congo. More information – [www.nrd.no](http://www.nrd.no)

**NRD Bangladesh Limited** was registered on 2 February 2017. NRD Bangladesh will offer full portfolio of NRD Companies and other INV L Technology businesses services and support NRD Companies projects in South and Southeast Asia regions. NRD Bangladesh will mainly focus on the services, related to securing the digital environment as well as offer the know-how of NRD Companies in the fields of enabling the business environment & job creation, increasing efficiency of government services, smart IT infrastructure and digital platforms for finance sector. More information – [www.nrd.no](http://www.nrd.no)



**ETRONIKA UAB** is NRD group's company, specialised in e-banking and m-signature solutions. ETRONIKA develops complex and innovative solutions for finance and online business, integrating advanced and secure technologies across various electronic channels. More information – [www.etronika.com](http://www.etronika.com)



**Infobank Uganda Limited** – company in Uganda, established in December 2014. Norway Registers Development AS holds 30 percent of the shares. Currently does not perform any activities but intends to work with different registries which are currently largely paper based, and provide registries information to financial sector clients via electronic system. More information – [www.infobank-uganda.com](http://www.infobank-uganda.com)



**Andmevara AS** (Estonia) is a complex IT solutions and services provider to public sector organisations with expertise in e-Government solutions that include development of registries, important national information systems and software, digitisation, database development and hosting services. Andmevara actively contributes to implementation of Estonian E-Government project, offers several ready-made software products to municipal and governmental institutions, and mostly serves Estonian public sector organisations. More information – [www.andmevara.ee](http://www.andmevara.ee)

### IT INFRASTRUCTURE:



**BAIP UAB** is a critical IT infrastructure company providing information systems' resilience and mobility services for the largest corporate IT users and public sector organisations. Company is acknowledged as a strategic IT infrastructure architect and assists organisations to ensure their business continuity processes. More information – [www.baip.lt](http://www.baip.lt)



**Acena UAB** is a specialized Microsoft solutions company, providing Windows Azure cloud platform and Office 365 business productivity solutions as well as professional and managed services to deliver and improve cloud based solutions to customers. More information – [www.acena.lt](http://www.acena.lt)

#### CYBER SECURITY:



**NRD CS UAB** is a cybersecurity technology consulting, incident response and applied research company, with headquarters in Lithuania, Vilnius. Company focuses on the services to the law enforcement, national communication regulators, CERTs, and corporate information security departments. NRD CS is also a facilitator of Norway Registers Development AS mission of creating a secure digital environment for states, governments, corporations and citizens, contributor to the Critical security Controls for Effective Cyber Defence and other frameworks. More information – [www.nrdcs.lt](http://www.nrdcs.lt)

#### IT INTENSIVE INDUSTRIES' SOLUTIONS:

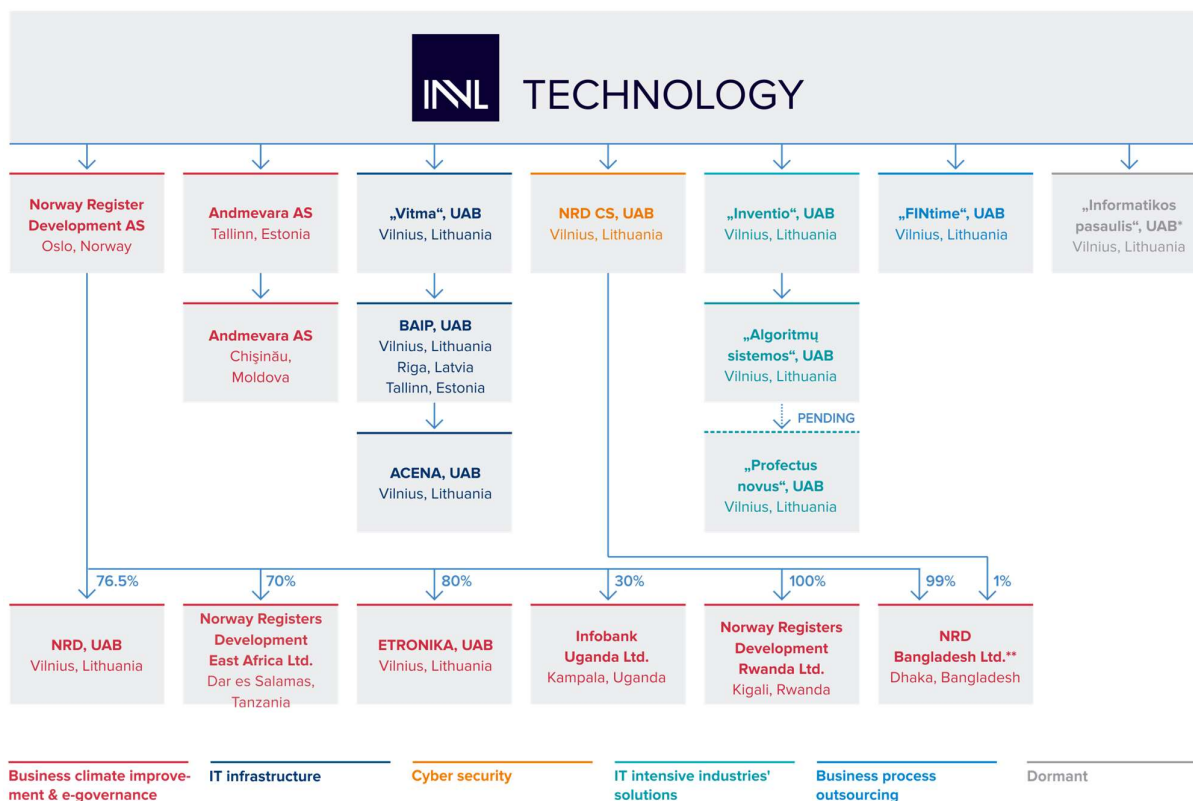


**Algorithmų sistemas UAB** develops high quality, effective and reliable information systems and business process facilitating programs for large and medium-sized public organizations and enterprises. Main fields of company activity include: e-governance, e-health, finance, social security, environmental protection and education. More information – [www.algoritmusistemas.lt](http://www.algoritmusistemas.lt)

#### BUSINESS PROCESS OUTSOURCING:

**FINtime UAB** established on 29 February 2016 provides business process outsourcing services.

### 2.4.2. STRUCTURE OF THE PORTFOLIO COMPANIES OF INV L TECHNOLOGY THE ANNUAL REPORT DAY:



\* NRD Bangladesh Ltd. was registered on 02.02.2017

\*\* Informatikos pasaulis, UAB was liquidated on 03.01.2017



### 2.4.3. GEOGRAPHY OF INVL TECHNOLOGY PORTFOLIO COMPANIES:

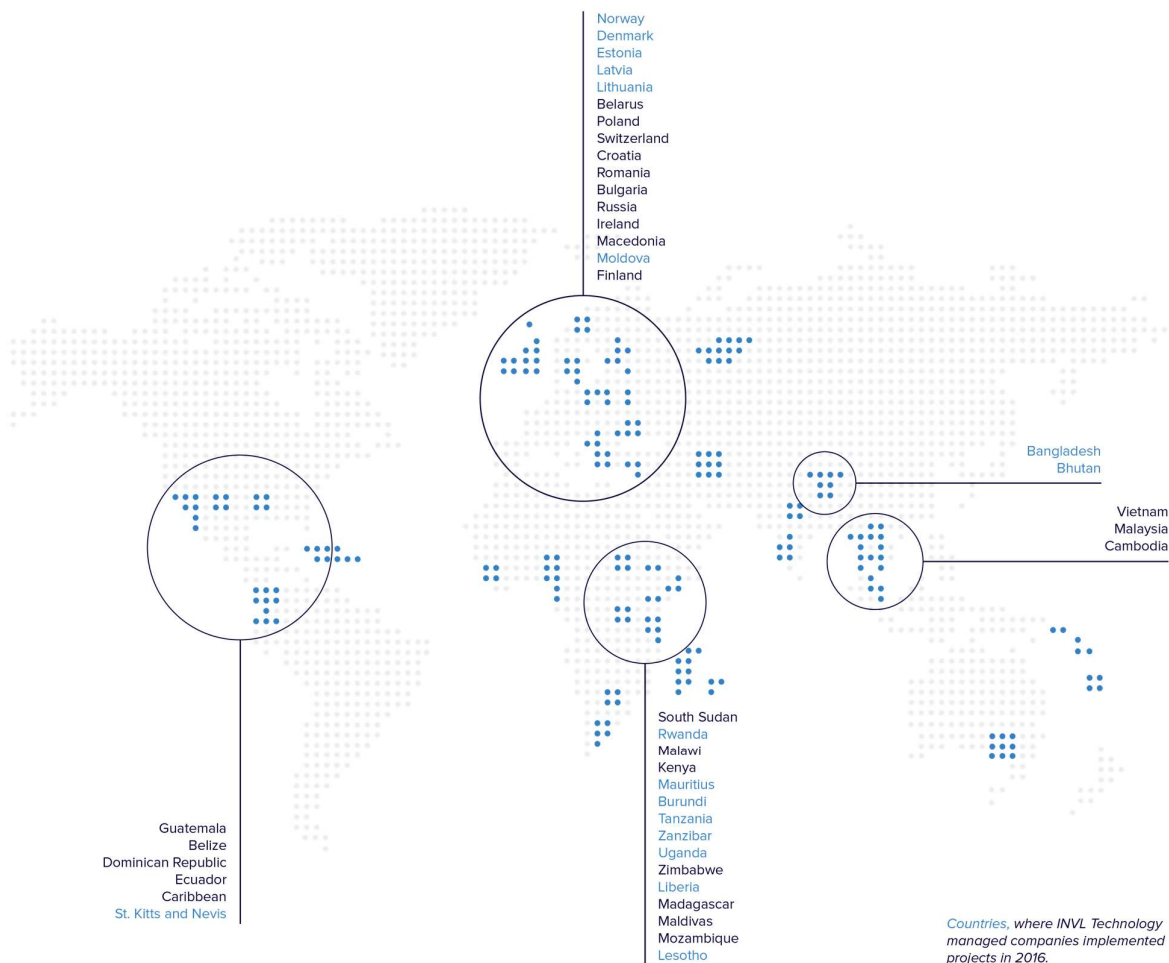


Fig. 2.4.4. Geography of INVL Technology companies (countries, where INVL Technology managed companies implemented projects during the accounting period)

## 3 Agreements with intermediaries on public trading in securities

INVL Technology has the agreement with Siauliu bankas AB (Seimyniskiu str. 1, Vilnius, Lithuania, tel. +370 5 203 2233) – the agreement on management of securities accounting and the agreement on dividends payment with these intermediaries.

During the accounting period the company has signed the agreement with SEB Bank (Gedimino av. 12, Vilnius, Lithuania, tel. +370 5 268 2800) regarding depository services. This agreement came into force 14 July 2016.

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

INVL Technology has no branches or representative offices.

## II. INFORMATION ABOUT SECURITIES

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

The Articles of Association of INVL Technology may be amended by resolution of the General Shareholders' Meeting, passed by more than 3/4 of votes (except in cases provided for by the Law on Companies of the Republic of Lithuania).

During the reporting period the Articles of Association were amended 2 times:

- 17 May 2016 the Register of Legal Entities has registered Articles of Association of a special closed-ended type private capital investment company INVL Technology. Draft Articles of Association were approved at the General Shareholders Meeting held on 29 April 2016.
- 27 June 2016 the Register of Legal Entities has registered Articles of Association of a special closed-ended type private capital investment company INVL Technology. Draft Articles of Association were approved at the General Shareholders Meeting held on 27 June 2016.

Actual wording of the Articles of Association is dated as of 27 June 2016. The Company's Articles of Association is published on the Company's web page.

### 6 Structure of the authorized capital

**Table 6.1.** Structure INVL Technology 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	12,175,321	12,175,321	0.29	3,530,843.09	100

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

#### 6.1. INFORMATION ABOUT THE ISSUER'S TREASURY SHARES

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

Company used no services of liquidity providers during the reporting period. Starting 8 August 2016 Siauliu bankas acts as market maker for INVL Technology shares. Under the agreement, Siauliu bankas will provide liquidity on both bid and ask sides around the INVL Technology spread at least 85 percent of the trading time on the stock exchange, increasing market depth in this way.

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

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

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



**Table 7.2.** Trading in the company's shares 2014\* - 2016 (quarterly) on NASDAQ Vilnius

Reporting period	Price, EUR			Turnover, EUR			Last trading date	Total turnover	
	high	low	last	high	low	high		quantity	EUR
2014 2nd Q*	1.474	1.231	1.341	990.90	25.95	0	30.06.2014	252	2,316.22
2014 3rd Q	1.621	1.297	1.488	986.77	1.36	0	30.09.2014	740	6,851.13
2014 4th Q	1.621	1.406	1.474	3,133.40	9.54	0	30.12.2014	897	8,839.50
2015 1st Q	2.000	1.328	1.600	1,208.36	11.34	22.40	31.03.2015	1,384	4,494.36
2015 2nd Q	2.000	1.600	1.850	2,024.94	12.60	12.95	30.06.2015	8,276	14,121.27
2015 3rd Q	2.240	1.700	2.150	12,068.15	18.60	2,998.72	30.09.2015	57,638	111,091.70
2015 4th Q	2.160	1.910	2.010	53,609.26	14.42	0	30.12.2015	45,717	94,461.25
2016 1st Q	2.070	1.800	1.870	6,859.80	13.65	361.21	31.03.2016	16,807	30,166.08
2016 2nd Q	2.060	1.790	1.800	8,263.96	6.00	0	30.06.2016	21,368	39,077.25
2016 3rd Q	1.880	1.760	1.760	3,184.42	12.53	0	30.09.2016	8,993	16,144.05
2016 4th Q	1.890	1.750	1.760	3,102.15	24.78	522.72	30.12.2016	17,907	25,448.77

\* The data is provided since 4 June 2014, from the beginning of the listing of the Former Parent Company in the Stock Exchange. 2014-2015 share price was adjusted due to Reorganization.

**Table 7.3.** Trading in shares 2014\* - 2016

Price, EUR:	2014 *	2015	2016
- open	1.47	1.47	2.01
- high	1.62	2.24	2.07
- low	1.23	1.33	1.75
- medium	0.75	2.02	1.7
- 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 in the Stock Exchange. 2014-2015 share price was adjusted due to Reorganization.

**Table 7.4.** Capitalisation, 2014\*-2016

Last trading date	Number of shares, units	Last price, EUR	Capitalisation, EUR
30.06.2014	592,730	9.100	5,393,843
30.09.2014	592,730	10.100	5,986,573
30.12.2014	592,730	10.000	5,927,300
09.02.2015**	6,114,714	1.332	8,144,799
31.03.2015	6,114,714	1.600	9,783,542
30.06.2015	6,114,714	1.850	11,312,221
08.07.2015	12,175,321	1.960	23,863,629
30.09.2015***	12,175,321	2.150	26,176,940
30.12.2015	12,175,321	2.010	24,472,395
31.03.2016	12,175,321	1.870	22,767,850
30.06.2016	12,175,321	1.800	21,915,578
30.09.2016	12,175,321	1.760	21,428,565
30.12.2016	12,175,321	1.760	21,428,565

\* The data is provided since 4 June 2014, from the beginning of the listing of the Former Parent Company in the Stock Exchange.

\*\* The Reorganization finished on 9 February 2015: BAIP Grupė AB was merged with the Former Parent Company INVL Technology, AB and the authorized capital was changed.

\*\*\* On 8 July 2015 after the new share issue placement share capital was increased.

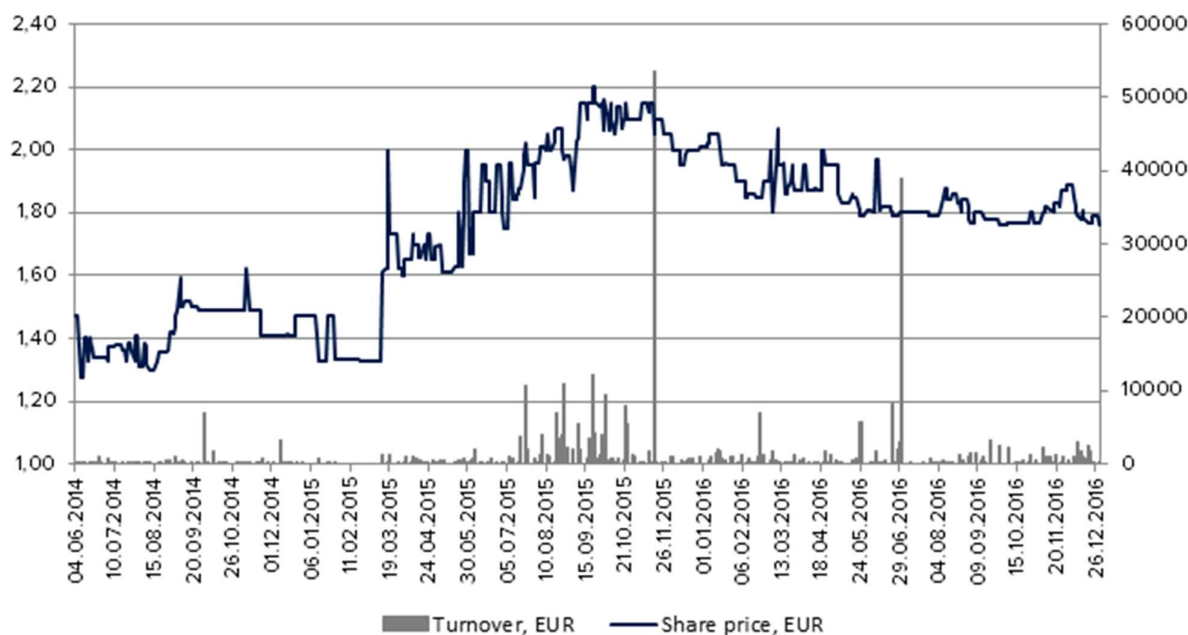


Fig. 7.5. Change of share price of INVL Technology, CEF



Fig. 7.6. pav. Turnover of INVL Technology, CEF shares, change of share price and indexes

Index/Shares	04.06.2014	30.12.2016	+/-%
—OMX Baltic Benchmark GI	605.06	788.17	30.26
—OMX Vilnius	470.30	558.50	18.75
—B8700GI Finansinės paslaugos	1,241.71	1,537.07	23.79
—INVL Technology	1.474	1.760	19.43

## 8 Dividends

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

Persons have the right to receive dividends if they were shareholders of the company at the end of the tenth working day after the day of the General Shareholders' Meeting which issued the resolution to pay dividends.

