Dokumentą elektroniniu parašu pasirašė DARIUS,ŠULNIS
Data: 2020-04-29 00:40:11

Darius Šulnis, the President of Invalda INVL, signs the Consolidated and Company's Financial Statements as well as the Consolidated Annual Management Report with a qualified electronic signature

Dokumentą elektroniniu parašu pasirašė RAIMONDAS,RAJECKAS
Data: 2020-04-29 00:44:46

Raimondas Rajeckas, the CFO of Invalda INVL, signs the Consolidated and Company's Financial Statements with a qualified electronic signature

AB INVALDA INVL

Consolidated Annual Management Report, Consolidated and Company’s Financial Statements for the year ended 31 December 2019

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

Translation note:

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

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Independent Auditor's Report

To the Shareholders of AB Invalda INVL

Report on the Audit of the Consolidated and Company's Financial Statements

Opinion

We have audited the separate financial statements of AB Invalda INVL ("the Company") and the consolidated financial statements of AB Invalda INVL and its subsidiaries ("the Group"). The consolidated and Company's financial statements comprise:

- the consolidated and Company's statements of financial position as at 31 December 2019,
- the consolidated and Company's income statements for the year then ended,
- the consolidated and Company's statements of comprehensive income for the year then ended,
- the consolidated and Company's statements of changes in equity for the year then ended,
- the consolidated and Company's statements of cash flows for the year then ended, and
- the notes to the consolidated and Company's financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and Company's financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2019, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

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 Consolidated and Company's Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated and Company's financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified opinion on those consolidated and Company's financial statements on 8 April 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and Company's financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Valuation of unquoted investments carried at fair value

The carrying amount of the Group's and Company's unquoted investments measured at fair value: EUR 36,263 thousand and EUR 36,053 thousand, respectively, as at 31 December 2019 (EUR 23,961 thousand and EUR 22,545 thousand, respectively, as at 31 December 2018).

See Notes 2.8, 2.11 and 2.12 for the relevant accounting policy and Note 13 to the financial statements for financial disclosures.

Key audit matter	How the matter was addressed in our audit
The Group's and Company's investment portfolio comprises a number of unquoted investments carried at fair value. The fair value of the investments is determined by the Company's internal valuation team and external appraisers engaged by the Company, as considered appropriate. A number of valuation techniques are used, including market and income approach. The application of the above-mentioned valuation techniques requires a significant degree of judgement and complex estimates, including, but not limited to, those in respect of discount rates, assumptions on investee future cash flows, terminal growth rate, equity and enterprise value multiples, liquidity and other discounts, as well as determination of comparable listed companies and precedent transactions.	Our audit procedures in the area, performed with the assistance of our own valuation specialists, included, among others: ▪ testing the design and implementation of the selected key internal controls over determining the fair value of unquoted investments, including the controls over the review and validation of valuation model assumptions and outcomes; ▪ assessing the appropriateness of the valuation methods and models applied, against the methodologies commonly used in valuations of similar assets as well as against the requirements of the relevant financial reporting standards; ▪ assessing the competence, capabilities and objectivity of the external appraisers engaged by the Company; ▪ for valuations using the income approach, evaluating the mathematical accuracy and integrity of the discounted cash flow model used, and challenging the key assumptions therein, by reference to our understanding of the investee's current operations and industry, and external market data. The key assumptions included those in respect of: sales, expenses, capital expenditures, and changes in net working capital.

Due to the above factors, we determined valuation of the investment portfolio to be associated with a significant estimation uncertainty and risk of a material misstatement in respect of the carrying amounts of the investments in the Group's and the Company's statements of financial position, and also in respect of the net change in fair value of financial instruments at fair value through profit or loss in their income statements. Accordingly, this area required our increased attention in the audit, and as such, we considered it to be our key audit matter.	For the above valuations, we also traced the forecast growth and discount rates, and the exit yield used, to publicly available market data and, where available, performed a retrospective review of budgeting forecasting accuracy; ▪ for valuations using the market approach: — assessing the suitability of the comparable companies used in the calculation of the equity and enterprise value multiples; — challenging the applicability and appropriateness of the adjustments made to equity and enterprise value multiples – by making inquiries of the persons responsible and inspecting information in publicly available market reports; — challenging the apllied value adjustment due to discount for lack of marketability – by reference to the observable market transaction data; ▪ Evaluating the accuracy and completeness of the financial statement disclosures relating to the fair value determination of the investments.

Revenue recognition

In the year ended 31 December 2019, the Group's revenue amounted to EUR 11,326 thousand (2018: EUR 7,428 thousand), including revenue from fund management, which also include success fees, in the amount of EUR 10,710 thousand (2018: EUR 6,548 thousand).

See Note 2.19 "Revenue recognition and costs to obtain contract with customers" and Note 5 "Segment information".

The key audit matter	How the matter was addressed in our audit
The Group's primary revenue source relates to fees earned from funds under management. The fees include fund management fees as well as success (performance) fees.	Our audit procedures included, among others: — obtaining understanding of the Group's process for recognition of management revenue, and testing the design and implementation of the selected key internal controls therein, including those over revenue recognition and calculation derived from fund management; — critically assessing the Group's revenue recognition policy for compliance with relevant provisions of the financial reporting standards;

Management fees are calculated by applying the fee rates as set out in respective managed funds' rules to either the net assets value (NAV) of the managed fund or to the amount of the investors' commitment to invest into the fund. Success fees are generally calculated by applying the appropriate fee rate to the increase in the given fund's unit value, as set out in the respective rules of the managed fund. Success fee revenue is recognised at a point in time. Revenue from management of funds is recognised over time as the services are being provided and the performance obligations satisfied. Significant judgement is required of the management when determining whether performance obligations are satisfied over a period of time or at a point in time. Significant audit judgement and effort was required due to subjectivity of the main assumptions applied in the revenue recognition process (including the nature and timing of satisfaction of the underlying performance obligations) and the magnitude of the revenue amounts. Accordingly, we have determined this area to be associated with a significant risk of material misstatement and identified it as a key audit matter.	— challenging the appropriateness of determination of performance obligations by reference to the rules of pension and investment funds as well as the terms of the contracts with clients; — assessing the accuracy of NAV used in management fees estimation by tracing NAV to historical financial information of the funds or by performing audit procedures on assets and liabilities that NAV is derived from; — evaluating the completeness and accuracy of the revenue recognized, as follows: • we assessed whether performance obligations are carried out at a point in time or over time by analysing the nature of the service and relevant contractual terms; • for fund management revenue - we traced the fee rates used to those prescribed in the funds' rules, and independently estimated annual revenue from fund management by applying those fee rates to the NAV of respective months or to the amounts of the investors' commitment to invest into the fund, as considered appropriate; • for success fee revenue – we assessed the appropriateness of the success fee calculation by reference to the funds' rules; — examining whether the Group's revenue recognition-related disclosures appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Information

The other information comprises the information included in the consolidated annual management report, including Corporate Governance Statement and Corporate Social Responsibility Report, but does not include the consolidated and Company's financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated and Company's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and Company's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and Company's 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.

In addition, our responsibility is to consider whether information included in the consolidated annual management report, including Corporate Governance Statement, for the financial year for which the consolidated and Company's financial statements are prepared is consistent with the consolidated and Company's financial statements and whether consolidated annual management report, including Corporate Governance Statement, has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the consolidated and Company's financial statements, in our opinion, in all material respects:

- The information given in the consolidated annual management report, including Corporate Governance Statement, for the financial year for which the consolidated and Company's financial statements are prepared is consistent with the consolidated and Company's financial statements; and
- The consolidated annual management report, including Corporate Governance Statement, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, 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 Consolidated and Company's Financial Statements

Management is responsible for the preparation of the consolidated and Company's financial statements that give a true and fair view 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 consolidated and Company's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and Company's financial statements, management is responsible for assessing the Group's and 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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Company's Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and Company's 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 consolidated and Company's 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 consolidated and Company's 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 Group's and 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 Group's and 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 consolidated and Company's 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 Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and the Company's financial statements, including the disclosures, and whether the consolidated and Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders' meeting we were appointed on 14 October 2019 for the first time to audit the consolidated and Company's financial statements. Our appointment to audit the consolidated and Company's financial statements is 3 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the audit report presented to the Group and the Company and their Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Group and the Company any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of consolidated and the Company's financial statements.