According to the Law on Personal Income Tax and the Law on Corporate Income Tax, 15 % tax is applied to the dividends since 2014. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes<sup>1</sup>.

The company did not allocated dividends during the reporting period.

**Table 8.1.** Indexes related with shares

Company's	2014	2015	2016
Net Asset Value per share, EUR	1.1	1.99	1.62
Price to book value (P/Bv)	0.11	1.01	1.09

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

## 9 Shareholders

### 9.1. INFORMATION ABOUT COMPANY'S SHAREHOLDERS

**Table 9.1.1.** Shareholders who held title to more than 5% of INVL Technology 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, %
LJB investments UAB, code 300822575, A.Juozapavičiaus str. 9A, Vilnius	2,424,152	19.91	19.91	-	19.91
Invalda INVL AB, code 121304349, Gynėjų str. 14, Vilnius	1,691,737	13.90	13.90	-	13.90
Irena Ona Mišeikienė	1,466,421	12.04	12.04	-	12.04
Lietuvos draudimas AB, Code 110051834, J.Basanavičiaus str. 12, Vilnius	909,090	7.47	7.47	-	7.47
Kazimieras Tonkūnas	675,452	5.55	5.55	1.53 <sup>2</sup>	7.08
Alvydas Banys	618,745	5.08	5.08	19.91 <sup>3</sup>	24.99

The total number of shareholders in INVL Technology was 3,483 on 31 December 2016 (3,618 on 31 December 2015). There are no shareholders entitled to special rights of control.

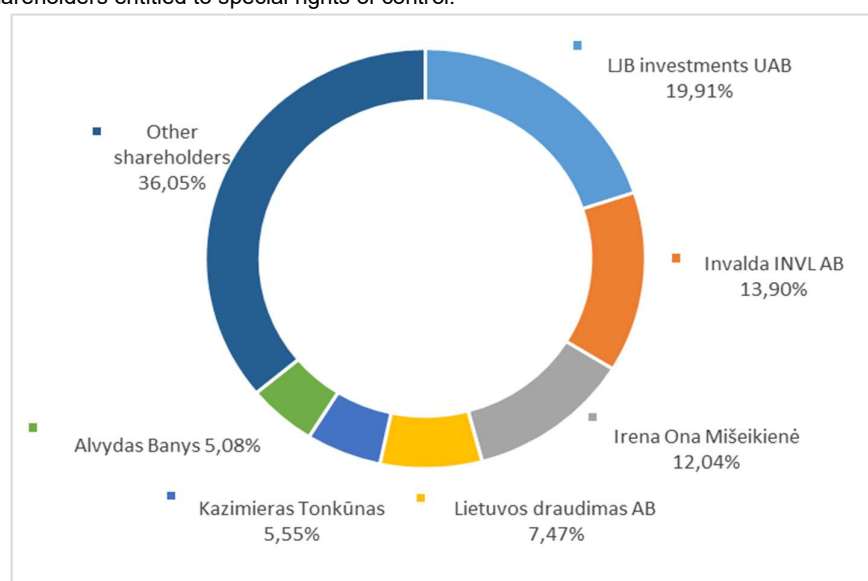


Fig. 9.1.2. Votes as of 31 December 2016.

<sup>2</sup> According to Part 10 of Paragraph 1 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Kazimieras Tonkunas has votes of his spouse.

<sup>3</sup> According to Part 6 of Paragraph 1 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Alvydas Banys has votes of LJB Investments, UAB a company controlled by him.

Investors	Shareholders		Share of votes given by the owned shares	
	Amount	Part %	Amount	Part %
Households	3,450	99.05	5,628,905	46.23
Private corporations	9	0.26	1,348,514	11.08
Financial institutions and insurance corporations	24	0.69	5,197,902	42.69

Fig. 9.1.3. Distribution of securities by investors' groups as of 31 December 2016.

Regions	Shareholders		Share of votes given by the owned shares	
	Amount	Part %	Amount	Part %
Lithuania	3,439	98.74	12,166,919	99.94
Other EU members	28	0.80	6,426	0.05
Non- EU countries	16	0.46	1,976	0.01

Fig. 9.1.4. Distribution of securities by investors' groups as of 31 December 2016.

## 9.2. RIGHTS AND OBLIGATIONS CARRIED BY THE SHARES

### 9.2.1. RIGHTS OF THE SHAREHOLDERS

All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the Company grants one vote in the General meeting of Shareholders.

An ordinary registered share of the Company shall grant the following economic rights to its owners (shareholders):

1. to receive a part of the Company's profit (dividend);
2. to sell or otherwise transfer all or some of their Shares to the ownership of other persons on the secondary market;
3. 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;
4. to receive a part of assets of the company in liquidation;
5. 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;
6. 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;
7. 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;
8. other property rights provided by laws.

An ordinary registered share of the Company shall grant the following personal non-property rights to its owners (shareholders):

1. to take part in general meetings of shareholders;
2. to give questions to the Management Company in advance, related to issues on the agenda of general meetings of shareholders;
3. to vote at general meetings of shareholders according to rights carried by the Shares;

4. to obtain information about the Company under the procedure set by legal acts of the Republic of Lithuania;
5. other non-property rights provided for in legal acts of the Republic of Lithuania and in the Articles of Association.

#### **9.2.2. OBLIGATIONS OF THE SHAREHOLDERS**

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

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

The 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.



### III. ISSUER'S MANAGING BODIES

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

The Company is managed in accordance the Governance Code of NASDAQ Vilnius for the companies listed on the regulated market. Refer to the Appendix No 2 to the Annual Report for the compliance report.

In its activities the Company follows the Law on Stock Companies, the Law on Securities, the Law relating to collective investment undertakings, Articles of Association of the Company and other legal acts of the Republic of Lithuania.

During the reporting period the governing bodies of INVL Technology were the General Shareholders' Meeting, sole governing body – the director and a collegial governing body – the Board. The Supervisory Board was not formed.

The powers of CEO and the Board of INVL Technology have terminated on 17 May 2016 due to the registration of the Articles of Association of a special closed-ended type private capital investment company INVL Technology.

The management of INVL Technology was assumed by the management company INVL Asset Management on 14 July 2016, when the Bank of Lithuania issued the closed-ended type investment company licence (CEF) and the rights and duties of the Board and the head of the Company transferred to the Management Company.

Investment Committee was established for operational efficiency and investment control by the decision of the Board of the Management Company INVL Asset Management. Investment Committee is the collegial investment and management decision-making body responsible for adopting decisions on the management of the Company's assets and for the representation and protection of the Company's interests. The Advisory Committee shall be established also.

Investment Committee consists of 4 members: Kazimieras Tonkūnas (Chairman of the IC), Vida Juozapavičienė, Vytautas Plunksnis and Nerijus Drobavičius. They are appointed and removed by resolution of the board of the Management Company. Functions, rights and duties of the Investment Committee are detailed in the rules of the investment committee for the closed-ended investment company INVL Technology.

#### 10.1. GENERAL SHAREHOLDERS' MEETING

##### 10.1.1. POWERS OF THE GENERAL SHAREHOLDERS' MEETING

Persons who were shareholders of the Company at the close of the accounting day of the meeting (the 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.

All decisions of the general meeting of shareholders of the Company shall be taken by a 3/4 majority of votes carried by Shares of the Shareholders present in the meeting, except for the decisions indicated below, which shall be taken by a 2/3 majority of votes carried by Shares of the Shareholders present in the meeting, i.e. decisions:

- to elect and remove a certified auditor or audit firm and establish terms of payment for audit services;
- to approve sets of annual and interim financial statements;
- on extension of the Term of Activities of the Company and making related amendments to the Articles of Association.

The below-indicated decisions of the general meeting of shareholders of the Company can be taken only after taking into account the recommendations given by the Management Company and with regard to consequences of a relevant decision indicated by the Management Company, i.e. decisions regarding:

- amending the Articles of Association of the Company;
- distribution of the profit (loss) of the Company;
- formation, use, reduction and cancellation of reserves;
- increase or reduction of the authorised capital;
- reorganisation, spin-off or transformation of the Company;
- merger of the Company with other collective investment undertakings;

- approval of the agreement with the Depository, appointment of the person authorised to sign the approved agreement with the Depository on behalf of the Company, change of the Depository;
- liquidation of the Company or extension of the Term of Activities of the Company;
- restructuring of the Company.

#### **10.1.2. CONVOCACTION OF THE GENERAL SHAREHOLDERS' MEETING OF INVL TECHNOLOGY**

The right to initiate convocation of the meeting shall be vested to the Management Company and Shareholders, Shares owned by which carry at least 1/10 of all the votes in the general meeting of shareholders.

The convocation of the general meeting of shareholders shall be organised by the Management Company.

The Management Company must present its recommendations on draft decisions on issues indicated in Article hereof together with the announced draft decisions proposed by the Management Company. In case draft decisions are proposed not by the Management Company but by Shareholders, the Management Company must, no later than within 5 (five) Business Days after presentation of such a draft decision to the Company, prepare a relevant recommendation and announce it in the manner in which draft decisions are announced. In any case recommendations of the Management Company regarding all draft decisions on relevant issues of the agenda must be announced no later than 3 (three) Business Days until the date of the general meeting of shareholders.

In case the general meeting of shareholders takes a decision not following the recommendations given by the Management Company, the Management Company shall not be responsible if such decisions violate requirements for management of the Company or there are other negative consequences.

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

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, than there is no need to make a decision - explanation of the shareholder. Proposal to supplement the agenda is submitted in writing by registered mail or delivered in person against signature. The agenda is supplemented if the proposal is received no later than 14 before the General Shareholders Meeting; (ii) to propose draft resolutions on the issues already included or to be included in the agenda of the General Shareholders Meeting at any time prior to the date of the General Shareholders meeting (in writing, by registered mail or delivered in person against signature) or in writing during the General Shareholders Meeting; (iii) to submit questions to the Company related to the issues of agenda of the General Shareholders Meeting in advance but no later than 3 business days prior to the General Shareholders Meeting in writing by registered mail or delivered in person against signature.

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

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

For the convenience of the shareholders of INVL Technology 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.



An annual general meeting of shareholders must take place no later than by 30 April of the current year.

There were 3 (three) General Shareholders Meetings of INVL Technology, AB during the 2016.

The resolutions of the extraordinary General Shareholders Meeting of INVL Technology that was held on 7 March 2016: (1) Amendment of the Articles of Association of AB INVL Technology and approval of a new wording of the Articles of Association of special closed-ended type private capital investment company INVL Technology; (2) Approval of the Management Agreement of special closed-ended type private capital investment company INVL Technology with the management company UAB INVL Asset Management; (3) Approval of the Depository Services Agreement of special closed-ended type private capital investment company INVL Technology with AB SEB Bankas.

The resolutions of the General Shareholders Meeting of INVL Technology that was held on 29 April 2016: (1) Presentation of the public joint-stock company INVL Technology annual report; (2) Presentation of the independent auditor's report on the financial statements of the public joint-stock company INVL Technology; (3) On the approval of the company's financial statements for 2015 of the public joint-stock company INVL Technology; (4) Regarding the distribution of the public joint-stock company INVL Technology profit for 2015; (5) Approval of a new wording of the Articles of Association of special closed-ended type private capital investment company INVL Technology; (6) Approval of a new wording of the Management Agreement of special closed-ended type private capital investment company INVL Technology with the management company UAB INVL Asset Management.

The resolutions of the General Shareholders Meeting of INVL Technology that was held on 27 June 2016: (1) Amendment of the Articles of Association of special closed-end type private capital investment company INVL Technology and approval of a new wording of the Articles of Association; (2) Amendment of the Management Agreement of special closed-end type private capital investment company INVL Technology with the management company UAB INVL Asset Management and approval of a new wording of the Management Agreement; (3) Approval of the rules for formation and activities of the audit committee of a special closed-end type private capital investment company INVL Technology, election of members of the audit committee and setting remuneration for the independent member of the audit committee.

## 10.2. THE BOARD

During the reporting period the powers of members of the Board had been determined by the Law on Stock Companies and the Articles of Association of the Company. All members of the Board have participated in all 24 meetings that took place in 2016. On 17 May 2016, when the Bank of Lithuania issued the closed-ended type investment company licence (CEF) the rights and duties of the Board of the Company have terminated.

## 10.3. THE GENERAL MANAGER (CEO)

During the reporting period the duties and competence of the General Manager had been determined by the Law on Stock Companies and the Articles of Association of the Company. On 17 May 2016, when the Bank of Lithuania issued the closed-ended type investment company licence (CEF) the rights and duties of the head of the Company have terminated.

## 10.4. THE MANAGEMENT COMPANY

No management bodies shall be formed in the Company.

Management of the Company shall be transferred to the Management Company, therefore, following the Law of the Republic of Lithuania on Collective Investment Undertakings, and the rights and duties of the Board and the head of the Company, as set in the Law of the Republic of Lithuania on Companies, shall be transferred to the Management Company.

The Management Company shall be responsible for convocation and organisation of the general meeting of shareholders of the Company, giving notices about Material Events under the procedure set by legal acts, organisation of activities of the Company, proper management of information about activities of the Company and performance of other functions assigned to the Management Company.

The Management Company shall have the right:

- to perform all actions of management bodies of the Company and other actions assigned to the competence of the Management Company according to effective legal acts and/or these Articles of Association;
- to get the Management Fee and the Success Fee, as they are defined in the Articles of Association;
- to conduct and perform transactions in connection with management of the assets of the Company at the expense and in the interests of the Company;

- to make deductions from assets of the Company provided for in these Articles of Association;
- subject to approval of the general meeting of shareholders, to instruct a company, having the right to provide relevant services, to perform some of its management functions;
- other rights established in these Articles of Association and legal acts of the Republic of Lithuania.

The Management Company must:

- act in a fair, correct and professional manner on the terms best for the Company and its Shareholders and in their interests and ensure integrity of the market;
- act carefully, professionally and prudently;
- have and use means and procedures necessary for its activities;
- have reliable administration and accounting procedures, electronic data processing control and security measures and a proper mechanism of internal control, including the rules on personal transactions in financial instruments conducted by employees of the Management Company and transactions in financial instruments conducted at the expense of the Management Company;
- ensure that documents of and information about taken investment decisions, conducted transactions would be kept for at least 10 years after the date of taking an investment decision, conduction of a transaction or performance of an operation, unless legal acts set a longer term of keeping documents;
- have such an organisational structure that would help to avoid conflicts of interest. When it is impossible to avoid conflicts of interest, the Management Company must ensure that Shareholders are treated fairly;
- ensure that persons taking decisions on management of the Company would have qualification and experience established by the Supervisory Authority, be of sufficiently good repute;
- ensure that assets of the Company would be invested according to the investment strategy set in these Articles of Association and requirements set in legal acts of the Republic of Lithuania;
- prepare the prospectus, the document of main information for investors, annual and semi-annual reports under the procedure set by legal acts;
- perform other duties set in these Articles of Association and legal acts of the Republic of Lithuania.

The Company management agreement with the Management Company must be approved by the general meeting of shareholders. A copy of the management agreement must be presented to the Supervisory Authority and the Depository.

The Management Company can be replaced by a reasoned decision of the general meeting of shareholders of the Company.

The Management Company can be replaced by a decision of the general meeting of shareholders in cases when:

- the Management Company is liquidated;
- the Management Company undergoes restructuring;
- bankruptcy proceedings are initiated against the Management Company;
- the Supervisory Authority takes a decision to restrict or cancel the rights provided for in the license of the Management Company related to management of investment companies;
- the Management Company commits a material breach of the respective management agreement, these Articles of Association or legal acts.

The Management Company shall be replaced after receipt of a prior permission of the Supervisory Authority.

Investment Committee was established for operational efficiency and investment control by the decision of the Board of the Management Company INVL Asset Management. Investment Committee is the collegial investment and management decision-making body responsible for adopting decisions on the management of the Company's assets and for the representation and protection of the Company's interests. The Advisory Committee shall be established also.

Investment Committee consists of 4 members: Kazimieras Tonkūnas (Chairman of the Investment Committee), Vida Juozapavičienė, Vytautas Plunksnis and Nerijus Drobavičius. They are appointed and removed by resolution of the board of the Management Company. Functions, rights and duties of the Investment Committee are detailed in the rules of the investment committee for the closed-ended type investment company INVL Technology.

The Board of the Management Company operates following the Civil Code of the Republic of Lithuania, the Law of the Republic of Lithuania on Companies, other legal acts, Articles of Association of the Company, the resolutions of the Shareholders general meetings, decisions of the Board and Regulations of the Board.

The Board acts in furtherance of the declared strategic objectives in view of the need to optimize shareholder value and to 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.

The procedure of work, rights and responsibilities of the members of the Board of the Management Company are set in the Regulations of the Board.

Darius Šulnis (the chairman), Nerijus Drobavičius and Vytautas Plunksnis were members of the Board of the Management Company since 19 January 2015.

The CEO of the Management Company was Darius Šulnis, the managing director INVL Asset Management. The CEO is the main person managing and representing the Management company. The duties and competence of the CEO have been determined by the Law on Stock Companies and the Articles of Association of the Management company.

## 10.5. INVESTMENT COMMITTEE

Investment Committee is responsible for adopting decisions on the management of the Company's assets and for the representation and protection of the Company's interests.

### 10.5.1. POWERS OF THE INVESTMENT COMMITTEE

The Investment Committee consists of four members. The Investment Committee members are appointed and removed by resolution of the board of the Management Company. The Investment Committee members must have a higher education and at least 3 years of work experience developing and/or managing private equity and/or other activities similar to those described in the Articles of Association of INVL Technology as corresponding to the activities of investment objects, or have a financial broker's license issued by the Bank of Lithuania or other suitable documents recognized by the Bank of Lithuania and confirming suitable qualification. The Investment Committee members must have an impeccable reputation. Employees responsible for determining the value of investment instruments may not be members of the Investment Committee.