On behalf of KPMG Baltics, UAB

TOMA JENSEN
Digitally signed by TOMA JENSEN
Date: 2020.04.29 01:06:08 +03'00'

Toma Jensen
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
29 April 2020

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 3 to 9 of this document.

DETAILS OF THE COMPANY

Board of Directors

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

Management

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

Principal place of business and company code

Gynėjų str. 14,
Vilnius,
Lithuania

Company code 121304349

Banks

AB Šiaulių Bankas
AB SEB Bankas
Swedbank AS
Luminor Bank AS Lithuanian branch
Luminor Bank AS Latvian branch
Swedbank, AB

Auditor

KPMG Baltics, UAB
Konstitucijos avenue 29,
Vilnius, Lithuania

The financial statements were approved and signed by the Management on 29 April 2020.

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

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's income statements

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Revenue from contracts with customers	5	11,326	7,428	36	38
Dividend income		1,882	8,617	1,714	8,574
Other income		82	69	63	57
Net changes in fair value of financial instruments at fair value through profit or loss	6.1	18,714	(7,499)	17,797	(7,546)
Employee benefits expenses	6.2	(5,928)	(4,964)	(381)	(430)
Funds distribution fees		(249)	(405)	-	-
Amortisation of costs to obtain contracts with customers	11	(244)	(161)	-	-
Information technology maintenance expenses		(426)	(433)	(16)	(11)
Depreciation and amortisation	10, 11	(718)	(352)	(20)	(3)
Premises rent and utilities		(145)	(370)	(8)	(31)
Advertising and other promotion expenses		(465)	(411)	-	-
Impairment of financial and contract assets		139	(138)	139	(139)
Other expenses	6.3	(2,183)	(1,677)	(129)	(124)
Operating profit (loss)		**21,785**	**(296)**	**19,195**	**385**
Finance costs		(124)	-	(11)	(7)
Share of net (loss) profit of consolidated subsidiaries accounted for using the equity method	4	-	-	2,293	(681)
Profit (loss) before income tax		**21,661**	**(296)**	**21,477**	**(303)**
Income tax income (expenses)	7	(820)	639	(650)	646
NET PROFIT FOR THE YEAR		**20,841**	**343**	**20,827**	**343**
Attributable to:					
Equity holders of the parent		20,827	343	20,827	343
Non-controlling interests		14	-		
Basic earnings per share (in EUR)	8	1.80	0.03	1.80	0.03
Diluted earnings per share (in EUR)	8	1.77	0.03	1.77	0.03

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of comprehensive income

	Group		Company	
	2019	**2018**	**2019**	**2018**
NET PROFIT FOR THE YEAR	**20,841**	**343**	**20,827**	**343**
Net other comprehensive income that may be subsequently reclassified to profit or loss	**-**	**-**	**-**	**-**
Net other comprehensive income not to be reclassified to profit or loss	**-**	**-**	**-**	**-**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**20,841**	**343**	**20,827**	**343**
Attributable to:				
Equity holders of the parent	20,827	343	20,827	343
Non-controlling interests	14	-		

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of financial position

	Notes	Group As at 31 December 2019	Group As at 31 December 2018	Company As at 31 December 2019	Company As at 31 December 2018
ASSETS					
Non-current assets					
Property, plant and equipment	10	1,795	217	107	2
Intangible assets and costs to obtain contracts	11	5,572	4,862	-	1
Investments into subsidiaries	1, 13, 4	13,166	10,144	26,732	20,391
Investments into associates	1, 13, 4	30,058	22,745	30,058	22,499
Financial assets at fair value through profit or loss	13, 14	32,317	19,857	29,484	16,385
Deferred tax asset	7	502	476	-	-
Total non-current assets		**83,410**	**58,301**	**86,381**	**59,278**
Current assets					
Trade, other receivables and contract assets	16	2,349	7,703	78	6,640
Prepaid income tax		156	90	156	78
Prepayments and deferred charges		100	88	11	7
Financial assets at fair value through profit or loss	13, 14	1,883	386	1,506	-
Cash and cash equivalents	17	5,577	2,048	617	670
Total current assets		**10,065**	**10,315**	**2,368**	**7,395**
TOTAL ASSETS		**93,475**	**68,616**	**88,749**	**66,673**
EQUITY AND LIABILITIES					
Equity					
Share capital	1, 18	3,456	3,441	3,456	3,441
Own shares	18	(1,248)	(1,233)	(1,248)	(1,233)
Share premium		5,033	4,996	5,033	4,996
Reserves	19	13,162	12,748	13,126	12,718
Retained earnings		66,373	45,552	66,409	45,582
Equity attributable to equity holders of the parent		**86,776**	**65,504**	**86,776**	**65,504**
Non-controlling interests		232	-	-	-
Total equity		**87,008**	**65,504**	**86,776**	**65,504**
Liabilities					
Non-current liabilities					
Lease liabilities		1,359	-	96	-
Deferred tax liability	7	1,481	722	1,427	695
Contract liabilities	22	700	-	-	-
Other non-current liabilities		100	175	-	-
Total non-current liabilities		**3,640**	**897**	**1,523**	**695**
Current liabilities					
Lease liabilities		250	-	14	-
Trade payables	21	369	400	7	4
Income tax payable		131	-	-	-
Provisions		100	-	-	-
Contract liabilities	22	85	22	-	-
Other current liabilities	23	1,892	1,793	429	470
Total current liabilities		**2,827**	**2,215**	**450**	**474**
Total liabilities		**6,467**	**3,112**	**1,973**	**1,169**
TOTAL EQUITY AND LIABILITIES		**93,475**	**68,616**	**88,749**	**66,673**

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of changes in equity

		Equity attributable to equity holders of the parent								
					Reserves					
Group	**Notes**	**Share capital**	**Own shares**	**Share premium**	**Legal and other reserves**	**Reserve for acquisition of own shares**	**Retained earnings**	**Subtotal**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2018		**3,441**	**(1,214)**	**4,996**	**950**	**11,121**	**45,662**	**64,956**	**-**	**64,956**
Net profit for the year 2018		-	-	-	-	-	343	343	-	343
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**343**	**343**	**-**	**343**
Share-based payments	19	-	-	-	224	-	-	224	-	224
Acquired own shares	18	-	(19)	-	-	-	-	(19)	-	(19)
Changes in reserves	19	-	-	-	453	-	(453)	-	-	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**(19)**	**-**	**677**	**-**	**(453)**	**205**	**-**	**205**
Balance as at 31 December 2018		**3,441**	**(1,233)**	**4,996**	**1,627**	**11,121**	**45,552**	**65,504**	**-**	**65,504**
Net profit for the year 2019		-	-	-	-	-	20,827	20,827	14	20,841
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**20,827**	**20,827**	**14**	**20,841**
Non-controlling interests on acquisition of consolidated subsidiary	4	-	-	-	-	-	-	-	218	218
Increase of share capital (share options exercised)	18	15	-	37	-	-	-	52	-	52
Share-based payments	19	-	-	-	408	-	-	408	-	408
Acquired own shares	18	-	(15)	-	-	-	-	(15)	-	(15)
Changes in reserves	19	-	-	-	6	-	(6)	-	-	-
Total transactions with owners of the Company, recognised directly in equity		**15**	**(15)**	**37**	**414**	**-**	**(6)**	**445**	**218**	**663**
Balance as at 31 December 2019		**3,456**	**(1,248)**	**5,033**	**2,041**	**11,121**	**66,373**	**86,776**	**232**	**87,008**

(all amounts are in EUR thousand unless otherwise stated)

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

Company	Notes	Share capital	Own shares	Share premium	Reserves: Legal and other reserves	Reserves: Reserve for acquisition of own shares	Retained earnings	Total
Balance as at 1 January 2018		**3,441**	**(1,214)**	**4,996**	**933**	**11,121**	**45,679**	**64,956**
Net profit for the year 2018		-	-	-	-	-	343	343
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**343**	**343**
Share-based payments	19	-	-	-	224	-	-	224
Acquired own shares	18	-	(19)	-	-	-	-	(19)
Changes in reserves	19	-	-	-	440	-	(440)	-
Total transactions with owners of the Company, recognised directly in equity		**-**	**(19)**	**-**	**664**	**-**	**(440)**	**205**
Balance as at 31 December 2018		**3,441**	**(1,233)**	**4,996**	**1,597**	**11,121**	**45,582**	**65,504**
Net profit for the year 2019		-	-	-	-	-	20,827	20,827
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**20,827**	**20,827**
Share-based payments	19	-	-	-	408	-	-	408
Acquired own shares	18	-	(15)	-	-	-	-	(15)
Increase of share capital (share options exercised)	18	15	-	37	-	-	-	52
Total transactions with owners of the Company, recognised directly in equity		**15**	**(15)**	**37**	**408**	**-**	**-**	**445**
Balance as at 31 December 2019		**3,456**	**(1,248)**	**5,003**	**2,005**	**11,121**	**66,409**	**86,776**