The functions of the Investment Committee are:

- to seek to increase the value of individual investment objects and also of the Company as a whole;
- to consider and adopt investment proposals submitted to the Investment Committee including decisions regarding acquisition and disposal of the investment objects, increase and decrease of the authorised capital of the investment objects and other decisions related to capital of the aforementioned companies;
- to consider and adopt management proposals submitted to the Investment Committee including decisions regarding appointment and substitution of the members of the management board of the investment objects;
- to take into account the opinion of the Advisory Committee regarding investment proposals;
- to make decisions on voting in shareholder's meetings of the companies that are being controlled the Company;
- when making investment decisions, to assess the impact of the corresponding investment on the Company's assets, liquidity and risk and return profile, and to explain the reasoning that led to the voting results;
- to adopt decisions to approve or reject investment or management proposals and/or to return them for additions or improvements;
- to direct Management Company Department employees to gather information needed for new investment ideas in order to submit an investment proposal to the Advisory Committee and the Investment Committee;
- to propose the new investment ideas and improve management processes of the Company as well as improve these rules;
- when making investment decisions, to establish possible investment restrictions for a specific investment object;
- to submit proposals and plans for further implementation of an investment proposal;
- to determine the procedures for entering into relationships with consultants, advisors, investment bankers and other experts related to the particular transactions;
- to supervise the implementation of decisions that have been adopted;

- to make decisions on incentive programs within companies that are controlled by the Managed Companies
- to constantly monitor the efficiency and effectiveness of decision-making procedures.

#### **10.5.2. CONVOCACTION OF THE INVESTMENT COMMITTEE MEETING**

Decisions of the Committee shall be adopted during a meeting of the committee. The Investment Committee meeting can be initiated by members of the Committee.

Issues proposed for consideration and draft decisions shall be prepared and submitted to the Investment Committee by Committee members, the Advisory Committee members or the Management Company Department.

Draft decisions shall be prepared in light of the investment strategy specified in the bylaws of the Company and the requirements established in the management agreement, the current level of risk of the Company's assets, the impact of investment decisions on the overall level of risk of the Company's assets, the relationship between expected return and risk, the future counterparty to a transaction and its risk, and other circumstances foreseen in the Policy.

The Investment Committee may adopt decisions, and its meeting shall be deemed to have been held, when at least 3/4 of the appointed (elected) the Investment Committee members participate.

A decision of the Investment Committee is deemed adopted if no fewer than three the Investment Committee members vote in favour.

The Investment Committee members shall assess the opinion expressed by the Advisory Committee regarding a given investment decision. Should the Investment Committee members disagree with an opinion expressed by the Advisory Committee the Investment Committee decision should be made only during unanimous voting.

The head of the Management Company Private Equity Department must ensure that if data regarding The Investment Committee members changes or they cease to perform such duties, information about such changes is provided to the Bank of Lithuania within 5 working days of the change.

#### **10.6. THE ADVISORY COMMITTEE**

The purpose of the Advisory Committee is to provide the Investment Committee with reasoned and fact-based opinions as a way to express an independent position regarding investment decisions, thereby ensuring and protecting shareholders' interests.

##### **10.6.1. POWERS OF THE ADVISORY COMMITTEE**

The Advisory Committee consists of five members. The Advisory Committee members are appointed and removed by resolution of the board of the Management Company. The Advisory Committee members have no vote in the adoption of decisions regarding investment proposals. The Advisory Committee members must have a higher education and at least 3 (three) years of work experience related to the area of expertise which they represent. The Advisory Committee members must have an impeccable reputation. Employees responsible for determining the value of investment instruments may not be members of the Advisory Committee.

The functions of the Advisory Committee are:

- to consider investment proposals submitted to the Investment Committee including decisions regarding acquisition and disposal of the investment objects, increase and decrease of the authorized capital of the investment objects and other decisions related to capital of the aforementioned companies;
- to objectively assess investment proposals in light of their impact on the Company's assets, risk, return and shareholder interests as well as the potential to participate in managing the Company's assets and the potential to increase the value of those assets;
- to provide the Investment Committee with arguments and an opinion regarding each investment proposal;
- to propose the new investment ideas and improving management processes of the Company as well as propose improvements to these rules.

##### **10.6.2. CONVOCACTION OF THE ADVISORY COMMITTEE MEETING**

Decisions of the Committee shall be adopted during a meeting of the committee. Issues proposed for consideration and draft decisions shall be prepared and submitted to the Advisory Committee by Committee members, the Investment Committee members or the Management Company Department.

The Advisory Committee member who initiates an Advisory Committee Meeting shall notify all the other Advisory Committee members by e-mail about the planned meeting. When submitting investment proposals to the Advisory Committee, the supporting materials shall also be sent by e-mail to the members.

Other employees of the Management Company may also be invited to Advisory Committee Meetings. They are obliged to safeguard the commercial secrets of the Company and the Company about which they have learned while participating in Advisory Committee Meetings.

Each the Advisory Committee member shall express his or her opinion and observations regarding each investment proposal that is put forward.

Recommendations of the Advisory Committee are adopted with members voting "for" or "against" each of the investment proposals that is put forward.

A recommendation of the Advisory Committee is deemed adopted if a simple majority votes in favour.

A summary of the Advisory Committee members' arguments and their final decision are presented to the Investment Committee as a recommendation of the Advisory Committee.

## 11 Information about members of the Board, Company providing accounting services

### 11.1. THE MANAGING BODIES OF THE ISSUER TILL 17 MAY 2016

#### THE BOARD AND ADMINISTRATION OF THE COMPANY

As from 10 February 2015 Mr. Kazimieras Tonkunas was elected as the Chairman of the Board. Mr. Nerijus Drobavicius, Mr. Gytis Umantas, Mr. Vytautas Plunksnis and Mr. Alvydas Banyas were elected as the Members of the Board (the Board of INVL Technology was elected during the General Shareholders' Meeting of BAIP Grupe, AB on 5 December 2014).

Mr. Tonkunas was appointed as the director of the company on 9 December 2014.

**The powers of the General Director (CEO) and the Board of INVL Technology have terminated on 17 May 2016.**



Kazimieras Tonkūnas – Chairman on the Board, CEO

The term of office	2014 – 17 May 2016
Educational background and qualifications	Vilnius University, Faculty of Economics, Master in economics– mathematics (systematic analysis of the economic)
Work experience	2007 – 2013 General Director of BAIP, UAB Since 22 July 2016 Managing Partner of INVL Technology at INVL Asset Management, UAB 2015 – 2016 CEO and Chairman of the Board of INVL Technology, AB Since 2013 CEO of Vitma, UAB 2007 – 2015 CEO and Chairman of the Board of BAIP group, AB 2007 - 2013 m. General Director of BAIP, UAB
Owned amount of shares in INVL Technology	Personally: 675,452 units of shares, 5.55 % of authorised capital and votes. Together with the spouse: 861,722 units, 7.08 % of authorised capital and votes. Till 17 May 2016 votes together with other Board members of INVL Technology – 33.39 %.

Participation in other companies	<p>Acena, UAB – Board member</p> <p>Andmevara, AS – Supervisory Board member</p> <p>BAIP, UAB - The Chairman of the Board</p> <p>Norway Registers Development, AS – The Chairman of the Board</p> <p>NRD CS, UAB – The Chairman of the Board</p>
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Nerijus Drobavičius – member of the Board

The term of office	2014 – 17 May 2016
Educational background and qualifications	In 1998 graduated Vytautas Magnus University and gained his Bachelor's degree in Business management. Graduated Vytautas Magnus University in 2000 and gained his Master's degree in banking and finance.
Work experience	<p>Since 2015 - INVL Asset Management, UAB, Head of Finance and IT department</p> <p>Since 2014 works at Invalda INVL, AB group</p> <p>2012 – 2014 Independent financial expert</p> <p>2007 – 2011 CFO in Sanitas Group</p> <p>2001 – 2007 Sampo Bank. Head of Accounting and Reporting department, later – CFO of the bank</p>
Owned amount of shares in INVL Technology	<p>Personally: 4,472 units of shares; 0.04 % of authorised capital and votes.</p> <p>Till 17 May 2016 votes together with other Board members of INVL Technology – 33.39 %.</p>
Participation in other companies	<p>INVL Asset Management, UAB – Member of the Board</p> <p>INVL Asset Management, UAB (Latvia) – Member of the Supervisory Board</p> <p>INVL atklātais pensiju fonds, AB (Latvija) – Member of the Supervisory Board</p> <p>Andmevara AS - The Chairman of the Supervisory Board</p> <p>Inservis, UAB – The Chairman of the Board</p> <p>Imonių grupė Inservis, UAB – The Chairman of the Board</p> <p>Jurita, UAB - The Chairman of the Board</p> <p>Etronika, UAB - Member of the Board</p> <p>INVL Technology, CEF – Member of the Investment Committee</p>





Vytautas Plunksnis – member of the Board

The term of office	2014 – 17 May 2016
Educational background and qualifications	Graduated the studies in economics at Kaunas University of Technology in 2001, gained Bachelor's degree in Management. Financial broker's licence (General) No. G091.
Work experience	Since 2016 - INVL Asset Management, UAB, Head of Private Equity Funds Since 2015 – Inventio, UAB, Director Since 2014 – Consult Invalda, UAB, Director 2009 – 2015 Fund Manager at Invalda INVL, AB 2006 – 2009 Finasta Asset Management, UAB – analyst, fund manager, strategic analyst 2004 ELTA redactor (business news) 2002 – 2004 Baltic News Service business journalist
Owned amount of shares in INVL Technology	Personally: 5,259 units of shares; 0.04 % of authorised capital and votes. Till 17 May 2016 votes together with other Board members of INVL Technology – 33.39 %.
Participation in other companies	INVL Asset Management, UAB – Member of the Board INVL Asset Management, IPAS (Latvia) – Deputy Chairman of the Supervisory Board INVL atklātais pensiju fonds, AB (Latvia) – Deputy Chairman of the Supervisory Board Norway Registers Development, AS – Member of the Board NRD, UAB – Member of the Board NRD CS, UAB - Member of the Board Algoritmu sistemos, UAB - Chairman of the Board Vernitas, AB – Member of the Supervisory Board Investuotoju Asociacija – Chairman of the Board INVL Farmland Management, UAB – Chairman of the Board INVL Finasta, UAB FMI - Member of the Board INVL Technology, CEF – Member of the Investment Committee



Gytis Umantas - member of the Board

The term of office	2014 – 17 May 2016
Educational background and qualifications	Vilnius University, International Business School, Bachelor in International business management in 2001
Work experience	Since 2013 CEO of BAIP, UAB 2008 – 2015 Member of the Board BAIP group, AB 2008 – 2013 Director of Vitma, UAB
Owned amount of shares in INVL Technology	Personally: 151,270 units of shares, 1.24 % of authorised capital and votes. Till 17 May 2016 votes together with other Board members of INVL Technology – 33.39 %.



Alvydas Banys - member of the Board

The term of office	2014 – 2018
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economics' Institute of Lithuania's Science Academy.
Work experience	Since 1 July 2013 Invalda INVL, AB, Advisor Since 2007 LJB Investments, UAB, CEO Since 2007 LJB Property, UAB, CEO 1996 – 2006 Invalda, AB, Vice President 1996 – 2007 Nenuorama, UAB, President
Owned amount of shares in INVL Technology	Personally: 252,875 units of shares, 7.68 % of authorised capital and 7.83 % votes. Together with controlled company LJB Investments, UAB: 1,230,626 units of shares, 37.38 % of authorized capital and 38.12 % votes. Till 17 May 2016 votes together with other Board members of INVL Technology – 33.39 %.
Participation in other companies	Invalda INVL, AB – Chairman of the Board, adviser INVL Baltic Farmland, AB – Chairman of the Board INVL Baltic Real Estate, AB – Chairman of the Board Litagra, UAB – Member of the Board




**Kristupas Baranaukas – CFO**

Educational background and qualifications	In 2010 graduated from Vilnius university Economics faculty with MA in accounting and auditing.
Work experience	Since March 2016 – FINtime, UAB, CEO May 2015 – December 2015 bank Finasta, AB – Member of the Board February 2015 - September 2015 – CFO of bank Finasta, AB 2013 – 2015 The director of accounting and reporting department at bank Finasta, AB 2009 – 2013 DNB bank, AB - IFRS project manager 2008 – 2009 Coface Lietuva - director of finance management department. 2003 – 2008 Ernst & Young Lietuva, UAB - audit consultant.
Owned amount of shares in INVL Technology	-
Participation in other companies	Acena, UAB – Board member BAIP, UAB - Board member

## 11.2. THE MANAGING BODIES OF THE ISSUER FROM 17 MAY 2016

The management of INVL Technology was assumed by the management company INVL Asset Management on 14 July 2016, when the Bank of Lithuania issued the closed-ended type investment company licence (CEF) and the rights and duties of the Board and the head of the Company transferred to the Management Company.

Darius Šulnis (Chairman of the Board), Nerijus Drobavičius, Vytautas Plunksnis are the members of the Board since 19 January 2015.

CEO of the Managent Company INVL Asset Management is Darius Šulnis.

Investment Committee was established for operational efficiency and investment control by the decision of the Board of the Management Company INVL Asset Management. Investment Committee is the collegial investment and management decision-making body responsible for adopting decisions on the management of the Company's assets and for the representation and protection of the Company's interests. The Advisory Committee shall be established also.

Investment Committee consists of 4 members: Kazimieras Tonkūnas (Chairman of the Investment Committee), Vida Juozapavičienė, Vytautas Plunksnis and Nerijus Drobavičius.



**Darius Šulnis** – CEO of the Management Company INVL Asset Management, UAB;  
Chairman of the Board of the Management Company

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 the 2015 general director 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
Participation in other companies	Invalda INVL, AB – Member of the Board, the president Litagra, UAB – Member of the Board INVL Asset Management IPAS (Latvia) – Member of Supervisory Board INVL atklātājs pensiju fonds AS (Latvia) – Member of Supervisory Board Šiaulių bankas, AB – Member of Supervisory Board



**Kazimieras Tonkūnas** – INVL Technology Managing Partner, Chairman of the Investment Committee

Educational background and qualifications	Vilnius University, Faculty of Economics, Master in economics– mathematics (systematic analysis of the economic)
Work experience	2007 – 2013 General Director of BAIP, UAB Since 22 July 2016 Managing Partner of INVL Technology at INVL Asset Management, UAB 2015 – 2016 CEO and Chairman of the Board of INVL Technology, AB Since 2013 CEO of Vitma, UAB 2007 – 2015 CEO and Chairman of the Board of BAIP group, AB 2007 - 2013 m. General Director of BAIP, UAB

Owned amount of shares in INVL Technology	Personally: 675,452 units of shares, 5.55 % of authorised capital and votes Together with the spouse: 861,722 units, 7.08 % of authorised capital and votes
Participation in other companies	Acena, UAB – Board member Andmevara, AS – Supervisory Board member BAIP, UAB - The Chairman of the Board Norway Registers Development, AS – The Chairman of the Board NRD CS, UAB – The Chairman of the Board



Nerijus Drobavičius – Member of the Investment Committee, Member of the Board of the Management Company

Educational background and qualifications	In 1998 graduated Vytautas Magnus University and gained his Bachelor's degree in Business management. Graduated Vytautas Magnus University in 2000 and gained his Master's degree in banking and finance.
Work experience	Since 2015 - INVL Asset Management, UAB, Head of Finance and IT department Since 2014 works at Invalda INVL, AB group 2012 – 2014 Independent financial expert 2007 – 2011 CFO in Sanitas Group 2001 – 2007 Sampo Bank. Head of Accounting and Reporting department, later – CFO of the bank
Owned amount of shares in INVL Technology	Personally: 4,472 units of shares; 0.04 % of authorised capital and votes.
Participation in other companies	INVL Asset Management, UAB (Latvia) – Member of the Supervisory Board INVL atklātais pensiju fonds, AB (Latvija) – Member of the Supervisory Board Andmevara AS - The Chairman of the Supervisory Board Inservis, UAB – The Chairman of the Board Imoniu grupe Inservis, UAB – The Chairman of the Board Jurita, UAB - The Chairman of the Board Etronika, UAB - Member of the Board INVL Technology, CEF – Member of the Investment Committee



**Vytautas Plunksnis – Member of the Investment Committee, Member of the Board of the Management Company**

Educational background and qualifications	<p>Graduated the studies in economics at Kaunas University of Technology in 2001, gained Bachelor's degree in Management.</p> <p>Financial broker's licence (General) No. G091.</p>
Work experience	<p>Since 2016 – INVL Asset Management, UAB, Head of Private Equity Funds</p> <p>Since 2015 – Inventio, UAB, Director</p> <p>Since 2014 – Consult Invalda, UAB, Director</p> <p>2009 – 2015 Fund Manager at Invalda INVL, AB</p> <p>2006 – 2009 Finasta Asset Management, UAB analyst, fund manager, strategic analyst</p> <p>2004 ELTA redactor (business news)</p> <p>2002 – 2004 Baltic News Service business journalist</p>
Owned amount of shares in INVL Technology	<p>Personally: 5,259 units of shares; 0.04 % of authorised capital and votes.</p>
Participation in other companies	<p>INVL Asset Management, UAB – Member of the Board</p> <p>INVL Asset Management, IPAS (Latvia) – Deputy Chairman of the Supervisory Board</p> <p>INVL atklātais pensiju fonds, AB (Latvia) – Deputy Chairman of the Supervisory Board</p> <p>Norway Registers Development, AS – Member of the Board</p> <p>NRD, UAB – Member of the Board</p> <p>NRD CS, UAB - Member of the Board</p> <p>Algoritmu sistemos, UAB - Chairman of the Board</p> <p>Vernitas, AB – Member of the Supervisory Board</p> <p>Investuotoju Asociacija – Chairman of the Board</p> <p>INVL Farmland Management, UAB – Chairman of the Board</p> <p>INVL Finasta, UAB FMI - Member of the Board</p> <p>INVL Technology, CEF – Member of the Investment Committee</p>



Vida Juozapavičienė – Member of the Investment Committee

Educational background and qualifications	Graduated the studies in economics at Kaunas University of Technology in 1998, gained Bachelor's degree in Management.
Work experience	Since 2015 – INVL Asset Management, UAB, COO 2012 – 2016 INVL Technology, AB, Head of HR&General Affairs 2008 – 2016 BAIP, UAB COO 2005 – 2007 Alna Intelligence, UAB COO 2004 – 2005 Alna Intelligence, UAB Regional Development Director 2002 – 2004 Alna, AB, Collaboration Solutions Center Manager 1999 – 2002 Alna, AB, Internet center director 1999 – 1999 Lietuvos telekomas, AB, Internet services business unit manager 1998 – 1999 C gates, UAB, Procurement Manager
Owned amount of shares in INVL Technology	Personally: 186,270 units of shares Together with the spouse: 861,722 units, 7.08 % of authorised capital and votes
Participation in other companies	Norway Registers Development AS – Member of the Board NRD CS, UAB – Member of the Board Etronika, UAB – The Chairman of the Board Acena, UAB – Member of the Board Algoritimų sistemos, UAB – Member of the Board Andmevara AS – Member of the Supervisory Board

During 2016 no remuneration has been calculated for the member of the Investment Committee. All members of the Investment Committee have participated in all 10 meetings that took place in 2016.