(all amounts are in EUR thousand unless otherwise stated)

Consolidated and Company's statements of cash flows

	Notes	Group 2019	Group 2018 (Restated)	Company 2019	Company 2018 (Restated)
Cash flows from (to) operating activities					
Net profit for the year		20,841	343	20,827	343
Adjustment to reconcile result after tax to net cash flows:					
Non-cash:					
Depreciation and amortisation including amortisation of costs to obtain contracts with customers	10, 11	962	513	20	3
(Gain) on disposal of property, plant and equipment		3	-	-	-
Realized and unrealized loss (gain) on investments	6.1	(18,714)	7,499	(17,797)	7,546
Share of net (loss) profit of consolidated subsidiaries accounted for using the equity method	4	-	-	(2,293)	681
Interest income		(56)	(53)	(52)	(49)
Interest expenses		124	-	11	7
Income tax (income) expenses	7	820	(639)	650	(646)
Provision for impairment of financial and contract assets		(139)	138	(139)	139
Change in provisions		100	-	-	-
Share-based payments	19	178	224	28	34
Dividend income		(1,882)	(8,617)	(1,714)	(8,574)
		2,237	(592)	(459)	(516)
Working capital adjustments:					
Decrease (increase) in trade, other receivables and contract assets		(1,170)	678	14	54
Decrease (increase) in other current assets		(10)	(30)	(4)	-
Increase (decrease) in trade payables		(58)	71	(5)	(6)
Increase (decrease) in contract and other liabilities		1,040	388	35	28
Cash flows from (to) operating activities		**2,039**	**515**	**(419)**	**(440)**
Dividends received		-	114	-	114
Proceeds from sale of held-for-trading financial assets		-	1,971	-	1,971
Income tax paid		(1)	(40)	-	-
Net cash flows from (to) operating activities		**2,038**	**2,560**	**(419)**	**1,645**

(cont'd on the next page)

(all amounts are in EUR thousand unless otherwise stated)

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

	Notes	Group 2019	Group 2018 (Restated)	Company 2019	Company 2018 (Restated)
Cash flows from (to) investing activities					
Acquisition of non-current assets (intangible and property, plant and equipment)		(101)	(114)	-	(1)
Proceeds from sale of non-current assets (intangible and property, plant and equipment)		-	-	-	-
Costs to obtain contracts with customers		(929)	(549)	-	-
Acquisition and establishment of subsidiaries, net of cash acquired for consolidated subsidiaries	4	54	(4,732)	(913)	(5,758)
Proceeds from sales of unconsolidated subsidiaries and redeemed convertible bonds	4	2,036	-	2,036	-
Acquisition of associates	4	(52)	(292)	(52)	(104)
Proceeds from sales of associates	4	-	57	-	57
Acquisition of financial assets at fair value through profit or loss (except held-for-trading)		(3,533)	(691)	(3,533)	(91)
Sale of financial assets at fair value through profit or loss (except held-for-trading)		2,595	206	1,007	5
Dividends received		3,322	3,870	3,438	4,287
Loans granted		(1,935)	(395)	(1,935)	(395)
Repayment of granted loans		300	3	300	3
Interest received		22	17	9	4
Net cash flows from (to) investing activities		**1,779**	**(2,620)**	**357**	**(1,993)**
Cash flows from (to) financing activities					
Cash flows related to company shareholders:					
Issue of shares		52	-	52	-
Dividends paid to equity holders of the parent		(3)	(6)	(3)	(6)
Acquisition of own shares	18	(15)	(19)	(15)	(19)
		34	(25)	34	(25)
Cash flows related to other sources of financing:					
Proceeds from borrowings			-		-
Repayment of borrowings			-		-
Payments of lease liabilities		(198)	-	(14)	-
Interest paid		(124)	-	(11)	(7)
		(322)	-	(25)	(7)
Net cash flows to financing activities		**(288)**	**(25)**	**9**	**(32)**
Impact of currency exchange on cash and cash equivalents		**-**	**-**	**-**	**-**
Net increase (decrease) in cash and cash equivalents		**3,529**	**(85)**	**(53)**	**(380)**
Cash and cash equivalents at the beginning of the year	17	**2,048**	**2,133**	**670**	**1,050**
Cash and cash equivalents at the end of the year	17	**5,577**	**2,048**	**617**	**670**

(the end)

(all amounts are in EUR thousand unless otherwise stated)

Notes to the financial statements

1. General information

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

Gynėjų str. 14,
Vilnius,
Lithuania.

The Company is incorporated and domiciled in Lithuania. AB Invalda INVL is one of the leading asset management groups and one of the major companies investing in other businesses in the Baltic whose primary objective is to steadily increase the investors equity value, solely for capital appreciation or investment income (in the form of dividends and interest). The Company's main investments are in asset management, agriculture, facility management, real estate, bank activities. Asset management segment provides investment-related services to investors and third parties. The entities of the asset management segment manage pension, bond and equity investments funds, alternative investments, individual portfolios, private equity and other financial instruments. Bond and equity investment funds, alternative and private equity funds and closed-ended investment companies are referred as collective investment undertakings.

In respect of each unconsolidated business the Company may also participate in the following investment-related activities, either directly or through a consolidated subsidiary, if these activities are undertaken to maximize the investment return (capital appreciation or investment income) from its investees and do not represent a separate substantial business activity or a separate substantial source of income to the investment entity. The Company does not earn any management fees from unconsolidated subsidiaries.

The Company's shares are traded on the Baltic Secondary List of Nasdaq Vilnius. As at 31 December 2019 and 31 December 2018 the shareholders of the Company were:

	2019		2018	
	Number of shares held	Percentage (%)	Number of shares held	Percentage (%)
UAB LJB Investments	3,515,855	29.50	3,515,855	29.63
Mrs. Irena Ona Mišeikienė	3,369,435	28.27	3,369,435	28.40
UAB Lucrum Investicija	2,401,442	20.15	2,401,442	20.24
Mr. Alvydas Banys	910,875	7.64	910,875	7.68
Ms. Indrė Mišeikytė	236,867	1.99	236,867	2.00
The Company (own shares)	308,408	2.59	305,856	2.57
Other minor shareholders	1,176,017	9.86	1,125,663	9.48
Total	11,918,899	100.00	11,865,993	100.00

The shareholders of the Company – Mr. Alvydas Banys, UAB LJB Investments, Mrs. Irena Ona Mišeikienė, Ms. Indrė Mišeikytė, Mr. Darius Šulnis and UAB Lucrum Investicija – have signed the agreement on the implementation of a long-term corporate governance policy. For the purpose of developing and implementing the long-term corporate governance policy the above mentioned shareholders agreed to act in the interests of the Company. In order to implement this, the shareholders agreed in advance coordinate their opinion on the issues considered at the general meeting of shareholders of the Company. The agreement shall not be interpreted to mean an undertaking of the shareholders to vote unanimously on decisions taken at the general meetings of shareholders of the Company. The sole purpose of the agreement is for shareholders to make known their position and find out the position of the other shareholders in advance regarding the agenda items of the general meetings of shareholders of the Company related to the implementation of the long-term corporate governance strategy of the Company and for the aim of achieving the aims mentioned above to coordinate potential decisions in advance.

All the shares of the Company are ordinary shares with the par value of EUR 0.29 each and were fully paid as at 31 December 2019 and 2018. Subsidiaries and associates did not hold any shares of the Company as at 31 December 2019 and 2018.

As at 31 December 2019 the number of employees of the Group was 561 (as at 31 December 2018 – 555). As at 31 December 2019 the number of employees of the Company was 7 (as at 31 December 2018 – 7).

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

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

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

Name	Country of incorporation and place of business	Effective ownership directly/indirectly held by the Company/Group (%) As at 31 December 2019	As at 31 December 2018	Nature of business
Asset management segment:				
UAB INVL Asset Management	Lithuania	100.00	100.00	Pension and investments funds, alternative investments, clients' portfolio management
IPAS INVL Asset Management	Latvia	100.00	100.00	Pension and investments funds, clients' portfolio management
AS INVL Atklātais Pensiju Fonds	Latvia	100.00	100.00	3rd pillar pension funds management
UAB FMĮ INVL Finasta	Lithuania	100.00	100.00	Financial brokerage
UAB Mundus*	Lithuania	51.01	51.01	Private debt investments funds management
UAB INVL Farmland Management	Lithuania	100.00	100.00	Land administration services
UAB Invalda INVL Investments	Lithuania	100.00	100.00	Dormant

*The entity is owned by the Company indirectly. As at 31 December 2018 the entity was an associate of the Group.

As at 31 December 2019 and 2018 the Group has also the following unconsolidated subsidiaries, which measured at fair value through profit or loss.

Name	Country of incorporation and place of business	Effective ownership directly/indirectly held by the Company/Group (%) As at 31 December 2019	As at 31 December 2018	Nature of business
Facility management activities:				
UAB Inservis	Lithuania	100.00	100.00	Facilities management
UAB IPP Integracijos Projektai*	Lithuania	100.00	100.00	Dormant
UAB Priemiestis*	Lithuania	100.00	100.00	Facilities management
UAB Jurita*	Lithuania	100.00	100.00	Facilities management
UAB Informacinio Verslo Paslaugų Įmonė*	Lithuania	88.70	37.03	Payments administration for public utilities
SIA Inservis*	Latvia	100.00	100.00	Facilities management
UAB Įmonių Grupė Inservis	Lithuania	100.00	100.00	Investment into facilities management entities
Other activities:				
UAB Kelio Ženklai	Lithuania	100.00	100.00	Road signs production, wood manufacturing
VšĮ Iniciatyvos Fondas	Lithuania	100.00	100.00	Social initiatives activities
UAB Aktyvo	Lithuania	54.55	54.55	Management of bad debt
UAB Aktyvus Valdymas	Lithuania	100.00	100.00	Dormant
UAB Cedus Invest	Lithuania	100.00	100.00	Investment into agriculture entity UAB Litagra (investment entity)
UAB MGK Invest	Lithuania	100.00	100.00	Dormant
UAB MBGK*	Lithuania	100.00	100.00	Dormant
UAB RPNG	Lithuania	100.00	100.00	Dormant
UAB Regenus	Lithuania	100.00	100.00	Dormant
UAB Consult Invalda	Lithuania	100.00	100.00	Dormant
UAB Cedus	Lithuania	100.00	100.00	Dormant
UAB MD Partners	Lithuania	51.37	51.36	Indirectly investment into MAIB bank (investment entity)
UAB BSGF Sanus	Lithuania	-	100.00	Dormant
UAB BSGF Fortis	Lithuania	-	100.00	Dormant

*These entities are owned indirectly by the Company as at 31 December 2019 and/or 2018.

(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

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

If the unconsolidated subsidiary has liquidity difficulties, the Company grants loans to the subsidiary after analysis of its needs. The Company has not any contractual commitments to provide financial support to unconsolidated subsidiary. In 2019 and 2018 the Company has granted EUR 135 thousand and EUR 95 thousand of loans to maintain the activity of the unconsolidated subsidiaries, respectively.

As at 31 December 2019 the Group has the following associates, which measured at fair value through profit or loss:

Name	Country of incorporation and place of business	Effective ownership directly/indirectly held by the Company/Group (%)	Nature of business
Agriculture activities:			
UAB Litagra*,**	Lithuania	48.81	The primary crop and livestock (milk) production and feed production
Real estate activities:			
Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate	Lithuania	32.45	Real estate owner and lessor

*Owned voting rights of UAB Litagra is increased, because entity is acquired own shares from its other shareholders.
**These entities are owned indirectly by the Company as at 31 December 2019.

As at 31 December 2018 the Group has the following associates, which measured at fair value through profit or loss:

Name	Country of incorporation and place of business	Effective ownership directly/indirectly held by the Company/Group (%)	Nature of business
Agriculture activities:			
UAB Litagra*	Lithuania	40.98	The primary crop and livestock (milk) production and feed production
Real estate activities:			
Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate	Lithuania	32.29	Real estate owner and lessor
Facility management activities:			
UAB Informacinio Verslo Paslaugų Įmonė* (included in the valuation of subsidiary UAB Įmonių Grupė Inservis)	Lithuania	37.03	Payments administration for public utilities
Asset management segment:			
UAB Mundus*	Lithuania	51.01	Private debt investments funds management

*These entities are owned indirectly by the Company as at 31 December 2018.

1 General information (cont'd)

As at 31 December 2019 and 2018 the Company held 100% of voting rights of unconsolidated subsidiary UAB MD Partners (all shares of the entity are owned by the Company). Through unconsolidated subsidiary UAB MD Partners the Company/the Group has indirectly invested into the largest Moldovan bank Moldova-Agroindbank (MAIB). 41.09% shares of MAIB was acquired by entity Heim Partners Limited. UAB MD Partners owns 37.5% of Heim Partners Limited shares and has entered into shareholders agreement with other shareholders: the European Bank for Reconstruction and Development (37.5% of shares) and subsidiary of fund managed by Ukrainian private equity manager Horizon Capital (25% of shares). All these shareholders have obtained permission of the Moldovan central bank to indirectly acquired shares of MAIB. To finance the acquisition, UAB MD Partners issued convertible bonds. They were acquired by the Company and by INVL Special Opportunities Fund, managed by consolidated subsidiary UAB INVL Asset Management. Investors into INVL Special Opportunities Fund are independent from the Group. After obtaining the permission of the Moldovan central bank, those bonds was converted into shares of MD Partners (one unit of bond converts to one unit of share, nominal value is the same) in April 2020, after which the Company owns 51.37% and 48.63% is owned by INVL Special Opportunities Fund. Therefore, according to the bond terms, the Company effectively owns 51.37% of economic benefits from the investment into UAB MD Partners, 19.26% of economic benefits from the indirectly investments into Heim Partners Limited and 7.91% of economic benefits from the indirectly investment into MAIB.

UAB Informacinio Verslo Paslaugų Įmonė and UAB Mundus have not any significant restriction on the ability of the associates to transfer funds to the Group as at 31 December 2018. UAB Litagra has to receive bank consent to pay dividends as at 31 December 2019 and 2018. Special Closed-Ended Type Real Estate Investment Company INVL Baltic Real Estate (hereinafter INVL Baltic Real Estate) has the right to pay dividends without bank consent only if the ratio of EBITDA (earnings before interest, tax, depreciation and amortization) divided by the sum of debt service costs (interest and principal repayments) and dividends would be higher than 1.1.

2. Summary of significant accounting policies

The principal accounting policies applied in preparing the Group's and the Company's financial statements for the year ended 31 December 2019 are as follows:

2.1. Basis of preparation

Statement of compliance

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

These financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss, investments to unconsolidated subsidiaries and associates measured at fair value through profit or loss. The financial statements are presented in thousands of euro (EUR) and all values are rounded to the nearest thousand except when otherwise indicated. From 1 January 2015 the euro became local currency of the Republic of Lithuania.

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Group has adopted the new and amended IFRS and IFRIC interpretations as of 1 January 2019:

- IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019);
- *Annual Improvements* to IFRSs 2015-2017 cycle (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* (effective for annual periods beginning on or after 1 January 2019).

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

The principal effects of these changes are as follows:

IFRS 16 *Leases*

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Company have adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretation. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information. The revised accounting policy for lease is disclosed in Note 2.18 and revised disclosures is presented in Note 26. In Note 3 it is disclosed the adjustments made to the Group's and the Company's financial statements individual line items due to impact of adoption of the standard.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The interpretation had no impact to the Group's and the Company's financial statements for the year ended 31 December 2019.

Annual Improvements to IFRSs 2015-2017 cycle

The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, e.g. in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The amendments had no impact to the Group's and the Company's financial statements for the year ended 31 December 2019.

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in the investee. The amendments had no impact to the Group's and the Company's financial statements for the year ended 31 December 2019.