### 11.3. INFORMATION ABOUT ACCOUNTING SERVICES COMPANY

During the reporting period accounting services and preparation of the documents related with bookkeeping for INVL Technology were provided by the personnel of INVL Technology. 14 July 2016 the Bank of Lithuania issued the closed-ended type investment company licence. Accounting services from this date are provided by the management company INVL Asset management (code 126263073, address Gyneju str. 14, Vilnius) and FINtime, UAB (code 304192355, address A.Juozapaviciaus st. 6, Vilnius).

### 11.4. INFORMATION ABOUT THE AUDIT COMMITTEE OF THE COMPANY

The Audit Committee of INVL Technology consists of 2 members, one of whom is independent. The members of the Audit Committee are elected for four years by the General Shareholders' Meeting or the Management Company.

The main functions of the Committee are the following:

- provide recommendations for the Management Company 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 preparation process of Company's financial reports;
- monitor the efficiency of Management Company's internal control and risk management systems. Once a year review the need of the internal audit function;
- monitor if the Management Company's managers properly response to the audit firm's recommendations and comments.

The Member of the Audit Committee of INVL Technology may resign from his post before the expiry of term of office, notifying the Management Company in writing at least 14 calendar days in advance. When the Management Company receives the notice of resignation and estimates all circumstances related to it, the Management Company 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 Company's General Shareholders Meeting. In any case the new member is elected till the end of term of office of the operating Audit Committee.

#### **11.4.1. 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 Management Company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

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.

#### 11.4.2. THE AUDIT COMMITTEE BODIES

The General Shareholders Meeting which took place on 27 June 2016 decided to elect Danute Kadanaite, the lawyer at Legisperitus UAB, and Tomas Bubinas, CFO at Biotechpharma UAB to the Audit Committee of INVL Technology.



**Danutė Kadanaitė – Member of the Audit Committee**

The term of office	Since 2016 until 2020
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 INVL Technology	-



**Tomas Bubinas – Independent Member of the Audit Committee**

The term of office	Since 2016 until 2020
Educational background and qualifications	2004 - 2005 Baltic Management Institute (BMI), Executive MBA 1997 - 2000 Association of Chartered Certified Accountants. ACCA. Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 - 1993 Vilnius University, Msc. in Economics
Work experience	Since 2013 Chief Operating Officer at Biotechpharma, UAB 2010 - 2012 Senior Director, Operations. TEVA Biopharmaceuticals (USA) 2004 - 2010 CFO for Baltic countries, Teva Pharmaceuticals 2001 - 2004 m. CFO, Sicor Biotech 1999 - 2001 Senior Manager, PricewaterhouseCoopers 1994 - 1999 Senior Auditor, Manager, Coopers & Lybrand.
Owned amount of shares in INVL Technology	-



During 2016 no remuneration has been calculated for the member of the Audit Committee. All members of the Audit Committee have participated in all 4 meetings that took place in 2016.

**11.4.3. INFORMATION ON THE AMOUNTS CALCULATED BY THE ISSUER, OTHER ASSETS TRANSFERRED AND GUARANTEES GRANTED TO THE MEMBERS OF THE BOARD, DIRECTOR AND COMPANY PROVIDING ACCOUNTING SERVICES**

CEO and 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 management. During 2016, the average expenses related to administration remuneration per month amounted to EUR 13.9 thousand. The Members of the Board are not remunerated.

Since 14 July 2016 the management of INVL Technology was assumed by INVL Asset Management. The management fee will be payable to the management company. The management fee during investment period for a full quarter shall be 0.625 percent while after its end it shall be 0.5 percent of the weighted average capitalisation of the company

During 2016 the calculated total remuneration for the accounting services company was EUR 7 thousand.

During 2016 the calculated total remuneration for the Audit Committee members for the work in the Audit Committee - EUR 363. The members of the Audit Committee are remunerated according to the Remuneration payment order for the activity of independent audit committee members, determined by the Management Company.

**11.4. table.** Information about expenses related to the remuneration for the administration of the issuer during the 2016 (thousands EUR)

Salary	116
Social Insurance Taxes	36
Total	152



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

### 12. Overview of the Issuer and its group activity

#### 12.1. BUSINESS ENVIRONMENT

##### 12.1.1. Table. 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

##### 12.1.2. Table. Key economic indicators of Lithuania

Rate	2009	2010	2011	2012	2013	2014	2015	2016
Real GDP annual change (excluding seasonal and labour days, percent)	-14.6	1.6	6.0	3.9	3.4	3.5	1.7	2.2
Nominal GDP (EUR billion)	26.935	28.028	31.275	33.348	35.002	36.590	37.331	38.631
Retail trade turnover	-21.0	-6.0	5.0	4.8	4.3	5.3	4.5	4.1
(at constant prices, excluding vehicle trade) annual change (percent)	13.7	17.8	15.4	13.4	11.8	10.7	9.1	7.9
CPI, annual change* (%)	4.2	1.2	4.1	3.2	1.2	0.2	-0.7	0.7
HICP, annual average change (%)	613.5	614.4	629.9	646.4	677.8	714.5	756.9	822.8
Average monthly wage	-8.7	0.2	2.5	2.6	4.8	5.4	5.9	8.7

Source: SEB bank, Statistics Lithuania

##### 12.1.3. Table. 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

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 an 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).

Last year information technology (IT) sector was negatively affected by contracted investments of Lithuanian public sector. Institutions have mainly invested to traditional IT and analytical solutions and less so to systems development. State orders should intensify in 2017. It is planned to create the National Strategy for Cyber Security, which would list IT gaps and afterwards would form a demand for new projects and work places. A consolidation of public IT resources should also intensify. One of the risks is that a growing number of orders makes it difficult to finalize them in time. A shortage of IT specialists and growing wages remain a sore of the sector.

Growing competition in Lithuanian public sector leads to intensified competition in private sector and creates incentives to step into export markets, which usually allow to earn a higher profitability.

## 12.2. SIGNIFICANT ISSUER'S AND ITS GROUP EVENTS DURING THE REPORTING PERIOD, AFFECT ON THE FINANCIAL STATEMENT

### 12.2.1. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- On 12 February 2016** Convocation of an extraordinary general meeting of shareholders of AB INVL Technology and publication of draft resolutions. The Company's extraordinary general meeting of shareholders is to be held on 7 March 2016. Agenda of the extraordinary general meeting of shareholders: 1. Amendment of the Articles of Association of AB INVL Technology and approval of a new wording of the Articles of Association of special closed-ended type private capital investment company INVL Technology. 2. Approval of the Management Agreement of special closed-ended type private capital investment company INVL Technology with the management company UAB INVL Asset Management 3. Approval of the Depository Services Agreement of special closed-ended type private capital investment company INVL Technology with AB SEB.

- **On 29 February 2016** INVL Technology reports preliminary operating results for 12 months of 2015. During 2015 the Company had a net profit of EUR 2.490 thousand. Fair value of investments managed by the Company reached EUR 16.931 thousand by the 31 December 2015, increase in fair value on revaluation was EUR 2.223 thousand. Fair value measurement is based on preliminary independent appraisal. The Company performs independent appraisal annually while preparing annual financial statements. During 2015, the Company also received EUR 598 thousands dividends from the managed companies. Equity of the Company as of 31 December 2015 was EUR 24.324 thousand.
- **On 7 March 2016** the resolutions of the extraordinary General Shareholders Meeting of INVL Technology, AB were announced. A new wording of the Articles of Association of special closed-ended type private capital investment company INVL Technology, the Management Agreement of special closed-ended type private capital investment company INVL Technology with the management company UAB INVL Asset Management and the Depository Services Agreement of special closed-ended type private capital investment company INVL Technology with AB SEB Bankas were approved.
- **On 21 March 2016** Inventio, a subsidiary of INVL Technology, acquired 100 per cent shares of information system development company Algoritmu sistemas for EUR 2.385 million.
- **On 31 March 2016** INVL Technology was announced the winner at the privatisation auction of Estonian IT company Andmevara. Financial advisor of the Transaction Redgate Capital announced the decision of the Estonian Ministry of Interior on 30th March 2016. The transaction was completed on 20 April 2016 signing the share acquisition agreement. 100 per cent of shares was acquired for EUR 664,6 thousand.
- **On 7 April 2016** audited results of INVL Technology for 2015 were announced. Audited net profit of INVL Technology amounted to EUR 2.51 million. Fair value of investments managed by the Company after acquisitions and revaluation reached EUR 16.96 million in 2015.
- **29 April 2016** Resolutions of the Shareholders Meeting of INVL Technology, AB that was held on 29 April 2016 were announced: 1. Presentation of INVL Technology annual report for 2015; 2. Presentation of the independent auditor's report on the financial statements of INVL Technology for 2015; 3. The approval of the consolidated and companies financial statements for 2015 of INVL Technology; 4. Regarding the distribution of the profit of INVL Technology for 2015; 5. The approval of a new wording of the Articles of Association of special closed-ended type private capital investment company INVL Technology; 6. The approval of a new wording of the Management Agreement of special closed-ended type private capital investment company INVL Technology with the management company UAB INVL Asset Management (legal entity code: 126263073, address of the registered office: Gyneju str. 14, Vilnius, Republic of Lithuania).
- **16 May 2016** preliminary operating results of INVL Technology for 3 months of 2016 were announced. Equity of INVL Technology AB as of 31 March 2016 was EUR 24.23 million or EUR 1.99 per share – the same as at the end of 2015. Fair value of investments managed by the Company amounted to EUR 19.7 million on the 31 March 2016. In the first quarter of 2016, it has increased by EUR 2.78 million – mostly due to the acquisition of Algoritmu sistemas UAB and investments in the share capital of managed companies.
- **17 May 2016** the Register of Legal Entities has registered Articles of Association of a special closed-end type private capital investment company INVL Technology. Draft Articles of Association were approved at the General Shareholders Meeting held on 29 April 2016. After the registration of the Articles of Association, the powers of CEO and the Management Board of INVL Technology have terminated.
- **3 June 2016** Convocation of an extraordinary general meeting of shareholders of AB INVL Technology and publication of draft resolutions. The Company's extraordinary general meeting of shareholders is to be held on 27 June 2016. Agenda of the extraordinary general meeting of shareholders: 1. Amendment of the Articles of Association of special closed-end type private capital investment company INVL Technology and approval of a new wording of the Articles of Association. 2. Amendment of the Management Agreement of special closed-end type private capital investment company INVL Technology with the management company UAB INVL Asset Management and approval of a new wording of the Management Agreement. 3. Approval of the rules for formation and activities of the audit committee of special closed-end type private capital investment company INVL Technology, election of members of the audit committee and setting remuneration for the independent member of the audit committee. These issues were approved during the general meeting of shareholders held on 27 June 2016.
- **27 June 2016** the Register of Legal Entities has registered Articles of Association of a special closed-ended type private capital investment company INVL Technology. Draft Articles of Association were approved at the General

Shareholders Meeting held on 27 June 2016. The Articles of Association indicates that the legal form of the company shall be a public limited liability company, the type of the company - a closed-ended type investment company. The name of the company shall be special closed-ended type private capital investment company INVL Technology. The company shall operate for 10 years after obtaining a closed-ended type investment company licence, the term of activities of the company can be additionally extended for no more than 2 years. The shares of the company are admitted to trading on the NASDAQ Vilnius stock exchange.

- **27 June 2016** INVL Technology has signed an updated management agreement with INVL Asset Management. The agreement will take effect when INVL Technology receives a closed-ended type investment company licence issued by the Bank of Lithuania.
- **14 July 2016** INVL Technology, a company that invests in information technology businesses, has been issued a closed-end investment company (UTIB) license by the Bank of Lithuania. Under the company's Articles of Association, UTIB INVL Technology will operate until 14 July 2026, with extension possible for a further two years.
- **18 July 2016** The Bank of Lithuania approved the listing prospectus for the ordinary registered shares of UTIB INVL Technology, a closed-end investment company which invests in information technology businesses. Based on this decision, which was made today, the resumption of trading in the shares of UTIB INVL Technology on the Nasdaq Vilnius exchange is planned as of 19 July.
- **5 August 2016** INVL Technology has signed an agreement with Šiaulių Bankas. Under an agreement the bank will provide market maker services, displaying buy and sell quotations for the shares of INVL Technology during at least 85 per cent of trading time on the exchange.
- **29 August 2016** Unaudited results of INVL Technology for 6 months of 2016 were announced. The equity capital of INVL Technology as of 30 June 2016 was EUR 23.925 million or EUR 1.965 per share. The equity has decreased by 1.3% from the beginning of the year. Fair value of portfolio of the Company has amounted to EUR 20.58 million on 30 June 2016. In the first half of 2016 it has increased by EUR 3.62 million – mostly due to the acquisition of Algoritmu sistemas UAB and Andmevara AS.
- **30 August 2016** Initial net asset value of the INVL Technology as provided in section XI 'Calculation of the net asset value' and Article 153.1 was EUR 23,906,150 on 13 July 2016.
- **15 September 2016** INVL Technology was held the meeting with shareholders, partners and investors and introduced the INVL Technology and its managed companies perspectives over the next 10 years.
- **31 October 2016** Net Asset Value and factsheet for 9 months of 2016 of INVL Technology were announced. Equity of INVL Technology as of 30 September 2016 was EUR 23.65 million or EUR 1.94 per share (compared to 1.99 euro per share at the end of 2015). The Company's net asset value as of 30 September 2016 was EUR 23,650,988 or EUR 1.9425 per share. Fair value of investments managed by the Company amounted to EUR 20.45 million on the 30 September 2016. In the nine months of 2016, it has increased by EUR 3.49 million – mostly due to the acquisition of Algoritmu sistemas UAB and investments in the share capital of managed companies. Decrease in fair value on revaluation amounted to EUR 0.2 million.
- **17 November 2016** Algoritmu Sistemas, a business managed by the IT investment company INVL Technology, will take control of 100 per cent of the shares of Profectus Novus was announced. The size of the transaction is not public. Its completion is planned in the first quarter of 2017, once permission is obtained from the Commission on Assessment of Potential Participants Compliance with National Security Interests.
- **23 December 2016** INVL Technology has received from Invalda INVL notification of a person on disposal of voting rights and from both INVL Asset Management and Invalda INVL notification of a group on acquisition of voting rights. An event changing the breakdown of voting rights – non-monetary contribution by transferring the issuer shares increasing the share capital. Declared threshold – 15%.

#### 12.2.2. SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

- **17 January 2017** has acquired EUR 1.55 million of bonds from the company BAIP. The bonds pay an annual interest rate of 7.625 per cent and mature on 30 June this year. The money raised in the bond issue will be used to ensure the participation of INVL Technology group companies in a foreign tender.
- **28 February 2017** preliminary operating results for 12 months of 2016 were announced. The preliminary equity of INVL Technology, after the revaluation of financial assets, as of 31 December 2016 was EUR 19.7 million or EUR 1.62 per share (compared to 1.99 euro per share at the end of 2015) and decreased 18.6 percent in 2016.

Reported financial indicators of INVL Technology are preliminary, unaudited and do not represent disclosure of the net asset value of the Company.

### 12.2.3. INFORMATION ABOUT PUBLIC INFORMATION

Following the requirements of the Law of the Republic of Lithuania, all main events concerning the Company and information about time and venue of the General Meeting of Shareholders are published on the website of the Company [www.invltechnology.lt](http://www.invltechnology.lt) and in AB NASDAQ Vilnius Stock Exchange.

During 2016 the Company made 48 official announcements about significant events and other required information on the AB NASDAQ Vilnius ([www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)) stock exchange.

## 12.3. SIGNIFICANT EVENTS OF PORTFOLIO COMPANIES DURING REPORTING PERIOD

### 12.3.1. ACTIVITIES OF NRD GROUP IN 2016



Business climate improvement  
and e-governance  
NRD companies

NRD companies (Norway Registers Development AS with its subsidiaries NRD UAB, Etronika UAB, Norway Registers Development East Africa Ltd., Norway Registers Development Rwanda Ltd., Norway Registers Development Bangladesh Ltd. and an associated company Infobank Uganda Ltd.), continued projects in Lithuania, Tanzania, Zanzibar, Uganda, Burundi, Mauritius, the Kingdom of Lesotho and Southeast Asia, and won new international tenders.

During 2016 Norway Registeres Development AS directed significant part of internal resources for business development within different regions such as Sub Saharan Africa and Bangladesh. Expenses on these activities were reported in profit (loss) statement. Those efforts are related to the establishment of a subsidiary in Rwanda in 2016 and establishment of a subsidiary in Bangladesh in 2017 (together with NRD CS).

#### LARGEST PROJECTS IN LITHUANIA:

NRD UAB signed a contract with The Customs Department under the Ministry of Finance of the Republic of Lithuania for the development and operational support of Integrated Tariff Management System (ITVS) services and a contract for the assignment „Development and Maintenance of Resource Management Information System (AVS)“ with „Staticus“ UAB.