All other amendments adopted as of 1 January 2019 had no impact on the Group's/Company's financial statements for the year ended 31 December 2019.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards adopted by the EU but not yet effective

Amendments to the *Conceptual Framework for Financial Reporting* (effective for annual periods beginning on or after 1 January 2020)

The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Group and the Company are expected that the amendments would not impact their financial statements.

Amendments to IAS 1 and IAS 8: *Definition of materiality* (effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group and the Company are expected that the amendments would not impact their financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest rate benchmark reform* (effective for annual periods beginning on or after 1 January 2020)

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 and IAS 39 requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Group and the Company are expected that the amendments would not impact their financial statements, because does not have financial instruments linked to IBOR and have any hedge.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

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

Amendments to IFRS 3 *Business Combination: Definition of a business* (effective for annual periods beginning on or after 1 January 2020).

The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets. The Group and the Company are expected that the amendments would not impact their financial statements.

Standards not yet adopted by the EU

Amendments to IAS 1: *Classification of liabilities as current or non-current* (effective for annual periods beginning on or after 1 January 2022 once adopted by the EU).

These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group and the Company are currently assessing the impact of the amendments on their financial statements, but are not expecting that impact would be material.

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

- IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021 once adopted by the EU)

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

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

The Group and the Company have not yet analysed impact of them to their financial statements.

2 Summary of significant accounting policies (cont'd)

2.2. Investment entity and consolidated financial statements

Investment entity

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

(i) funds are obtained from investors for the purpose of providing them with investment management services;
(ii) it is committed to investors that its business purpose in to invest funds solely for capital appreciation, investment income, or both; and
(iii) it is measured and evaluated the performance of substantially all of its investments on a fair value basis.

The Board of Directors approved exit strategies for the Company's investments, which has not definitely maturity terms. The Company and the Group also invest to the collective investment undertakings, which have limited life or is traded on exchange or is open-ended fund with right to redeem on daily basis.

Each Company's investments are fair valued and such fair value information is provided both to the Company's investors on reporting date and also for internal management reporting purposes.

In addition, management has assessed that the following characteristics further support investment entity categorization: Company holds several investments itself in the investment funds managed by management company owned by the Company (this management company is providing investment-related services and is consolidated), investments in the funds are held by several investors, the investors are not related parties and the investments are held mostly in form of equity.

An investment entity may provide investment-related services, either directly or through a subsidiary, to third parties as well as to its investors, even if those activities are substantial to the entity, subject to the entity continuing to meet the definition of an investment entity. An investment entity may also participate in the following investment-related activities, either directly or through a subsidiary, if these activities are undertaken to maximize the investment return (capital appreciation or investment income) from its investees and do not represent a separate substantial business activity or a separate substantial source of income to the investment entity:
(a) providing management services and strategic advice to an investee; and
(b) providing financial support to an investee, such as a loan, capital commitment or guarantee.

The management has assessed that investment-related services provided to third parties is ancillary to its core investing activities and therefore does not change its business purpose therefore the Company meets the definition of an investment entity.

Subsidiaries

The Company has two types of subsidiaries. One type of subsidiaries are controlled subsidiary investments (hereinafter unconsolidated subsidiary). They are measured at fair value through profit or loss and not consolidated, in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in the Note 2.12 below.

The other type of subsidiaries provide investment-related services (investment advisory services, investment management) to the investors and third parties (hereinafter consolidated subsidiary). They are not themselves investment entities. The Company considers whether providing services to third parties is ancillary to its core investing activities, when assesses whether it qualifies as an investment entity. These subsidiaries that provide services that are related to the entity's investment activities are consolidated.

Associates

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

2 Summary of significant accounting policies (cont'd)

2.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its consolidated subsidiaries that provide services that are related to the entity's investment activities. The financial statements of the consolidated subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Consolidated subsidiaries are all entities (including structured entities) over which the group has control and that provide services that are related to the entity's investment activities. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidated subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions that are recognised in assets, are eliminated in full.

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

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

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

2.4. Functional and presentation currency

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

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

2.5. Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met. Replaced parts are written off. The Group and the Company have elected to present right-of-use assets as property, plant and equipment. The right-of-use assets comprise leased properties. The accounting policy of right-of-use assets is disclosed in Note 2.18.

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

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

Leased properties (right-of-use assets)	2-7 years
Vehicles	6 years
Other non-current assets	3–6 years

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

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

2 Summary of significant accounting policies (cont'd)

2.6. Intangible assets other than goodwill

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

Funds' management rights

Funds' management rights include investment, private debt investments, pension funds and portfolio of clients acquired during asset management entities acquisition. Funds' management rights acquired in a business combination are capitalised at the fair value at the acquisition date and treated as an intangible asset. Following initial recognition, funds' management rights are carried at cost less any accumulated impairment losses. Funds' management rights are amortised during 5 - 10 years.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised during 3-5 years.

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

2.7. Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.8. Investments in subsidiaries, associates (the Company)

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

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

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (cont'd)

2.10. Impairment of non-financial assets

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

Impairment losses are recognised in the income statement.

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

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

Goodwill

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

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

2.11. Financial assets

Financial assets within the scope of IFRS 9 are classified as either financial assets at fair value through profit or loss (either through other comprehensive income or through profit or loss) or financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or in other comprehensive income. The Group and the Company reclassify debt instruments when and only when their business model for managing those assets changes.

Financial assets are recognised when the Group and the Company become parties to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

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

At initial recognition, the Group/the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

2 Summary of significant accounting policies (cont'd)

2.11 Financial assets (cont'd)

Debt instruments

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method and presented as "other income" in the income statement. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the income statement. The Group's and the Company's financial assets at amortised cost comprised trade and other receivables, cash and cash equivalents.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in separate line item. Interest income from these financial assets is included in "other income" using the effective interest rate method. Foreign exchange gains and losses are presented in "other income" and impairment expenses are presented as separate line item in the income statement. The Group and the Company do not have financial assets attributed to this group of debt instruments.

Assets that do not meet the criteria for amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within "Net changes in fair value of financial instruments at fair value through profit or loss" in the period in which it arises. As the Company is investment entity, which business model is to evaluate and manage investments at fair value, the debt securities, loans granted to the owned investments are measured at fair value through profit or loss.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value through profit or loss. Changes in the fair value of these financial assets are recognised within "Net changes in fair value of financial instruments at fair value through profit loss" in the income statement.

Offsetting financial instruments

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

2.12. Fair value estimation

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

2.13. Impairment of financial and contract assets

From 1 January 2018, the Group and the Company assess on a forward-looking basis the expected credit losses associated with their financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group/the Company follows a three-stage model for impairment for financial assets other than trade receivables:

- Stage 1 – balances, for which the credit risk has not increased significantly since initial recognition, or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months;

2 Summary of significant accounting policies (cont'd)

2.13. Impairment of financial and contract assets (cont'd)

- Stage 2 – comprises balances for which there have been a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight;
- Stage 3 – comprises balances with objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Loans granted are considered to be low credit risk when they have a low risk of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

The financial asset is considered as credit-impaired, if objective evidence of impairment exists at the reporting date. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation.

Financial assets are written off, in whole or in part, when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

For trade, other receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables and contract assets are classified either to Stage 2 or Stage 3:

- Stage 2 – comprises receivables for which there the simplified approach was applied to measure the expected lifetime credit losses, except for certain trade receivables classified in Stage 3;
- Stage 3 – comprises trade receivables which are overdue more than 90 days (except is reasonable explanation for that) or individually identified as impaired.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable. Such forward-looking information would include:

- changes in economic, regulatory, technological and environmental factors, (such as industry outlook, GDP, employment and politics); and
- external market indicators.

2.14. Trade receivables

Trade receivables are amounts due from customers for goods 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 the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group and the Company hold the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's and Company's impairment policies and the calculation of the loss allowance are provided in Note 2.13.

2.15. Cash and cash equivalents

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

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

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

2 Summary of significant accounting policies (cont'd)

2.16. Financial liabilities (cont'd)

The Group and the Company recognise a financial liability when they first become parties to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value through profit or loss) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost using the effective interest method or at fair value through profit or loss. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Financial liabilities included in trade payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group/Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial liabilities at fair value through profit or loss

After initial recognition, financial liabilities at fair value through profit or loss are subsequently measured at fair value through profit or loss. To this group of financial liabilities is attributable contingent consideration and derivatives that are liabilities.