#### LARGEST PROJECTS IN SUBSACHARAN AFRICA:

In Tanzania NRD group implemented Unified Registry of Beneficiaries System for Tanzania Social Action Fund and began the design and development of an Online Registration System at Business Registrations and Licensing Agency (BRELA).

In Zanzibar companies successfully finished the adjustment project of the Civil Registration Vital Statistics (CRVS) system.

In Uganda an agreement was signed with National Information Technology Authority-Uganda (NITA-U) for the extension of the integrated One-Stop-Centre solution (OSC). In December 2016, NRD companies launched a modern, reliable and secure digital Business Registration System (BRS) for Uganda Registration Services bureau. BRS is a part of One Stop Centre (OSC) project.

The 4th annual Cyber Defence East Africa 2016 conference-trainings, organised by NRD Companies together with NRD CS and the National Information Technology Authority - Uganda (NITA-U) took place in Kampala, Uganda on 27-29th September 2016.

In Liberia the companies signed a contract with the Ministry of Finance and Development Planning for consultancy services to upgrade Liberia Business Registry System to integrate with Standard Integrated Government Tax Administration System.

NRD East Africa in joint venture with BAIP completed two large scale modernisation projects in the National Bank of Rwanda and signed an additional agreement this year.

NRD group implemented COBIT 5 framework for the governance and management of enterprise IT at the Bank of the Republic of Burundi (BRB) as well as Pre-Investment Study for the Lesotho E-Government Infrastructure Project at the Kingdom of Lesotho.





In 2016 NRD Companies also signed a new agreement with Ministry of Justice of Mozambique for the Support services for the Registry of Legal Entities.

#### PROJECTS IN SMALL ISLAND STATES:

In Saint Kitts and Nevis NRD UAB in joint venture with Norway Registers Development AS signed a 6 month-long contract with the Ministry of Sustainable Development. NRD Companies will contribute to the implementation of Saint Kitts and Nevis National Statistics Development Strategy (2015-2020) by developing the Statistical Business Register.

#### LARGEST PROJECTS IN SOUTHEAST ASIA:

In Bangladesh, the companies continued developing Bangladesh National Computer Incident Response Team (BGD e-GOV CIRT). In the Kingdom of Bhutan, together with NRD CS and BAIP, the companies completed a national cybersecurity incident response team (BtCIRT) establishment project.

In 2016 revenue of NRD companies remained similar to 2015 and reached EUR 6.032 million. NRD companies' EBITDA (earnings before interest, tax, depreciation and amortization) in the 12 months of 2016 was a negative EUR 42 thousand, compared with a positive EBITDA of EUR 767 thousand in the same period last year.

In 2016 the biggest factor behind the change in the profit of the NRD group was Etronika's loss (EBITDA) of EUR 236 thousand compared with profit (during the period 01.07.2015 - 31.12.2016) EUR 406 thousand. In 2016, Etronika UAB directed internal resources for the development of Fintech products. Expenses on product development during 2016 were reported in profit (loss) statement and were not capitalised.

Results were also influenced by the costs related to the business expansion in Rwanda and Bangladesh as well as operating expenses in Rwanda.

In 2016 revenue of Etronika, UAB reached EUR 1,540 thousand (EUR 1,836 thousand during 2015), EBITDA was negative and reached EUR 236 thousand (compared with positive EBITDA EUR 110 thousand in 2015).

Audit within separate entities is conducted only if required under local legislation within timeframes set in the law.

#### KEY PL ITEMS OF NRD GROUP, THOUS. EUR \*

	31.12.2015	31.12.2016
Revenue	5,912	6,032
Gross profit	4,434	4,077
EBITDA	767	(42)
EBIT	610	(250)
Net Profit (Loss)	482	(431)

\* ETRONIKA UAB is included from the month the control was transferred, i.e. 1 July 2015. Also during 2016 net assets, related to acquisition of Etronika UAB, were recalculated, resulting that goodwill was allocated to the respective items within intangible assets, amortizing the assets during their useful lives. Respectively consolidated year 2015 results were restated.

**KEY BS ITEMS OF NRD GROUP, THOUS. EUR \***

	31.12.2015	31.12.2016
Tangible assets	346	314
Intangible assets	725	593
Other non-current assets	42	43
Current assets	3,397	2,964
<i>of which cash</i>	868	456
<b>Total assets</b>	<b>4,510</b>	<b>3,914</b>
Equity	1,171	1,109
Non-current liabilities	226	229
<i>of which financial debt</i>	26	12
Current liabilities	3,113	2,576
<i>of which financial debt</i>	131	365
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,510</b>	<b>3,914</b>

\*ETRONIKA UAB is included from the month the control was transferred, i.e. 1 July 2015. Also during 2016 net assets, related to acquisition of ETRONIKA UAB, were recalculated, resulting that goodwill was allocated to the respective items within intangible assets, amortizing the assets during their useful lives. Respectively consolidated year 2015 results were restated.

**KEY PL ITEMS OF ETRONIKA, THOUS. EUR \***

	June-December 2015	2016
Revenue	1,321	1,540
Gross profit	1,158	1,350
EBITDA	406	(236)

\* ETRONIKA UAB is included from the month the control was transferred, i.e. 1 July 2015. Also during 2016 net assets, related to acquisition of ETRONIKA UAB, were recalculated, resulting that goodwill was allocated to the respective items within intangible assets, amortizing the assets during their useful lives. Respectively consolidated year 2015 results were restated.

**KEY PL ITEMS OF NRD, UAB, THOUS. EUR \***

	31.12.2015	31.12.2016
Revenue	2,344	1,978
Gross profit	1,926	1,839
EBITDA	272	124



### 12.3.2. ACTIVITIES OF ANDMEVARA AS IN 2016



Business climate improvement  
and e-governance  
NRD companies

Estonia-based Andmevara, which was acquired in April this year, currently serves 250 clients in Estonia and Moldova. Largest Andmevara clients include Estonian Ministry of the Interior, Ministry of Finance, Ministry of Justice, state agencies and municipalities. In February 2017 AS Andmevara became a partner for the management and development of information systems for local governments for the next 3 years. The has company stabilized its activities after processing of Estonian Population Registry was spun-off from the company and the company was privatised, and it began growing revenue in both Estonia and Moldova.

In Moldova, the company is currently implementing two projects: digitization of 4.8 million archive documents and development of an information system for data searching, storing at the e-government of Moldova as well as a contract with the Ministry of Foreign Affairs and European Integration of the Republic of Moldova for the partial digitisation of Moldova State Archive paper archive (250 thousand documents) and implementation of search system for digital documents, signed in June 2016.



In January 2017 Andmevara completed the digitisation of 650 thousand Moldovan court documents project.

Andmevara clients in Moldova also include the Parliament of the Republic of Moldova, General Prosecutor Office, Bureau for Migration and Asylum and Environmental Pollution Prevention Office.

In 2016 revenue of Andmevara AS reached EUR 1.960 thousand. EBITDA was a negative EUR 56 thousand.

Audit within separate entities is conducted only if required under local legislation within timeframes set in the law.

#### KEY PL ITEMS OF ANDMEVARA AS, THOUS. EUR \*

	May – December 2016
Revenue	899
Gross profit	743
EBITDA	(29)
EBIT	(54)
Net Profit (Loss)	(53)

\*Andmevara AS is included from the month the control was transferred, i.e. 1 May 2016.

**KEY BS OF ANDMEVARA AS ITEMS, THOUS. EUR \***

	31.12.2015	31.12.2016
Tangible assets	61	29
Intangible assets	9	11
Current assets	2,176	455
<i>of which cash</i>	1,790	296
<b>Total assets</b>	<b>2,246</b>	<b>495</b>
Equity	1,570	218
Non-current liabilities	-	-
Current liabilities	676	277
<i>of which financial debt</i>	2	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,246</b>	<b>495</b>

\*Andmevara AS is included from the month the control was transferred, i.e. 1 May 2016.

**12.3.3. ACTIVITIES OF BAIP, UAB AND ACENA, UAB IN 2016**


BAIP UAB, which works in the area of IT infrastructure, carried out projects and signed new contracts in the Baltic States, Denmark, Norway, Rwanda and Burundi. The company implemented projects and maintenance agreements in a variety of Lithuanian institutions and organizations. BAIP also strengthened its partnerships with hardware and software vendors and qualified as a Dell Premier Partner in Lithuania.

BAIP continued development in foreign countries. BAIP revenue outside of Lithuania rose to EUR 2.7 million and amounted to 28 percent of the total revenue.

In Lithuania the company implemented projects in the National Courts Administration, State Enterprise „Infostruktūra“, Vilnius University Hospital Santariskiu Klinikos, also carried out maintenance contracts with Lithuanian Geological Survey and State Consumer Rights Protection Authority. BAIP continued to provide services for the largest retail chains and Scandinavian banks in Latvia and Estonia, and also expanded its activities in Norway.

In addition, this year, BAIP UAB together with NRD East Africa implemented three modernization projects at Rwanda's central bank with a total value of EUR 2.193 million. Two of the projects began last year and the third began this year after a new tender was won. In 2016, a new maintenance agreement was also signed with the central bank of Burundi.

In January 2017, BAIP UAB signed office equipment maintenance, service and rental contract with Orlen Lietuva AB.



In the Kingdom of Bhutan, together with NRD AS and NRD CS, the company completed a national cybersecurity incident response team (BtCIRT) establishment project.



Acena UAB has shifted to a service provider business model focusing on large corporate clients and the development of its own services and custom solutions. The company is developing business intelligence solutions and related services. Acena in a recent Microsoft Lietuva partners' event in November 2016 was awarded with two nominations – "Tomorrow of the Year" and "Analyst of the Year".

The revenue of the IT infrastructure businesses reached EUR 11,1 million in the 12 months of 2016, while in the same period last year it was EUR 12,149 thousand. EBITDA and net profit in this area decreased in the 12 months of 2016 due to higher costs for international expansion and one-off costs.

EBITDA was EUR 373 thousand and net loss was EUR 92 thousand. EBITDA in the same period of 2015 was EUR 1,273 thousand and net profit - EUR 988 thousand.

During 2016 BAIP experienced one-off EUR 332 thousand direct costs (including related legal expenses) for the illegal actions of company's service recipients. The company has taken measures to ensure the internal control procedures in order to avoid repetition in the future and plans to claim compensation for the incurred damages.

Business results in the area of IT infrastructure were also impacted by delays in the start of a new EU structural funds investment program, which has reduced public sector demand for IT services this year. Procurement under the new EU program, which is currently being set up, is expected to begin at the end of the year. Lost income in the Baltic public sector this year has been offset by international activities and long-term service agreements with large corporate clients, namely banks and retail chains.

Audit within separate entities is conducted only if required under local legislation within timeframes set in the law.

#### KEY PL ITEMS OF BAIP, UAB AND ACENA, UAB, THOUS. EUR \*

	31.12.2015	31.12.2016
Revenue	12,149	11,100
Gross profit	2,716	2,040
EBITDA	1,273	373
EBIT	1,044	(59)
Net Profit (Loss)	998	(107)

\*BAIP, UAB was transferred control of ACENA, UAB on October 2015. To show the performance of the IT infrastructure industry results, to consolidate the data presented for the entire period

**KEY BS ITEMS OF BAIP, UAB AND ACENA, UAB, THOUS. EUR**

	31.12.2015	31.12.2016
Tangible assets	1,023	1,176
Intangible assets	334	359
Other non-current assets	145	308
Current assets	5,253	4,637
<i>of which cash</i>	746	1,276
<b>Total assets</b>	<b>6,755</b>	<b>6,480</b>
Equity	2,782	1,829
Non-current liabilities	115	85
<i>of which financial debt</i>	115	85
Current liabilities	3,858	4,566
<i>of which financial debt</i>	246	288
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,755</b>	<b>6,480</b>

**12.3.4. ACTIVITIES OF NRD CS, UAB IN 2016**


The results of the cybersecurity firm NRD CS UAB continue to be boosted by international expansion and preventative Cyber security capacity building services. Revenue of the company increased from EUR 1,523 thousand in 2015 to EUR 1,577 thousand in the same period this year. Gross profit of the company also increased from EUR 691 thousand in 2015 to EUR 846 thousand in the same period this year. The company also dedicated significant resources for research and development.

The company's EBITDA reached EUR 110 thousand in 2016 compared to EUR 191 thousand in the same period of 2015. The company's revenue from foreign markets increased by about 90 percent and made up 36 percent of total company's revenue.

In the 12 months of 2016, NRD CS UAB signed new international contracts and implemented projects in Lithuania, Burundi, Bhutan and Bangladesh. In Lithuania, NRD CS implemented IT investigations modernisation project at the Police Department under the Ministry of Internal Affairs. The company also prepared a methodology for critical information infrastructure objects identification and classification.



In addition, a cooperation agreement was signed with Kaunas University of Technology (KTU) for joint research in the area of cybersecurity. KTU and NRD CS will conduct research in the University's academic computer network and laboratories, improve the network security and develop new cybersecurity methods, applicable both in Lithuania and abroad. NRD CS also implemented various initiatives to commemorate October – European Cyber Security Month – as well as advance analysis in law enforcement agencies and build community of analysts.

In Bangladesh, NRD CS UAB and NRD AS continued developing Bangladesh National Computer Incident Response Team (BGD e-GOV CIRT) and held financial fraud prevention trainings.

In the Kingdom of Bhutan, together with NRD CS and BAIP, the companies completed a national cybersecurity incident response team (BtCIRT) establishment project.

The 4th annual Cyber Defence East Africa 2016 conference-trainings, organised by NRD Companies together with NRD CS UAB and the National Information Technology Authority - Uganda (NITA-U) took place in Kampala, Uganda on 27-29th September 2016.

In Burundi, NRD CS specialists participated in the NRD group project – implemented COBIT 5 framework for the governance and management of enterprise IT at the Bank of the Republic of Burundi (BRB). In addition, a Pre-Investment Study for the Lesotho E-Government Infrastructure Project was completed in the Kingdom of Lesotho.

Audit within separate entities is conducted only if required under local legislation within timeframes set in the law.

#### KEY PL ITEMS OF NRD CS, UAB , THOUS. EUR

	31.12.2015	31.12.2016
Revenue	1,523	1,577
Gross profit	691	846
EBITDA	191	110
EBIT	173	90
Net Profit (Loss)	141	69

#### KEY BS ITEMS OF NRD CS, UAB , THOUS. EUR

	31.12.2015	31.12.2016
Tangible assets	40	32
Intangible assets	2	1
Other non-current assets	1	1
Current assets	782	720
<i>of which cash</i>	76	422
<b>Total assets</b>	<b>825</b>	<b>754</b>
Equity	250	320
Non-current liabilities	-	-
Current liabilities	575	434
<i>of which financial debt</i>	27	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>825</b>	<b>754</b>

### 12.3.5. ACTIVITIES OF ALGORITMU SISTEMOS, UAB IN 2016



IT Intensive  
industries' solutions

The largest clients this year of Algoritmu Sistemų UAB, which provides solutions for IT intensive industries, were Klaipėda city municipality, Vilnius city municipality, Ministry of Environment, State Tax Inspectorate, „Susisiekimo paslaugos“ SJ, National Health Insurance Fund and Environmental Protection Agency.

With the Ministry of Environment of the Republic of Lithuania Algoritmu Sistemų signed an agreement on a single product, packaging and waste accounting information system installation services with a total value of EUR 1.7 million.

New contracts have also been signed with National Health Insurance Fund, Anykščiai district municipality and Ukmergė district municipality.

Algoritmu Sistemų UAB, which was acquired by INVL Technology in March 2016, was profitable during the second, third and fourth quarters of 2016. Revenue of the company reached EUR 2.2 million and EBITDA EUR 431 thousand.

Algoritmu Sistemų UAB also developed its capacity for international operations and together with other INVL Technology portfolio companies started participating in international projects.

In 2016 revenue of Algoritmu sistemų reached EUR 2.505 thousand. EBITDA was EUR 331 thousand.

Audit within separate entities is conducted only if required under local legislation within timeframes set in the law.

#### KEY PL ITEMS OF ALGORITMU SISTEMOS, UAB, THOUS. EUR\*

	April-December 2016
Revenue	2,215
Gross profit	1,739
EBITDA	431
EBIT	414
Net Profit (Loss)	363

\* Algoritmu sistemų, UAB is included from the month the control was transferred, i.e. 1 April 2016.

**KEY BS ITEMS OF ALGORITMU SISTEMOS, UAB, THOUS. EUR**

	31.12.2015	31.12.2016
Tangible assets	68	50
Intangible assets	1	1
Other non-current assets	2	-
Current assets	862	1,132
<i>of which cash</i>	442	542
<b>Total assets</b>	<b>933</b>	<b>1,183</b>
Equity	666	674
Non-current liabilities	-	-
Current liabilities	267	509
<i>of which financial debt</i>	9	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>933</b>	<b>1,183</b>

**13. Key figures of INVL Technology, thous. EUR**

	2015	2016
Change in the fair value of financial assets	2,247	(4,013)
Profit (loss) before taxes	2,449	(4,541)
Net profit (loss)	2,514	(4,515)

	31.12.2015	31.12.2016
Financial assets value	16,955	16,696
Cash and Cash equivalents	6,994	3,128
Other assets	399	27
<b>TOTAL ASSETS</b>	<b>24,348</b>	<b>19,851</b>
Other liabilities	105	123
Equity	24,243	19,728
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,348</b>	<b>19,851</b>

Equity of the Company, after the revaluation of financial assets, as of 31 December 2016 was EUR 19.7 million or EUR 1.62 per share (compared to 1.99 euro per share at the end of 2015) and decreased 18.6 percent in 2016.



The Company's **net asset value** as of 31 December 2016 was **EUR 19,727,654.99 or EUR 1.6203 per share**.

Investments of the Company amounted to EUR 16.7 million at the end of December 2016. During the year the Company invested EUR 3.8 million – the biggest investments were related to the acquisition of Algoritmu sistemos UAB (by increase in share capital of Inventio UAB) and Andmevara AS. Also FINtime UAB was established and investments were made in the share capital of managed companies. Decrease in fair value of investments amounted to EUR 4 million. The cash and cash equivalents of the Company decreased from EUR 7 million to EUR 3.1 million. Preliminary net loss of the Company in 2016 was EUR 4.5 million.

The Company conducts an independent valuation of its investments in subsidiaries when preparing the annual financial statements. As at 31 December 2016 and 2015 the valuation was carried out by Deloitte Verslo Konsultacijos UAB. The fair value of investments was determined in compliance with the International Valuation Standards approved by the International Valuation Standards Council. In the opinion of the management, the fair value of investments was determined appropriately using the inputs and ratios properly selected and reasonably reflecting the investments.

The fair value was based on discounted cash flow method, which was selected by the external valuator as the best representation of the company specific development potential, except for FINtime UAB, where net assets value method was used. Different method was selected as because as of current moment the entity does not expect to generate significant free cash flows. Due to the limited number of comparable companies and transactions, lack of reliability of the market data and limited comparability of peers, the results of the guideline public companies and transaction methods were used as a supplementary analysis and were provided only for illustrative purposes in valuation report.

### 13.1. FINANSIAL ASSETS, THOUS. EUR

Company	31.12.2015	31.12.2016
Vitma, UAB *	11,474	7,710
Inventio, UAB	-	3,222
NRD group	3,708	2,870
NRD CS, UAB	1,773	1,908
FINtime, UAB	-	253
Andmevara AS	-	733
Informatikos pasaulis, UAB	-	-
<b>Total</b>	<b>16,955</b>	<b>16,696</b>

\* Includes both BAIP UAB and Acena UAB

During 2016 managed companies directed significant efforts towards the development of the equity products and expansion of business within regions. Expenses were not capitalised and were reported in profit (loss) statements of the respective managed companies. Also, the newly established NRD Rwanda Ltd, NRD Bangladesh Ltd and restarted company Andmevara SRL in Moldova value did not have significant impact to the total value of NRD group and for value of AS Andmevara. The decrease in the fair value of BAIP UAB had negative impact on the value of its main shareholder Vitma UAB.

The valuation of INVL Technology's investment assets in 2016 was influenced by poorer performance of its businesses due to the costs of regional expansion and development of proprietary products, non-recurring events, and a cyclical contraction of the market caused by delays in the start of a new EU structural funds investment programme.

At the same time, two of the companies controlled by INVL Technology – Algoritmu Sistemos and BAIP – announced dividends during 2016 of EUR 0.25 million and EUR 0.85 million, respectively.

**CHANGE IN FAIR VALUE OF FINANCIAL ASSETS, THOUS. EUR**

Opening balance	16,955
Investment in the share capital of managed companies*	3,754
Revaluation	(4,013)
<b>CLOSING BALANCE</b>	<b>16,696</b>

\* Mainly the increase of Inventio UAB share capital to finance the acquisition of Algoritmy sistemas UAB and acquisition of Andmevara AS.

**13.2. INDEXES 2015-2016**

	2015	2016
Net Asset Value per share, EUR	1.99	1.62
Total Net asset value (equity value), thous. EUR	24,243	19,728
Return on equity (ROE) = net profit / equity * 100	10.37 %	(22.88)%
Earnings per share (EPS) = net profit / number of shares	0.28	(0.37)
Debt ratio = liabilities/ assets	0.00	0.01
Change in fair value, thous. EUR	2,247	(4,013)
Net profit, thous. EUR	2,514	(4,515)
Liquid funds and total assets ratio = cash and cash equivalents/assets	28.73%	15.76%
Investing in a company operating ratio of the net asset value*	47.33%	39.12%

\* applicable to the Company upon closed-ended investment company (CEF) license. The Index must not exceed 30 percent. The Index may be exceeded by up to 4 years from the date of the Company becoming CEF

**13.3. EMPLOYEES**

At the end of 2015, the Company had 9 employees. At the end of 2016, INVL Technology did not have any employees, because of the changes of the legal status of the Company. The management and all the functions earlier performed by the Company's employees were transferred to the Management Company.

**13.4. 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 Management company and the Members of the Investment Committee, 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.

## 14. A description of the principal advantages, risks and uncertainties

The document provides information on risk factors related to INVL Technology activities and securities.

Information provided in this document shall not be considered complete and covering all the aspects of the risk factors associated with the activity and securities of INVL Technology.

### 14.1. ADVANTAGES OF INVESTMENTS

#### 14.1.1. GENERAL RISK FACTORS IN THE BUSINESS FIELD WHERE THE COMPANY AND ITS PORTFOLIO COMPANIES OPERATE

##### ***Risk factor, related to the change of the legal status of the Company***

After the issuance of the Licence by the Bank of Lithuania on 14 July 2016, the Company started to operate not only according to the Law on Companies and Law on Securities and other related legal acts, as it was until obtaining a Licence, but also under the Law on Collective Investment Undertakings and other related legal acts, which establish certain specific obligations in respect of the protection of Company's shareholders and certain operating restrictions, e.g. the Company is entitled to invest the managed funds following the requirements of the investment strategy of the Company, certain limitations of the applicable laws are applied to the Company with regards its investments, their diversification, management thereof, etc. Furthermore, the Company's operating expenses might be increased because of the requirements to conduct periodic property's assessment, protect the Company's property in the Depository and other.

It should also be noted that investments into Shares of the Company (holding a Licence) are related to higher than average, long-term risk. The Company cannot guarantee that the shareholders will get invested funds back.

##### ***Risk of changes in the market of technologies***

The business of information technologies and the market related to information technologies change particularly quickly. Therefore, there is a risk that due to unforeseen changes in the market the value of investments of the Company or the investment return from investment objects of the Company can decrease, the development of companies acquired by the Company will take longer and/or will cost more than planned, therefore, the Company's investments will not be profitable and/or their value will decrease.

##### ***The recent global sovereign debt crisis could result in higher borrowing costs and more limited availability of credit***

Due to on-going recession and financial disturbance in Europe the availability of capital can be limited and therefore the cost of borrowing can increase. Poor economic situation in Greece, Spain, Cyprus and some other EU member states might further negatively affect the commercial situation of many banks operating in Europe. In addition, the risk of lower consumer confidence can have an adverse impact on financial markets and economic conditions in the EU and throughout the world and, in turn, the market's anticipation or reflection of these impacts could have a material adverse effect on the business of the Company and/or its Portfolio Companies in a variety of ways:

- difficulty or inability to acquire capital for further acquisitions by the Company and/or its Portfolio Companies and to cover financial obligations of current debt;
- increased risk of weak financial condition of the debtors of the Company and/or its Portfolio Companies resulting from current economic situation, etc.

##### ***Risk of inflation and deflation***

There is a risk that in case of inflation the value of a Share will grow slower than the inflation, which would result in the return lower than inflation. In such a case, the real return earned by persons who sold the Shares of the Company in the market from increase in the value of the Shares can be smaller than expected. In case of deflation, there would be a risk that the value of the Company's investments will decrease by reason of the drop of the general price level.

##### ***Geopolitical risk***

There is a risk that geopolitical changes can have an effect on activities of the Company and for this reason the investment value of the Company can decrease or it may be impossible to sell the Company's investments at the desired time for the desired price.

#### 14.1.2. RISK FACTORS CHARACTERISTIC OF COMPANY AND ITS PORTFOLIO COMPANIES

##### **General risk**

The value of investments into the Company can fluctuate significantly in the short term, depending on the situation in the market. Investments into the Company should be made for a long term in order that the shareholder could avoid the risk of short-term price fluctuations.

Redemption of the Shares of the Company is limited, i.e. a shareholder cannot demand that the Company or the Management Company, which took over its management, would redeem the Shares. But a shareholder of the Company has a possibility to sell Shares of the Company in the secondary market as it is indicated in Articles 82 – 84 of the Articles of Association, incorporated by reference to this Prospectus.

##### **Risk of the management and human resources**

The success of the Company's investments will largely depend on heads of companies managed by the Company (directly or indirectly), also on decisions taken by persons in the Management Company who are responsible for management of the Company and on experience and capabilities of the said persons. There is no guarantee that the same employees will continue managing companies managed by the Company (directly or indirectly), as well as the Management Company throughout the whole Term of Activities of the Company.

##### **Transactions with related parties**

There are quite a few transactions with related parties among the Company and its Portfolio Companies. Detailed information about such transactions is presented in Section 4.13 of the Prospectus. Following applicable taxation legislation, transactions with related parties must be conducted at arm's length (i.e. independent and on an equal footing). In spite of the fact that the Management uses all efforts in order to ensure the conformity with the above-mentioned standard, a theoretical taxation risk remains here, i.e. the risk that applicable taxes will be calculated according to prices applicable at arm's length in case it was determined that certain transactions were conducted disregarding this principle, also the risk that relevant fines and default interest will be imposed. Besides, neither the Company nor its Portfolio Companies have approved their pricing policy.

##### **Success of former, current and future investment projects**

The Company carried out investment projects of large scope in the past and can carry them out in the future. Though the Management Company and its employees, as well as the employees of companies managed by the Company (directly or indirectly), when forecasting investments, rely on all the information and analytical resources they have, there is no guarantee that all the information, which was relied on when planning investments, was full and correct. Besides, there is no guarantee that investment plans and investments will earn the expected or planned return or that the investment will not cost more than planned. If the investment projects which are being carried out or planned investment projects turn out to be worse than expected, if the return on these projects is less than planned or if their price turns out to be more than planned, this can have a significant adverse effect on the Issuer's activities, its financial situation and performance.

Also, there is no guarantee that the current investment projects related to increase of the Portfolio companies' capacities, introduction of new products and/or technologies will meet the needs of the Portfolio companies' customers.

##### **Issuer's business can be adversely affected by loss of major customers**

Though the Company is not dependent on any one major customer or their group, still loss of one or several of them and inability to substitute other similar customers for the lost ones can have an adverse effect on the Issuer's controlled Portfolio Companies' business, financial situation or performance.

##### **Interest rate risk**

There is a risk that in case of fast recovery of the global economy or increase in inflation, central banks will increase interest rates and it will be more expensive to service loans in connection with the Company's investments, therefore, the value of the Company's investments can decrease.

##### **Currency risk**

The Operational Companies enter into a large portion of non-EUR denominated agreements in foreign markets, whereas some of their performance costs are incurred in EUR, therefore a drop in the rate of respective currencies can have a negative effect on profitability of the managed companies. A large part of computers and other equipment is purchased from foreign manufactures where payments are also made in non-EUR currencies. Besides, having in mind that the Operational Companies operates in many states, there is a risk that the attractiveness or profitability of the Company's investments will decrease also due to fluctuations in rates of other currencies.

##### **Credit risk**

There is a risk that buyers of products and services of companies (directly or indirectly) owned by the Company will fail to fulfil their obligations in time – this would have a negative effect on the profit of the Company and/or companies (directly or indirectly) managed by it. In case of late performance of a large part of obligations, the ordinary business of the Company and/or companies (directly or indirectly) owned by it may be disrupted, it may be necessary to search for additional sources of financing, which may be not always available. The Company also incurs the risk of keeping funds in bank accounts or investing into short-term financial instruments.

### ***Risk of liquidity of investments***

There is a risk that investments into Operational Companies will be relatively illiquid and finding buyers for such companies can take some time. Furthermore, financing conditions can become worse due to deteriorating economic condition of the world, a region or a country, where the Operational Company is acting. Therefore, sale of the Company's investments can take longer than planned or their return may be less than planned. When investing into Operational Companies, securities issued by which (shares, bonds and other financial instruments) are not admitted to trading on regulated markets, there is a probability of facing a situation when sale of securities, due to absence of demand or other conditions in the market, can take longer than planned or not be as profitable as planned or may even cause losses.

### ***Liquidity risk***

There is a risk that due to deteriorating economic condition of the world, a region or a country it will become difficult/expensive for the Company (managed by the Management Company) to obtain new loans for acquisition of investment objects or to refinance old loans, therefore the value of the Company's investments can decrease. In order to reduce this risk, the Management Company will seek to maintain a sufficient level of liquidity in the Company or will seek to organise timely financing from financial institutions or other parties.

Acquiring Shares of the Company, the shareholders assume the risk of securities liquidity – in case of a drop in demand for Shares or delisting them from the stock exchange, investors would find it difficult to sell them. In case of deterioration of the Company's financial situation, the demand for Shares of the Company, as well as their price may decrease.

### ***Risk of investments by Operational Companies***

Operational Companies can control/acquire companies in countries other than those indicated in Article 18 of the Articles of Association and that shall not be considered as performance of the Company's activities beyond the limits of the countries indicated in Article 18 of the Articles of Association. However, there is a risk that companies acquired/controlled by Operational Companies will be relatively illiquid and finding buyers for such companies can take some time.

Furthermore, financing conditions can become worse due to deteriorating economic condition of the world, a region or a country. Therefore, there is a probability of facing a situation when, due to activities of companies managed by an Operational Company or sale of companies managed by an Operational Company, the Operational Company will suffer losses, which will be reflected in the Net Asset Value of the Company.

The Portfolio Companies are party to public sector contracts, which may be affected by political and administrative decisions, and the success and profitability of such contracts may be influenced by political considerations

Public sector customers account for a significant portion of revenues of the Portfolio Companies. The extent and profitability of public sector business of the Portfolio Companies may be influenced by political considerations. It may also be affected by political and administrative decisions concerning levels of public spending. In certain cases, due to applicable regulations, such as European Union tender rules, certain terms of public sector contracts, such as pricing terms, contract period, use of business partners and ability to transfer receivables under contract, provide the Portfolio Companies with less flexibility than comparable private sector contracts do. Moreover, decisions to decrease public spending may result in the termination or downscaling of public sector contracts, which could have a material adverse effect on business, results of operations, financial condition and prospects of the Portfolio Companies.

Contracts in the public sector are also subject to review and monitoring by authorities to ensure compliance with applicable laws and regulations, including those prohibiting anti-competitive practices. The Management believes that it complies with these laws and regulations. However, regulatory authorities may nevertheless deem a Portfolio Company to be in violation of such laws or regulations, and the relevant Portfolio Company could be subject to fines, penalties and other sanctions, including exclusion from participation in tenders for public contracts. Any such event would have a material adverse impact on the business, results of operations, financial condition, prospects and reputation of the Portfolio Company or some of them.

### ***The Company could be subject to information technology theft or misuse, which could result in third party claims and harm its business, reputation, results and financial condition***

The Company could face attempts by other persons to gain unauthorised access to the Company's information technology systems, which could threaten the security of the Company's information and stability of its systems. These attempts could arise from industrial or other espionage or actions by hackers that may harm the Company or its customers. The Company may be not successful in detecting and preventing such theft and attacks. Theft, unauthorised access and use of trade secrets or other confidential business information as a result of such an incident could disrupt the Company's business and adversely affect its reputation and competitive position, which could materially adversely affect the Company's business, results of operation or financial condition.

### ***Risk of insolvency of Operational Companies***

Operational Companies, in performance of their activities, can face insolvency problems (go bankrupt, undergo restructuring, etc.). Accordingly, such situations can have a negative effect on the price of the Shares or result in insolvency of the Company itself.



### ***Risk of insolvency of the Company***

In case of realisation of one or several of the risks, which would have a negative effect on the value and/or liquidity of Operational Companies, this can result in the Company's solvency problems, when the Company will be incapable of fulfilling its obligations. In such a case, shareholders of the Company can lose all their funds invested into the Company.

#### **14.1.3. RISK FACTORS RELATED TO THE COMPANY'S SHARES (INVESTMENTS THERETO)**

##### ***Past performance risk***

The past performance of the Company and its investments is not a reliable indication of the future performance of the investments held by the Company.

##### ***No guarantee of return***

The shareholders and investors of the Company should be aware that the value of an investment in the Company is subject to normal market fluctuations and other risks inherent in investing in securities. There is no assurance that any appreciation in the value of the Shares will occur or that the investment objectives of the Company will be achieved. The value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company.

##### ***Market risk***

Acquisition of Shares of the Company entails the risk to incur losses due to unfavourable changes in the Share price in the market. A drop in the price of the Shares can be caused by negative changes in the value of assets and profitability of the Company, general share market trends in the region and in the world. Trade in Shares of the Company can depend on comments of financial brokers and analysts and announced independent analyses about the Company and its activities. If the analysts give an adverse opinion about prospects of the Shares of the Company, this can also have a negative effect on the price of Shares in the market. In assessing shares, non-professional investors are advised to address intermediaries of public trading or other specialists in this field for help.

##### ***Turmoil in emerging markets could cause the value of the Shares to suffer***

Financial or other turmoil in emerging markets has in the recent past adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from future financial turmoil, or other factors, such as political unrests that may arise in other emerging markets or otherwise, will not adversely affect the value of the Shares even if the Lithuanian economy remains relatively stable.

##### ***The market value of Shares may be adversely affected by future sales or issues of substantial amounts of Shares***

All the Shares of the Company may be provided for sale without any restrictions (except for certain limited restrictions, described in Section 5.9 of the Prospectus) and there can be no assurance as to whether or not they will be sold on the market.

The Company cannot predict what affect such future sales or offerings of Shares, if any, may have on the market price of the Shares. However, such transactions may have a material adverse effect, even if temporary, on the market price of the Shares. Therefore, there can be no assurance that the market price of the Shares will not decrease due to subsequent sales of the Shares held by the existing shareholders of the Company or a new Share issue by the Company.

##### ***The marketability of the Shares may decline and the market price of the Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Company's operating performance***

The Company cannot assure that the marketability of the Shares will improve or remain consistent. Shares listed on regulated markets, such as Nasdaq, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Company and the Portfolio Companies and/or their competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and general market conditions, such as recession. These and other factors may cause the market price and demand for the Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Shares which may decline disproportionately to the operating performance of the Company and/or the Portfolio Companies. The market price of the Shares is also subject to fluctuations in response to further issuance of Shares by the Company, sales of Shares by the Company's existing shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Company as well as investor perception.

##### ***Dividend payment risk***

There is a risk that the Company will not pay dividend. A decision on payment of dividend will depend on profitability of activities, cash flows, investments plans and the general financial situation and other circumstances.