2.17. Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Group and the Company have transferred their rights to receive cash flows from an asset and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset.

In that case, the Group and the Company's also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

2 Summary of significant accounting policies (cont'd)

2.18. Leases

Accounting policy applied from 1 January 2019

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group/the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment In addition, the right-of-use asset is periodically reduced by impairment losses (Note 2.10), if any, and adjusted for certain remeasurements of the lease liability. As at 31 December 2019 right-of-use assets of the Group/the Company relate to leased properties and are depreciated over 2-7 and 7 years, respectively.

The Group/the Company presents right-of-use assets in 'property, plant and equipment' in the statement of financial position.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's/the Company's incremental borrowing rate. The Group/the Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on ar. index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group/the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Group/the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group/the Company is reasonably certain not to terminate early.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, it is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's/the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group/the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

The Group/the Company lease liabilities in separate line in the statement of financial position.

2 Summary of significant accounting policies (cont'd)

2.18. Leases (cont'd)

Short-term leases and leases of low-value assets

The Group/the Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group/the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease modification

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. The Group/the Company account for a lease modification as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract. For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group/the Company allocate the consideration in the modified contract to each lease component on the basis of its relative stand-alone prices, determine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined. For a lease modification that is not accounted for as a separate lease, the Group/the Company account for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease and making a corresponding adjustment to the right-of-use asset for all other lease modifications, the Group/the Company recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

Accounting policy applied until 31 December 2018

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

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

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

Operating lease

Group as a lessee

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

2.19. Revenue recognition and costs to obtain contract with customers

Revenue from contracts with customers includes asset management, brokerage and other services revenue.

Revenue from the asset management and brokerage services

Revenue from asset management services is recognized as a percentage from asset under management over the period in which the control of the asset management services is transferred to the client, i.e. when services are provided. Asset management services are provided as long as the client has the investment in funds managed by the Group. Revenue from brokerage services is recognized at point in time when the control of the brokerage services is transferred to the client, i.e. when services are actually provided. It is the date when securities are recorded on the client's account (transaction settlement date).

2 Summary of significant accounting policies (cont'd)

2.19 Revenue recognition and costs to obtain contract with customers (cont'd)

The Group assesses whether some asset management services are separate services provided to the customer (i.e. separate performance obligation). If the service is a separate service provided to the customer, its income is recognized when the service is actual provided. If it is not a separate service provided to the customer but part of the asset management service to manage funds, the recognition of the revenue is deferred and recognized over the average period of the client's contract. The Group earns fund distribution income from investors that invest into certain funds. The Group analysed whether distribution is a separate service provided to the clients or part of the asset management service to manage funds and concluded that the distribution of alternative funds for informed investors and the distribution of investment funds is separate service, as each fund is specialized, and the Group provides a separate identification service for the person or entity investing in such a fund, which includes elements of fund selection and application. Meanwhile, in the case of the distribution of Lithuanian pension funds, the Company assesses that the distribution is not a separate service, but a part of the asset management service, because pension funds are standardized products designed for a retail client. As a result, the revenue of the pension fund distribution fee is considered as a contractual obligation and recognized over the average term of the client contract - 10 years.

The Group earns variable remuneration - a success fee when the return of certain funds exceeds the expected return limit. Depending on the fund rules, the Group acquires the right to a success fee as soon as the fund's return exceeds the expected return limit or only at the end of the fund's life when the fund's assets are distributed. The Group recognizes the success fee as revenue when it acquires the right to a calculated success fee, but only to the extent that it is highly probable that a significant reversal in the amount of success fee recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Costs to obtain contracts with customers

Costs to obtain contracts with customers are commissions paid to external intermediaries for distribution of pension funds. They are capitalised and presented in the statement of financial position within 'Intangible and costs to obtain contracts with customers assets'. The amortization period used for Costs to obtain contracts with customers is 10 years and is based on the average expected duration of the client's stay with the Group.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Disposal of investments

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

Dividends income

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

2.20. Cash and non-cash distribution to equity holders of the parent

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

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

2 Summary of significant accounting policies (cont'd)

2.21. Current and deferred income tax

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

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

The standard income tax rate in Lithuania was 15 % in 2019 and in 2018. Starting from 2010, tax losses can be transferred within Lithuania at no consideration or in exchange for certain consideration between the group companies if certain conditions are met.

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

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

By Lithuanian Income Tax Law shall be not taxed sale of shares of an entity, registered or otherwise organised in a state of the European Economic Area or in a state with which a treaty for the avoidance of double taxation has been concluded and brought into effect and which is a payer of corporate income tax or an equivalent tax, to another entity or a natural person where the entity transferring the shares held more than 10% of voting shares in that entity for an uninterrupted period of at least two years. If mentioned condition is met or will be met by judgement of the management of the Company, there are not recognised any deferred tax liabilities or assets in respect of temporary differences associated with these investments. By Lithuanian Income Tax Law shall be not also taxed income from investments into collective investment undertakings.

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

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

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

2 Summary of significant accounting policies (cont'd)

2.21 Current and deferred income tax (cont'd)

From 1 January 2018 according to the new Corporate Income Tax Act of Latvia the annual profit would be not taxed. Corporate income tax would be paid on distributed profit, including conditional distributed profit as for example: expenditure not related to economic activities, some loans granted to related parties, some provisions for doubtful debts. The tax rate on (net) distributed profit would be 20/80. From 1 January 2018 the tax base would be reduced by the gain on sale of shares, if the shares were held for an uninterrupted period of at least 36 months. The excess gain can be transferred and utilized in the future periods. The income tax payable on dividends from Latvian consolidated subsidiaries is recognised as the income tax expense of the period in which the dividends are declared, except for deferred tax liability from undistributed profit earned from 1 January 2018 recognised by the Group when it expected to be distributed in the foreseeable future.

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

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

2.22. Provisions

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

Contingent liabilities recognised in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:
- the amount that would be recognised in accordance with the general guidance for provisions above (IAS 37) or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (IFRS 15).

2.23. Segments

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

2.24. Share capital

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

2 Summary of significant accounting policies (cont'd)

2.25. Employee benefits

Social security contributions

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

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after reporting date are discounted to their present value.

Bonus plans

The Company and the Group recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. The bonus plans that provides the employee with a choice of two settlement alternatives that are mutually exclusive, and in which one of the alternative is equity-settled share-based payment and other alternative is cash that is not share-based payment, accounted for as a share-based payment by applying the requirements in IFRS 2 for compound instruments by analogy. The liability for the cash alternative that is not share-based payment are measured and remeasured in accordance with IAS 19 for such arrangements with employees. Some part of bonuses payment is deferred from one to five years after end of reporting period and employment contract have to be not terminated until payment date to receive relevant part of bonus. The deferred amount of bonuses is recognised into profit or loss over the service vesting period. Any incremental fair value of the share-based payment over the initial value of the liability component is accounted for as an equity component. If and when the choice for a cash alternative is sacrificed, then the liability is reclassified to equity and further the Group/the Company recognise employee services received as equity-settled share-based payment transactions.

Pension obligations

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

2.26. Share-based payments

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

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

Grant date is the date at which the Group/Company and the employee agree to a share-based payment arrangement, and requires that the entity and the employee have a shared understanding of the terms and conditions of the arrangement. If the agreement is subject to an approval process, then grant date is the date on which that approval is obtained. If the employee services is rendered before grant date, the Group/the Company estimating the fair value of the equity instruments is by assuming that grant date is at the reporting date. Once grant date has been established, the Group/the Company revises the earlier estimates so that the amounts recognised for services received are based on the grant-date fair value of the equity instruments.