##### ***Liquidity of the Issuer's Shares is not guaranteed***

It may be possible that in case an investor wants to urgently sell the Issuer's securities (especially a large number of them), demand for them on the exchange will not be sufficient. Therefore, sale of shares can take some more time or the investor may be forced to sell shares at a lower price. Analogous consequences could appear after the exclusion of the Company's Shares from the Secondary List of Nasdaq. Besides, in case of deterioration of the Company's financial situation, demand for the Shares of the Company and, at the same time, their price may decrease.

***Risk of conflicts of interest***

There is a risk that there will be situations when interests of the Management Company (or persons related to it) and the Company or shareholders will differ or interests of individual shareholders will differ, i.e. there will be a conflict of interest. When it is impossible to avoid a conflict of interest, the Management Company must ensure that shareholders are treated fairly. Employees of the Management Company and other persons related to the Management Company and persons, directly or indirectly related to the Management Company by relationship of control, must immediately, as soon as they become aware of such information, notify the Investment Committee about a potential or existing conflict of interest. The Investment Committee, approving of investment decisions, shall take into account the information presented to it about potential or existing conflicts of interest. The Investment Committee shall immediately inform the head and the Board of the Management Company about conflicts of interest it is aware of.

Following legal acts regulating organisation of activities of collective investment undertakings, the Management Company has implemented appropriate measures for avoiding conflicts of interest, which enable to perform the activities of managing the risk of conflicts of interest and managing conflicts of interest independently, in order to avoid/reduce the risk of conflicts of interest or properly manage a conflict of interest when it occurs.

***Risk related to forward looking statements (statements in the future tense)***

The Prospectus includes some forward looking statements, are based on estimate, opinion, expectations and forecasts regarding future events and financial trends that will possibly have an effect on the activities of the Company. Forward looking statements include information about possible or presumable results of the Company's activities, investment strategy, contractual relationships, borrowing plans, investment conditions, effect of future regulation and other information. The Company cannot assure that the forward looking statements will reflect future events and circumstances fully and correctly. The Company, the Management Company and their employees do not undertake to adjust or modify the forward looking statements, except to the extent required by laws and the Articles of Association.

***Risk of valuation of the Company's assets***

The assets of the Company will be evaluated according to the main rules set in the Articles of Association, incorporated by reference to this Prospectus and the accounting policy of the Management Company. Valuation of individual assets held by the Company shall be performed by a property appraiser, however, such valuation of assets shall be only determining the value of the assets, which does not automatically mean the exact sale price of an investment held by the Company, which depends on many circumstances, for example, economic and other conditions, which cannot be controlled. Thus, the sale price of investments held by the Company can be higher or lower than the value of assets determined by a property appraiser.

***Competition risk***

The Company, investing into Operational Companies, competes with other investors, including, without limitation, with other investment companies or private capital investment funds. Thus, there is a risk that competition with other investors will demand that the Company would conduct transactions at less favourable conditions than it would be possible in other cases.

***Risk related to the duty to redeem shares of the Company***

Legal acts provide for a duty of the Company in certain circumstances to redeem its Shares from the shareholders that requested such redemption (for more information please see Article 90 of the Articles of Association). Accordingly, if the Company becomes subject to the duty to offer to the shareholders redemption of its own Shares and if such a redemption is requested by the shareholders holding a significant number of Shares, the Company can be forced to sell its investments urgently, which can significantly reduce the return earned by the Company from sale of its investments. This risk is planned to be managed by means stipulated in Article 97 of the Articles of Association.

**14.1.4. LEGAL AND TAXATION RISK FACTORS**

***Risk of changes in laws and regulations***

There is a risk that upon changes in legal acts of the Republic of Lithuania or the states where assets of the Company are invested or where Operational Companies, into which the Company invests, operate, such changes in legal acts can have a negative effect on the protection of the Company's investments, the activities, profitability and value of the Operational Companies or such changes in legal acts can have a negative effect on rights and interests of the Company otherwise.

***Risk related to possible liability of the Company***



There is a risk that the activities of the Company and the general performance results of the Company can be negatively affected by demands and claims regarding non-disclosed or non-identified obligations and/or violations in connection with investments acquired by the Company, which may result in the Company's liability for such obligations and/or violations and for this reason the value of the Company's investments and, at the same time, the price of the Shares can significantly decrease.

It should be also noted that, the Company after the reorganisation – the merger of Former parent company with the Company (previous name – BAIP grupe AB), which continues its activities after the reorganisation, took over all the assets, equity and liabilities of the Former parent company. For any and all the obligations of the Former parent company after the reorganisation, the Company took responsibility.

#### **Tax risk**

Lithuanian tax legislation which was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. Uncertain tax positions of the Company and of the Portfolio Companies are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

***There is also a risk that upon changes in economic conditions, political situation in the country or due to any other reasons,***

new taxes on shareholders of the Company, the Company or the Operational Companies will appear or the rates of current taxes will increase, therefore the price, liquidity and/or attractiveness of the Shares or the value of investments of the Company may decrease.

## 15. Significant investments made during the reporting period

### 15.1. NEW ENTITIES AND ACQUISITIONS

On 29 February in Lithuania INVL Technology registered a company FINtime that provides business processes outsourcing services.

Norway Registers Development Rwanda Ltd. was established in Kigali, Rwanda on the 22 February 2016. NRD Rwanda offers full portfolio of NRD group and other INVL Technology businesses' services. In addition, backing the regional export strategy of Rwanda, it might also participate or serve in projects in Burundi and Democratic Republic of the Congo. NRD Rwanda attracts and combines the know-how of NRD group in the fields of business climate improvement and e-governance, smart IT infrastructure, cybersecurity and digital platforms for finance sector, and advance these competences in the country.

On 18 March 2016 Inventio, a subsidiary of INVL Technology, acquired 100 per cent shares of information system development company Algoritmu sistemas for EUR 2.385 million. The acquisition was completed after the permits had been issued by the Competition Council and the Commission for the evaluation of compliance of potential buyers to the national security interests.

On 20 April INVL Technology acquired 100 per cent of shares in Estonian IT company Andmevara from Estonian Ministry of the Interior for EUR 664.6 thousand. Andmevara also has a subsidiary company in Moldova.

Before the transaction, Estonian state paid out EUR 1.25 million in dividends and related taxes. A significant part of Andmevara business (processing of Estonian Population Registry) was spun-off from the Company in the beginning of 2016 and was not a part of the acquisition. Company's revenue in 2015 (before the spin-off to Ministry of Internal Affairs of Estonia) was EUR 3.433 million and net profit amounted to EUR 348 thousand. The results of Andmevara are included in the financial reports from the day the control of the companies was transferred – 1 May 2016.

On 16 November 2016 Algoritmu sistemas UAB, a business managed by INVL Technology, has signed an agreement on the acquisition of 100 per cent of the shares of Profectus Novus, a company specialised in Microsoft SharePoint-based solutions. The size of the transaction is not public. Its completion is planned in the first quarter of 2017, once the permission

is obtained from the Commission on Assessment of Potential Participants Compliance with National Security Interests and company financial reports for 2016 are reviewed.

In October 2016, NRD Bangladesh Ltd. incorporation process has been initiated. NRD Bangladesh was registered on 2 February 2017. NRD Bangladesh will offer full portfolio of NRD Companies and other INVL Technology businesses services and support NRD Companies projects in South and Southeast Asia regions. NRD Bangladesh will mainly focus on the services, related to securing the digital environment as well as offer the know-how of NRD Companies in the fields of enabling the business environment & job creation, increasing efficiency of government services, smart IT infrastructure and digital platforms for finance sector.

## 16. Information about significant agreements to which the issuer is a party, which would come into force, be amended or cease to be valid if there was a change in issuer's controlling shareholder

There are no significant agreements of the company which would come into force, be amended or cease to be valid if there was a change in issuer's controlling shareholder.

## 17. Information on the related parties' transactions

Information on the related parties' transactions is disclosed in consolidated financial statements for the year ended 31 December 2016 17 point of explanatory notes.

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

### 18.1. EVALUATION OF IMPLEMENTATION OF GOALS FOR 2016

During 2016 INVL Technology have focused on decisions which make it possible to boost the value of the business portfolio over the medium and long term. Company have given priority to expansion of constant access to markets and of the portfolio of business holdings. For their part, the businesses INVL Technology owns have focused on developing and enhancing new and existing products and strengthening competencies for international operations.

At the start of 2017, INVL Technology's portfolio of directly and indirectly controlled businesses included 16 active companies. Six were added in the past year: the company FINtime was established in Lithuania and Norway Registers Development Rwanda Ltd was established in Rwanda; the creation of NRD Bangladesh, which began in late 2016, was completed in February this year; and the newly acquired companies Algoritmu Sistemai in Lithuania and Andmevara in Estonia and Moldova joined the portfolio.

INVL Technology's companies, expanding the range of their services, conducted projects in 17 countries in 2016. They provided services to state and commercial institutions, banks, law enforcement structures and other organisations. By the start of 2017, their enlarged network of representative offices provided continual access to nine markets. Such representative offices currently operate in Lithuania, Latvia, Estonia, Moldova, Norway, Tanzania, Rwanda, Uganda and Bangladesh. Meanwhile, foreign revenues of Lithuania-based BAIP increased to EUR 2.7 million and 28 per cent of all revenue, and NRD CS's revenue outside Lithuania grew nearly 90 per cent and accounted for 36 per cent of all the company's revenue.

In 2016 INVL Technology managed companies also invested in its own product and service development. NRD CS, company of the cybersecurity, worked with the open source projects for law enforcement, strengthened analysis in law enforcement agencies and build community of analysts. ETRONIKA, UAB is NRD group's company specialised in e-banking and m-signature solutions and invested in e-banking solution Banktron 8 this year.

Companies also strengthened its partnership with institutional partners such as the Kaunas University of Technology in Lithuania, the national response to security incidents by CERT.LV in Latvia, Estonian Ministry of Foreign Affairs and the e-Governance Academy in Estonia, Uganda's National Information Technology Agency (NITA-U), Rwanda development Board (RDB) and others.

### 18.2. ACTIVITY PLANS AND FORECASTS

Upon receiving the new status in July 2016, the Company will seek to invest the attracted capital and grow the value of the companies in its portfolio by bringing financial and intellectual capital for growth, management support, and globalization via sales channels in East Africa and Southeast Asia. The goal is to grow the value of the managed companies, structure their exit and generate significant return for the shareholders.

In 2017, INVL Technology will continue to actively develop the acquired companies, to make them global operations, toward that end taking advantage of businesses' access to markets and intellectual capital.

It is expected to start seeing some of the potential of the new markets, products, and acquisitions already during 2017.

## INVL TECHNOLOGY

### AGENDA AND CALENDAR. 2016-2026.



## V. INFORMATION

### 19. References to and additional explanations of the data presented in the annual financial statements and consolidated financial statements

All data is presented in consolidated and company's financial statements explanatory notes of 2016.

### 20. Information on audit company

The company have not approved criteria for selection of the audit company. In the General Shareholders' Meeting of the company held 30 November 2015 the audit company PricewaterhouseCoopers, UAB was elected to provide audit services on annual financial statements of the company for the financial year of 2015, 2016, 2017. It was decided to set remuneration of EUR 4,500 thousand plus VAT for the audit of the annual financial statements.

Audit company	PricewaterhouseCoopers, UAB
Address of the registered office	J. Jasinskio str. 16B, LT-03163, Vilnius
Enterprise code	111473315
Telephone	(+370 5) 239 2300
Fax	(+370 5) 239 2301
E-mail	<a href="mailto:vilnius@lt.pwc.com">vilnius@lt.pwc.com</a>
Website	<a href="http://www.pwc.com">www.pwc.com</a>

The audit company does not provide any other than audit services to the company. No internal audit is performed in the company.

## 21. Data on the publicly disclosed information

The information publicly disclosed of INVL Technology during 2016 is presented on the company's website [www.invltechnology.lt](http://www.invltechnology.lt).

### 21.1. Table. Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
12.02.2016	Convocation of an extraordinary general meeting of shareholders of AB INVL Technology and publication of draft resolutions
29.02.2016	INVL Technology reports preliminary operating results for 12 months of 2015
04.03.2016	Regarding alternative draft decisions on issues of the agenda of an extraordinary general meeting of shareholders of AB INVL Technology to be held on 7 March 2016
07.03.2016	Notification on transaction concluded by manager of the company
07.03.2016	Resolutions of the extraordinary General Shareholders Meeting of INVL Technology, AB
21.03.2016	INVL Technology acquired 100 per cent shares of Algoritmu sistemas for EUR 2.4 million
31.03.2016	INVL Technology announced as a winner in Estonia Andmevara privatization auction
07.04.2016	Audited results of INVL Technology for 2015
07.04.2016	Convocation of general meeting of shareholders of AB INVL Technology and publication of draft resolutions
18.04.2016	Regarding additions to the agenda of the ordinary general meeting of shareholders of AB INVL Technology to be held on 29 April 2016
20.04.2016	INVL Technology acquired 100 per cent of Estonian Andmevara for eur 664.6 thousand
29.04.2016	Resolutions of the Shareholders Meeting of INVL Technology, AB
29.04.2016	Annual information of the public joint - stock company INVL Technology for 2015
16.05.2016	INVL Technology has signed a management agreement and an agreement on depository services
16.05.2016	Preliminary operating results and factsheet for 3 months of 2016 of INVL Technology
17.05.2016	New Articles of Association of INVL Technology were registered
17.05.2016	The powers of the management of INVL Technology have terminated
17.05.2016	Notifications on the disposal of voting rights
18.05.2016	New Articles of Association of INVL Technology were registered
27.05.2016	Notification on transactions on the issuer's securities
03.06.2016	Convocation of an extraordinary general meeting of shareholders of AB INVL Technology and publication of draft resolutions
23.06.2016	Notification on transactions on the issuer's securities
27.06.2016	Resolutions of the Shareholders Meeting of INVL Technology, AB
27.06.2016	New Articles of Association of INVL Technology were registered
27.06.2016	INVL Technology has signed an updated management agreement

Date of disclosure	Brief description of disclosed information
30.06.2016	Notification on transactions on the issuer's securities
13.07.2016	Trading in INVL Technology will be suspended starting from 14 July 2016 (inclusively)
14.07.2016	Notification of INVL Technology on license of closed-ended investment company
18.07.2016	Approved prospectus of share admission of INVL Technology to trading on regulated market
29.07.2016	Notification on transactions on the issuer's securities
03.08.2016	Notification on transactions on the issuer's securities
05.08.2016	INVL Technology has signed a market maker services agreement with Siauliu Bankas
29.08.2016	Unaudited results for 6 months of 2016 of INVL Technology
30.08.2016	Announcement of initial net asset value of INVL Technology
06.09.2016	Notification on transactions on the issuer's securities
16.09.2016	Presentation of INVL Technology
03.10.2016	Notification on transactions on the issuer's securities
07.10.2016	Notification on transactions on the issuer's securities
21.10.2016	Notification on transactions on the issuer's securities
27.10.2016	Notification on transactions on the issuer's securities
31.10.2016	Net Asset Value and factsheet for 9 months of 2016 of INVL Technology
02.11.2016	Notification on transactions on the issuer's securities
11.11.2016	Notification on transactions on the issuer's securities
11.11.2016	Presentation of Kazimieras Tonkunas, INVL Technology managing partner, at the Global Lithuanian Economic Forum
17.11.2016	Algoritmų Sistemų to acquire 100 per cent of Profectus Novus shares
23.12.2016	Notification on transactions on the issuer's securities
23.12.2016	Notifications on the disposal and acquisition of voting rights
28.12.2016	INVL Technology investor's calendar for 2017

**21.2. Table.** Summary of the notifications on transactions in INVL Technology shares concluded by managers of the company during 2016

Date	Person	Number of securities	Security price (EUR)	Total value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction
07.03.2016	Invalda INVL, AB	178	1.80	320.40	acquisition	Share sale-purchase	AUTO
27.05.2016	Invalda INVL, AB	313	1.790	560.27	acquisition	Share sale-purchase	AUTO
22.06.2016	Invalda INVL, AB	1,000	1.79	1,790.00	acquisition	Share sale-purchase	AUTO
23.06.2016	Invalda INVL, AB	7	1.79	12.53	acquisition	Share sale-purchase	AUTO
27.06.2016	Invalda INVL, AB	1,000	1.79	1,790.00	acquisition	Share sale-purchase	AUTO
27.06.2016	Invalda INVL, AB	100	1.79	179.00	acquisition	Share sale-purchase	AUTO
28.06.2016	Invalda INVL, AB	1,117	1.79	1,999.43	acquisition	Share sale-purchase	AUTO
29.06.2016	AB „Invalda INVL“	1,038	1.79	1,858.02	acquisition	Share sale-purchase	AUTO
29.06.2016	Invalda INVL, AB	20	1.79	35.80	acquisition	Share sale-purchase	AUTO
29.06.2016	Invalda INVL, AB	7	1.79	12.53	acquisition	Share sale-purchase	AUTO
26.07.2016	Invalda INVL, AB	483	1.79	864.57	acquisition	Share sale-purchase	AUTO
28.07.2016	Invalda INVL, AB	27	1.79	48.33	acquisition	Share sale-purchase	AUTO
29.07.2016	Invalda INVL, AB	81	1.79	144.99	acquisition	Share sale-purchase	AUTO
01.08.2016	Invalda INVL, AB	7	1.79	12.53	acquisition	Share sale-purchase	AUTO
02.09.2016	Invalda INVL, AB	95	1.77	168.15	acquisition	Share sale-purchase	AUTO
28.09.2016	Invalda INVL, AB	1,100	1.77	1,947.00	acquisition	Share sale-purchase	AUTO
06.10.2016	Invalda INVL, AB	1,100	1.77	1,947.00	acquisition	Share sale-purchase	AUTO
19.10.2016	Invalda INVL, AB	183	1.77	323.91	acquisition	Share sale-purchase	AUTO
19.10.2016	Invalda INVL, AB	60	1.77	106.20	acquisition	Share sale-purchase	AUTO



Date	Person	Number of securities	Security price (EUR)	Total value of transaction (EUR)	Form of transaction	Type of transaction	Place of transaction
25.10.2016	Invalda INVL, AB	47	1.77	83.19	acquisition	Share sale-purchase	AUTO
27.10.2016	Invalda INVL, AB	462	1.77	817.74	acquisition	Share sale-purchase	AUTO
31.10.2016	Invalda INVL, AB	251	1.77	444.27	acquisition	Share sale-purchase	AUTO
09.11.2016	AB „Invalda INVL“	29	1.75	50.75	acquisition	Share sale-purchase	AUTO
20.12.2016	Invalda INVL, AB	223,000	1.795	400,285.00	transfer	Non-monetary contribution increasing share capital	XOFF
20.12.2016	INVL Asset Management, UAB	223,000	1.795	400,285.00	acquisition	Non-monetary contribution increasing share capital	XOFF

**Explanations:**

XOFF – OTC trade.