2 Summary of significant accounting policies (cont'd)

2.26 Share-based payments (cont'd)

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

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

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

Share - based payments – modification and cancellation

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

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

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

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

Share - based payment – settlement choice of employee

If the counterparty has the right to choose whether a share-based payment transaction is settled in cash or by issuing equity instruments, the Group/the Company has granted a compound financial instrument, which includes a debt component and an equity component. The fair value of the compound financial instrument is the sum of the fair values of the two components. The Group/the Company measure the fair value of the debt component as the fair value of the liability under the cash alternative. If the liability for the cash alternative that is not share-based payment are measured and remeasured in accordance with IAS 19 for such arrangements with employees. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, taking into account that the counterparty must forfeit the right to receive cash in order to receive the equity instrument. The Group/the Company account separately for employee services received in respect of each component of the compound financial instrument. For the debt component, the Group/the Company recognise employee services received, and a liability to pay for those services, as the counterparty renders service. For the equity component, the Group/the Company recognise employee services received, and an increase in equity, as the counterparty renders service as equity-settled share-based payment transactions. If and when the choice for a cash alternative is sacrificed, then the liability is reclassified to equity and further recognise employee services received as equity-settled share-based payment transactions. If the Group/the Company pays in cash on settlement rather than issuing equity instruments, that payment settled the liability in full. Any equity component previously recognised remain within equity.

2.27. Contingencies

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

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

2 Summary of significant accounting policies (cont'd)

2.28. Events after the reporting period

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

2.29. Significant accounting judgements and estimates

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

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

Judgements

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

Investment entity

According to the management, the Company meets all the defining criteria of an investment entity from the split-off in 2014 and henceforth investments in unconsolidated subsidiaries and associates are measured at fair value through profit or loss. The management is continually reviewing whether the Company meets all the defining criteria of an investment entity. In addition, the management assesses the Company's operation objective, investment strategy, origin of income and fair value models and whether investment-related services provided by the consolidated subsidiaries to third parties are ancillary to its core investing activities.

The identification of customer of asset management entities

When the Group starts to manage the new fund, it decides on who is the client of the Group: the fund itself or its participant. This decision affects the accounting for the cost of concluding contracts with fund participants in accordance with IFRS 15. The Group has made the following decisions about who is the client of the funds it manages:

- In the case of Lithuanian pension funds, its client is each participants of the fund, because the Group manages the information of the fund participant and communicates directly with each participant of pension funds. As a result, incremental costs to obtain contract for these clients are capitalised by the Group;
- In the case of investment funds, alternative funds and Latvian pension funds, the Group estimates that its client is a fund rather than a separate fund participant. This solution is based on the fact that these funds are distributed and relationships with fund investors are supported by intermediaries - usually financial brokerage firms or fund platforms. The Group usually has no contact with the investors of these funds and does not directly communicate with them. Often, the Group does not even have information about the end customers because it only accesses the compound account of the investors and not the individual accounts of the fund participants. As a result, incremental costs to sign-up new investors to these funds are expensed as incurred by the Group.

Absence of control over UAB Mundus until 30 June 2019

The 49% shares of UAB Mundus are owned by two key management personnel of entity. With them was signed a shareholders agreement in November 2017. According to the agreement it is required consent of one of other shareholder to direct the relevant activities of the entity. In the agreement is not specified with which of other shareholder have to be agreed decisions regarding the relevant activities of the entity. Therefore, the Group has neither control nor joint control over entity and accounted the investment as associate at fair value, because the Company is investment entity. On 22 July 2019 shareholder agreement was changed, as result the Group has acquired control over UAB Mundus and has consolidate the entity from 1 July 2019. The amendment of the agreement provided that in deadlock situation, the Group could right to demand the acquisition of shares of other shareholders at a price not lower than that stipulated in the agreement, other shareholders do not have such a unilateral right. The Group has the practical ability to exercise the right, and therefore, it gives the Group the ability to obtain the voting rights held by the other.

2 Summary of significant accounting policies (cont'd)

2.29. Significant accounting judgements and estimates (cont'd)

Estimates and assumptions

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

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

Fair value of investments in unconsolidated subsidiaries and associates in financial statements

The fair values of investments in unconsolidated subsidiaries and associates are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability. Details of the inputs and valuation models used to determine Level 3 fair value, is provided in Note 13.

The fair value of the investments in unconsolidated subsidiaries and associates of the Group and the Company as at 31 December 2019 was EUR 13,166 thousand and EUR 30,058 thousand, respectively (as at 31 December 2018 - EUR 10,144 thousand and in the Group - EUR 22,745 thousand, in the Company – EUR 22,499 thousand, respectively) (described in more details in Note 13).

Useful lives of funds' management rights and amortisation period of costs to obtain contracts with customers

The useful lives of funds' management rights acquired through business combinations are disclosed in Note 2.6 and amortisation charge for the year is disclosed in Note 11. The useful lives are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life. As at 31 December 2019 and 2018 the Group assessed that there is no impairment indication of funds' management rights. If the estimated useful lives of funds' management rights have been one year shorter, the amortisation charge for the year ended 31 December 2019 and 2018 would have increased by EUR 56 thousand and EUR 24 thousand, respectively.

Amortisation period of costs to obtain contracts with customers is 10 years, based on the average expected duration of the client's stay with the Group. If the estimated amortisation period of costs to obtain contracts with customers have been one year shorter, the amortisation charge for the year ended 31 December 2019 would have increased by EUR 30 thousand, the amortisation charge for the year ended 31 December 2018 would have increased by EUR 18 thousand.

Deferred tax assets

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

Deferred tax asset is recognized on individual company basis taking into account future performance plans of those companies. No deferred tax asset is recognized from Group's tax losses carry forward for indefinite period of time of EUR 4,182 thousand as 31 December 2019 (as at 31 December 2018 – EUR 5,255 thousand) due to future uncertainties related with the performance of those companies. As at 31 December 2019 and 2018 all above mentioned tax losses is related to consolidated subsidiary UAB INVL Asset Management. As at 31 December 2019 in the total deferred tax asset balance of the Group the amount of EUR 240 thousand (as at 31 December 2018 – EUR 453 thousand) relates to deferred tax asset recognized from the taxable losses of the Company and EUR 564 thousand (as at 31 December 2018 – EUR 744 thousand) was recognized from the taxable losses of other Group's entities (Note 7). As at 31 December 2019 recognition of deferred tax asset from the taxable losses of acquired asset management entities are supported on the estimation of these entities' profitability, which is based on the forecasted growth of managed funds and participants portfolio, on the level of management fees, on future funds return and number of participants. If the profitability estimation would be change by 5%, deferred tax asset would be recognised by EUR 28 thousand more/less (as at 31 December 2018 – EUR 37 thousand).

(all amounts are in EUR thousand unless otherwise stated)

2 Summary of significant accounting policies (cont'd)

2.29 Significant accounting judgements and estimates (cont'd)

Estimates and assumptions (cont'd)

Variable employee benefits

The Group have bonus plans, where employees have choice of two settlement alternatives that are mutually exclusive, and in which one of the alternative is equity-settled share-based payment (by granting share options of the Company) and other alternative is cash that is not share-based payment. As described in more details in Note 2.26, this arrangement with employees is accounted as a compound financial instrument, which includes a debt component and an equity component. The Group use estimates of employee service vesting period and recognise expenses proportionately over estimated vesting period. The equity component as equity-settled share-based payment are measured at the grant date fair value of share-options. The valuation method of fair value of share-options is a significant accounting estimate. The fair value of equity-settled share-based payment is calculated using the Black-Scholes option valuation method. All key inputs, with the exception of share price volatility, are directly observable in the market (the Company's share price and risk-free interest rate). For volatility input is used historical shares volatility on exchange. More details on inputs are disclosed in Note 19.

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

3. Changes in accounting policies and restatement of cash flows statements

Impact of IFRS 16

The Group and the Company have adopted IFRS 16 using the modified retrospectively approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Until adoption of IFRS 16 the Group and the Company have only leases, which were classified as operating leases. The Group and the Company lease premises and parking spaces. Under IFRS 16, the Group/the Company recognises right-of-use assets and lease liabilities for most of the leases – i.e. the leases are on-balance sheet. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the rate disclosed below as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability. The Group did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.