AUTO – automated trade concluded on a regulated market.

INVL Asset Management, UAB  
INVL Technology Managing Partner



Kazimieras Tonkūnas



## APPENDIX 1. INFORMATION ABOUT INVL TECHNOLOGY PORTFOLIO COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
<b>Norway Registers Development, AS</b>	Company code: NO-985 221 405 MVA Address: Løkketangen 20 B, 1337 Sandvika, Norway Legal form: private limited liability company Registration date: 23.12.2002	Legal, organisational reforms and their implementation (business, property, mortgage, licenses and citizen's registries).	Phone + 47 219 50 158 E-mail info@nrd.no www.nrd.no
<b>NRD, UAB</b>	Company code: 111647812 Address: Žygimantų str. 11-5, Vilnius Legal form: private limited liability company Registration date: 15.10.1998	Information system design and maintenance	Phone : Vilnius +370 5 2310 731, Kaunas + 370 37 31 18 64 E-mail info@nrd.lt www.nrd.lt
<b>ETRONIKA, UAB</b>	Company code: 125224135 Address: Vito Gerulaičio str. 1, Vilnius Legal form: private limited liability company Registration date: 30.03.2000	Development and implementation of e-banking, smart retail, mobile applications for finances, e-commerce and e-government.	Phone +370 5 2483 153 E-mail info@etronika.lt www.etronika.lt
<b>Norway Registers Development East Africa Ltd.</b>	Company code: 88597 Address: 3rd floor, Elite tower, Azikiwe Street/Jamhuri street, Dar es Salaam, Tanzania Legal form: private limited liability company Registration date: 13.01.2012	Information technology infrastructure design, development, maintenance and security services. Information system audits, IT management consultations and trainings.	Phone +255 222 110 895 E-mail info@nrd.no www.nrd.co.tz
<b>Infobank Uganda Ltd.</b>	Company code: 193144 Registration date: 03.12.2014	Currently does not perform any activities.	E-mail dmakisakye@infobank-uganda.com
<b>Norway Registers Development Rwanda Ltd.</b>	Company code: 105378191 Address: 5th floor, Centenary House, Plot No: 1381, KN 4 Ave, Kiyovu Cell, Nyarugenge District, Kigali, Rwanda Legal form: private limited liability company Registration date: 22.02.2016	Sales of full portfolio of NRD group and other INVL Technology businesses' services, support in the region: business climate improvement and e-governance, critical IT infrastructure, cyber security and digital platforms for finance sector.	Phone +250 782 102 990 E-mail info@nrd.no www.nrd.rw
<b>NRD Bangladesh Ltd.</b>	Company code: C-135712/2017 Address: Eastern Commercial Complex, Room No.1/11, (1st floor), 73, Kakrail, Dhaka, Bangladesh Legal form: private limited liability company Registration date: 02.02.2017	Information technology infrastructure design, development, maintenance and security services. Information system audits, IT management consultations and trainings.	-

Company	Registration information	Type of activity	Contact details
<b>Andmevara, AS</b>	Company code: 10264823 Address: Pärnu mnt 158, 11317 TALLINN Legal form: private limited liability company Registration date: 1997	IT solutions and services provider to public sector organisations with expertise in e-Government solutions that include development of registries, important national information systems and software, digitisation, database development and hosting services.	Phone +372 6715 188 E-mail <a href="mailto:abi@andmevara.ee">abi@andmevara.ee</a> <a href="http://www.andmevara.ee">www.andmevara.ee</a>
<b>Vitma, UAB</b>	Company code: 121998756 Address: A. Juozapavičiaus str. 6, Vilnius Legal form: private limited liability company Registration date: 25.06.1993	Investment into information technology companies.	Phone +370 5 2190 000
<b>BAIP, UAB</b>	Company code: 301318539 Address: A. Juozapavičiaus str. 6, Vilnius Legal form: private limited liability company Registration date: 03.12.2007	IT infrastructure strategy and architecture solutions, maintenance, supercomputer design, assistance in complex migrations, critical IT infrastructure maintenance and consultations, data center design and redesign, operations, trainings and maintenance.	Phone +370 5 2190 000 Fax +370 5 2195 900 E-mail <a href="mailto:info@baip.lt">info@baip.lt</a> <a href="http://www.baip.lt">www.baip.lt</a>
<b>Acena, UAB</b>	Company code: 300935644 Address: A. Juozapavičiaus str. 6, Vilnius Legal form: private limited liability company Registration date: 20.07.2007	Microsoft software licensing consulting, software asset management, collaboration and messaging solutions, cloud services.	Phone +370 5 275 9647 Fax +370 5 273 5106 E-mail <a href="mailto:info@acena.lt">info@acena.lt</a> <a href="http://www.acena.lt">www.acena.lt</a>
<b>NRD CS, UAB</b>	Company code: 303115085 Address: Gynėjų str. 16, Vilnius, Lietuva Legal form: private limited liability company Registration date: 06.08.2013	Internal CIRT establishment, technologies. Digital forensics laboratories, related consultations. Security Operations Center (SOC).	Phone +370 5 219 1919 E-mail <a href="mailto:info@nrdfs.lt">info@nrdfs.lt</a> <a href="http://www.nrdfs.lt">www.nrdfs.lt</a>
<b>Inventio, UAB</b>	Company code: 303252340 Address: Gynėjų str. 14, Vilnius Legal form: private limited liability company Registration date: 27.02.2014	Investment into information technology companies.	Phone +370 682 55526
<b>Algoritimų sistemos, UAB</b>	Company code: 125774645 Address: Smolensko str. 10, Vilnius Legal form: private limited liability company Registration date: 15.10.2001	Development of information systems and business process facilitating programs for large and medium-sized public organizations and enterprises. Main fields of activities include e-governance, e-health, finance, social security, environmental protection and education.	Phone +370 5 2734 181 E-mail <a href="mailto:ofisas@algoritmusistemas.lt">ofisas@algoritmusistemas.lt</a> <a href="http://www.algoritmusistemas.lt">www.algoritmusistemas.lt</a>
<b>FINtime, UAB</b>	Company code: 304192355 Address: Juozapavičiaus str. 6, Vilnius	Financial and accounting services.	Phone +370 5 2190 000 Fax +370 5 2195 900

Legal form: private limited liability company		
Registration date: 29.02.2016		

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

INVL Technology 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.

The management of INVL Technology was transferred to the management company INVL Asset Management on 14 July 2016 as soon as the Central Bank of the Republic of Lithuania issued INVL Technology the license of special closed-ended type investment company. The rights and duties of the Board and the head of the Company were also transferred to the Management Company.

The Management Company is responsible for convocation and organisation of the general meeting of Shareholders of the Company, giving notices about publically not disclosed information under the procedure set by legal acts, organisation of activities of the Company, proper management of information about activities of the Company and performance of other functions assigned to the Management Company.

The CEO, the Board and the Investment committee formed by a decision of the Board are acting to ensure the management of INVL Technology in the Management Company (more about the competencies of the management bodies, formation and procedure of work is set in the III section "Issuer's Managing Bodies" of the report).

The information concerning the compliance with the Governance code after INVL Technology received the license of special closed-ended type investment company is provided below.

The information concerning the compliance with the Governance code before the issue of the license of special closed-ended type investment company corresponds the information submitted in the Appendix 2 of the annual report for the year 2015 and is available on Company's website.

Principles/ Recommendations	Yes / No / N/A	Commentary
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a Company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company constantly discloses information about portfolio companies activities and objectives in notifications on material event, annual information.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Activity of the Management Company is 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. The management of the Company is transferred to the Management Company, which carries the functions of the Board and the Head of the Company. Nevertheless, the Management company operates in order to attain maximum benefit for the company and its shareholders.
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 Management Company respects all rights and interests of the persons other than the Company's shareholders participating in or connected with the Company's operation.
<b>Principle II: The corporate governance framework</b>		
<b>The corporate governance framework should ensure the strategic guidance of the Company, the effective oversight of the Company's management bodies, an appropriate balance and distribution of functions between the Company's bodies, protection of the shareholders' interests.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a General	No	Due to the size of the Company, it is not expedient to form the Supervisory Board.

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.		
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The functions set forth in this recommendation are performed by the Management Company.
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	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 principles III ir IV are applied to the Management Company which performs the management of the Company.
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.	N/A	The management of the Company is transferred to the Management Company.
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.	N/A	The management of the Company is transferred to the Management Company.
<b>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.</b>		

3.1. The mechanism of the formation of a collegial body to be elected by a General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The Management Company operates objectively, impartially and represents the interests of all shareholders equally.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the General Shareholders' Meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	N/A	The agreement with the Management Company has to be approved by the Company's General Shareholders Meeting.
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 Management Company and the education, work experience and participation in other companies of the Head of the Management Company is disclosed in Company's periodical reports.
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 Head, the Board members and the Investment committee members of the Management Company have sufficient experience to perform its functions and the required diversity of knowledge to complete their tasks properly. The Audit Committee members have the required experience. The Remuneration Committee is not 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, the members of the Board of the Management Company do not perform the assessment of their skills and knowledge.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Independency of the elected Board members of the Management Company is not assessed and the content of independent members' sufficiency isn't set either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst	No	The Head and the Board of the Management Company are independent and in their actions seek the benefit to the Company and its shareholders, however do not meet the recommendation on independency.

<p>companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <p>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;</p> <p>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;</p> <p>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);</p> <p>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);</p> <p>he/ she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated companies;</p> <p>he/she is not an executive director or member of the Board in some other company where executive director of the company or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) is non-executive director or member of the Supervisory Board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>he/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>he/ she is not a close relative to an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p>		
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he can not be considered</p>	<p>No</p>	<p>No independency assessment and announcement practice of the Head and the members of the Board of the Management Company is applicable in the Company.</p>



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.		
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.		
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.	N/A	The Management Company do not have independent members of the managing bodies.

**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 Management Company 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	The Management Company acts 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 and try to keep their independency while making 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	Yes	The Management Company performs its functions properly, devotes sufficient time and attention to perform its duties as a Management Company.



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.		
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Management Company treats all shareholders impartially and fairly.
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.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	No	The Management Company acts 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 and try to keep their independency while making the decisions.
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	No	Due to the Company's management type and an absence of employees, the Nomination and Remuneration committees are not formed.

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

<p>should be specified in the regulations for committee activities.</p>		
<p>4.12. Nomination Committee.</p> <p>4.12.1. Key functions of the Nomination Committee should be the following:</p> <ol style="list-style-type: none"> <li>1) identify and recommend, for the approval of the collegial body, candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>4) properly consider issues related to succession planning;</li> <li>5) review the policy of the management bodies for selection and appointment of senior management.</li> </ol> <p>4.12.2. Nomination Committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management, Chief Financial Officer of the company should be consulted by, and entitled to submit proposals to the Nomination Committee.</p>		
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the Remuneration Committee should be the following:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>4) periodically review the remuneration policy for executive directors or members of management body, including the</li> </ol>		

<p>policy regarding share-based remuneration, and its implementation;</p> <p>5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>6) assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>7) make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the Committee should:</p> <p>1) consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) examine the related information that is given in the company's annual report and documents intended for the use during the General Shareholders' Meeting;</p> <p>3) make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the Remuneration Committee, the Committee should at least address the chairman of the collegial body and/or Chief Financial Officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The Remuneration Committee should report on the exercise of its functions to the shareholders and be present at the Annual General Shareholders' Meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the Audit Committee should be the following:</p> <p>1) observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) at least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the General Shareholders'</p>	<p>Yes</p>	<p>The members of the Audit Committee are elected by the General Shareholders' Meeting at the proposal of the Company's shareholders or the Management company). The main functions of the Committee are the following: provide recommendations to the Management company with selection, appointment, reappointment and removal of an external audit company of the Company as well as the terms and conditions of engagement with the audit company;</p> <p>monitor the process of external audit of the Company;</p> <p>monitor how the external auditor and audit company follow the principles of independence and objectivity;</p> <p>observe the process of preparation of financial reports of the Company;</p> <p>monitor the efficiency of the internal control and risk management systems of the Management company directly related to the management of the Company. Once a year review the need of the dedicated internal audit function for the Company within the Management company;</p> <p>monitor if the Management company gives due consideration to the recommendations or comments provided by the audit company regarding management of the Company.</p>

<p>Meeting) and with the terms and conditions of his engagement. The Committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the Committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16, 2002 Commission Recommendation 2002/590/EC, the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the Committee, and (c) permissible without referral to the Committee;</p> <p>6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p> <p>4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body, Chief Financial Officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The Audit Committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The Audit Committee should examine whether the company is following applicable 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</p>	<p>The Audit Committee should account for its activities to the Annual General Shareholders Meeting providing a report about its work during the last financial year.</p> <p>In conducting of the mentioned above functions, the Audit committee supervises the process of preparation of annual accounts and gives recommendations to the Management Company on provision of the annual accounts for the approval of the shareholders.</p> <p>Furthermore, the Audit committee analyzes the independence and other criteria of the potential auditors and gives the necessary conclusions to the management.</p> <p>The Audit committee prepares activity report on the main conclusions regarding Company's activity.</p>
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<p>ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	<p>The management of the Company was transferred to the Management Company less than a year. In the future, to be considered the assessment of its activities.</p>

**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.**

<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of 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.</p>	Yes	<p>The heads of departments and managing bodies of the Management Company, which are taking part in Company's activity, are 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 prescribed by legal acts.</p>
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter, and the company's Board should meet at least once a month<sup>4</sup>.</p>	Yes	<p>The meetings of the heads of departments and managing bodies of the Management Company are being convened at such intervals, which guarantee an interrupted resolution of the essential corporate governance issues.</p>
<p>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</p>	Yes	<p>The heads of departments and managing bodies of the Management Company inform each member about the meeting being convened by email.</p>

<sup>4</sup>The frequency of meetings of the collegial body provided for in the recommendation must be applied in those cases when both additional collegial bodies are formed at the company, the board and the supervisory board. In the event only one additional collegial body is formed in the company, the frequency of its meetings may be as established for the supervisory board, i.e. at least once in a quarter.



the collegial body are present or certain issues of great importance to the company require immediate resolution.		
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.	Yes	The heads of departments and managing bodies of the Management Company inform each member about the meeting being convened by email.
<b>Principle VI: The equitable treatment of shareholders and shareholder rights.</b> <b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and 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 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.
6.4. Procedures of convening and conducting a General Shareholders' Meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the Company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the General Shareholders' Meeting and receive answers to them.	Yes	The procedures of convening and conducting of the General Shareholders' Meeting comply with the provisions of legal acts and provide the shareholders with equal opportunities to participate in the meetings get familiarised with the draft resolutions and materials necessary for adopting the decision in advance, also give questions to the Board members.
6.5. If is possible, in order to ensure shareholders living abroad the right to access to the information, it is recommended that documents on the course of the General Shareholders' Meeting, should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the General Shareholders' Meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the	Yes	The information about General Shareholders' Meetings are published in Lithuanian and English on the Company's website.



company or the company's commercial secrets are not revealed.		
6.6. Shareholders should be furnished with the opportunity to vote in the General Shareholders' Meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders are furnished with the opportunity to participate in the General Shareholders' Meeting both personally and via an attorney, if such a person has a proper authorisation or if an agreement on the transfer of voting rights was concluded in the manner set forth in the legal acts. The Company provides the shareholders with conditions to vote by completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at General Shareholders' Meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in General Shareholders' Meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Shareholders can vote via an attorney or by completing the general voting ballot but for the meantime shareholders 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 Management Company is following these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Shareholders' Meeting or any other corporate body authorised by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.		

<b>Principle VIII: Company's remuneration policy</b> <b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.</b>		
<p>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.</p> <p>8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.</p> <p>8.3. Remuneration statement should leastwise include the following information:</p> <ol style="list-style-type: none"> <li>1) explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>3) an explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>5) sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>6) sufficient information on the linkage between the remuneration and performance;</li> <li>7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>8) sufficient information on the policy regarding termination payments;</li> <li>9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> <li>12) a description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>13) remuneration statement should not include commercially sensitive information.</li> </ol> <p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the</p>	<p>No</p>	<p>The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company.</p> <p>Information about the benefits and loans for the Management Company is provided in the periodical reports, financial statements.</p>

<p>applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>		
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>- the total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the Annual General Shareholders' Meeting;</li> <li>- the remuneration and advantages received from any undertaking belonging to the same group;</li> <li>- the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>- if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>- compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>- total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>- the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>- the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>- the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>- all changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>- when the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>- when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		

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.		
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p> <p>8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting:</p> <ol style="list-style-type: none"> <li>1) grant of share-based schemes, including share options, to directors;</li> <li>2) determination of maximum number of shares and main conditions of share granting;</li> <li>3) the term within which options can be exercised;</li> <li>4) the conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ol> <p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.</p> <p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.</p> <p>8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should 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</p>	N/A	In 2016 the schemes, on which basis the Management Company was remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements were not applied in the Company.

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.		
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**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: the financial and operating results of the company; company objectives; persons holding by the right of ownership or in control of a block of shares in the company; members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration; material foreseeable risk factors; transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; material issues regarding employees and other stakeholders; 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 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.
<b>Principle XI: The selection of the Company's auditor</b> <b>The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The annual Company's and consolidated financial statements and consolidated annual report are conducted by the independent audit company. The interim financial statements are not conducted by the audit company.
11.2. It is recommended that the company's Supervisory Board and, where it is not set up, the company's Board should propose a candidate firm of auditors to the General Shareholders' Meeting.	Yes	The candidate audit company is suggested to the General Shareholders' Meeting by the Management of the Company.
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.	N/A	The audit company does not provide non-audit services to the Company.