The Group and the Company recognized right of use assets (in the caption 'Property, plant and equipment' of the statements of financial position) and lease liability of EUR 1,510 thousand and EUR 121 thousand, respectively. In the income statement depreciation of lease assets (the Group: EUR 245 thousand, the Company: EUR 18 thousand) and interest on lease liabilities (the Group: EUR 124 thousand, the Company: EUR 11 thousand) replaced previously recognised lease expenses (the Group: EUR 317 thousand, the Company: EUR 24 thousand). The Group's and Company's weighted average of rate applied to discount remaining lease payments at the date of initial application is 8.75 percent and 10.29 percent, respectively.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group	Company
Operating lease commitments as at 31 December 2018	**1,987**	**165**
Discounted operating lease commitments as at 31 December 2018	**1,521**	**121**
Less:		
Commitments relating to short-term leases	(11)	-
Lease liabilities as at 1 January 2019	**1,510**	**121**

(all amounts are in EUR thousand unless otherwise stated)

3 Changes in accounting policies and restatement of cash flows statements (cont'd)

Restatement of cash flows statements

The Group and the Company have reclassified dividends received (except from dividends received from held-for-trading financial assets), loans granted and repaid and interest received from cash flows from (to) operating activities to cash flows from (to) investing activities to better represent cash flows movements. The tables below presented reclassification of the Group and the Company's cash flows items for 2018:

The Group	**2018**	**Reclassification**	**2018 restated**
Cash flows from (to) operating activities			
Dividends received	3,984	(3,870)	114
Loans granted	(395)	395	-
Repayment of granted loans	3	(3)	-
Interest received	17	(17)	-
Net cash flows from (to) operating activities	**6,055**	**(3,495)**	**2,560**
Cash flows from (to) investing activities			
Dividends received	-	3,870	3,870
Loans granted	-	(395)	(395)
Repayment of granted loans	-	3	3
Interest received	-	17	17
Net cash flows from (to) investing activities	**(6,115)**	**3,495**	**(2,620)**

The Company	**2018**	**Reclassification**	**2018 restated**
Cash flows from (to) operating activities			
Dividends received	4,401	(4,287)	114
Loans granted	(395)	395	-
Repayment of granted loans	3	(3)	-
Interest received	4	(4)	-
Net cash flows from (to) operating activities	**5,544**	**(3,899)**	**1,645**
Cash flows from (to) investing activities			
Dividends received	-	4,287	4,287
Loans granted	-	(395)	(395)
Repayment of granted loans	-	3	3
Interest received	-	4	4
Net cash flows from (to) investing activities	**(5,892)**	**3,899**	**(1,993)**

(all amounts are in EUR thousand unless otherwise stated)

4. Business combinations, investments into associates, disposals

The movement of investments in associates was as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
At 1 January	**22,745**	**20,008**	**22,499**	**20,008**
Acquisition of additional shares in associate	52	369	52	104
Disposal of associate	-	(57)	-	(57)
Reclassification to subsidiaries as result of acquired control	(241)	-	-	-
Changes in fair value	7,502	2,425	7,507	2,444
At 31 December	**30,058**	**22,745**	**30,058**	**22,499**

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

	Company	
	2019	**2018**
At 1 January	**20,391**	**21,990**
Changes in accounting policy (impact of IFRS 15)	-	960
Share of net profit (loss) of consolidated subsidiaries accounted for using equity method	2,293	(681)
Establishment of subsidiaries and increase of share capital	913	7,372
Disposals	(304)	-
Dividends from consolidated subsidiaries	(267)	(468)
Share-based payments of consolidated subsidiaries	380	190
Loans granted/repaid, net	135	392
Interest charged/repaid, net	37	45
Changes in fair value	4,886	(7,019)
Decreased share capital (free funds returned)	-	(2,390)
Redeemed convertible bonds	(1,732)	-
At 31 December	**26,732**	**20,391**
At equity method	13,566	10,247
At fair value – shares and convertible bonds	12,922	9,626
At fair value - loans granted	244	518

(all amounts are in EUR thousand unless otherwise stated)

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

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

	Group	
	2019	**2018**
At 1 January	**10,144**	**13,994**
Loans granted/repaid, net	135	392
Interest charged/ paid, net	37	45
Establishment of unconsolidated subsidiaries and increase of share capital	-	4,732
Decreased share capital (free funds returned)	-	(2,000)
Changes in fair value	4,886	(7,019)
Redeemed convertible bonds by UAB MD Partners	(1,732)	-
Disposals	(304)	-
At 31 December	**13,166**	**10,144**
Shares, convertible bonds	12,922	9,626
Loans granted	244	518

In 2018 it was declared EUR 7,200 thousand dividends from unconsolidated subsidiary UAB Cedus Invest, which are recognised as the Company's dividends income. The dividends were declared for purpose to transfer to the Company cash received from sale of trading business and grain elevators of the group of UAB Litagra, occurred at the end of 2017. As consequence of declared dividends fair value of unconsolidated subsidiary UAB Cedus Invest was declined.

Acquisitions in 2019 and 2018

Analysis of cash flows on acquisition:

	2019	**2018**
Consideration paid in cash on acquisition of consolidated subsidiaries	-	-
Cash acquired with the consolidated subsidiary	54	-
Consideration paid in cash on acquisition or share capital increase of unconsolidated subsidiaries	-	(4,732)
Acquisition of subsidiaries, net of cash acquired	**54**	**(4,732)**

Acquired control of UAB Mundus

On 22 July 2019 shareholder agreement of UAB Mundus was changed, as result the Group has acquired control over the entity and has consolidate the entity from 1 July 2019. The amendment of the agreement provided that in deadlock situation, the Group could right to demand the acquisition of shares of other shareholders at a price not lower than that stipulated in the agreement, other shareholders do not have such a unilateral right. The Group have the practical ability to exercise the right, and therefore, it gives the Group the ability to obtain the voting rights held by the other. About acquisition of UAB Mundus in 2018 is disclosed below in section of acquisition of associate. The Group owned 51% shares of UAB Mundus. Because business combination is achieved without the transfer of consideration, fair value of the Group's interest in UAB Mundus was used to measure purchase consideration, which are last fair value measurement of investment into associates as at 30 June 2019 – EUR 241 thousand.

The acquiree operates in Lithuania and has managed one investment fund, which invest into private debt investments of fast growing alternative finance companies. As of 30 June 2019 the entity managed EUR 22.3 million of assets. The 49% shares of UAB Mundus are owned by two key management personnel of entity. The goodwill of EUR 14 thousand arising from the acquisition is attributable to the economies of scale expected from combining the operations of the Group and acquired entities. None of the goodwill recognised is expected to be deductible for income tax purposes.

(all amounts are in EUR thousand unless otherwise stated)

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

Acquisitions in 2019 and 2018 (cont'd)

Acquired control of UAB Mundus (cont'd)

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

	Fair value recognised on acquisition
Assets	
Intangible assets	402
Property, plant and equipment	1
Trade and other receivables	107
Prepayments and deferred charges	2
Cash and cash equivalents	54
Total assets	**566**
Liabilities	
Deferred tax liabilities	(61)
Trade payables	(19)
Income tax payable	(13)
Other current liabilities	(28)
Total liabilities	**(121)**
Total identifiable net assets	**445**
Non-controlling interests (49% of net assets)	(218)
Goodwill arising on acquisition	14
Total consideration transferred	**241**

The gross contractual amount for trade receivable due is EUR 107 thousand and all amount is collected in July 2019; therefore, the fair value of trade receivables is approximated the carrying amount.

Acquired business contributed revenues of EUR 229 thousand and earned the net profit of EUR 29 thousand to the Group during the year of 2019.

If the acquisition of UAB Mundus in 2019 had occurred on 1 January 2019, the consolidated revenue would have been EUR 11,510 thousand and consolidated net profit would have been EUR 20,900 thousand for the year of 2019.

There was no acquisition of consolidated subsidiaries in 2018.

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

Acquisitions in 2019 and 2018 (cont'd)

Establishment of companies (increase or decrease of share capital) in 2019 and 2018

In December 2019 the Company has additional invested EUR 913 thousand into the share capital of consolidated subsidiaries IPAS INVL Asset Management.

In December 2019 the Company has additionally invested EUR 696 thousand at face value into share capital of UAB Kelio ženklai by converting loans granted (the carrying amount of converted loans was EUR 446 thousand).

In May 2018 the Company has additional invested EUR 522 thousand into the share capital of UAB INVL Asset Management. In December 2018 the Company has additionally invested EUR 2,320 thousand into the share capital of UAB INVL Asset Management to ensure that the capital adequacy ratio of the asset management entity complies with the requirements of the Bank of Lithuania. The Company has paid EUR 503 thousand by cash instalments and has transferred shares of AB Šiaulių Bankas for EUR 1,817 thousand to UAB INVL Asset Management. According to the law, the listed shares are evaluated as last six months market price average. According to the accounting policy, the listed shares are measured on quoted market prices at the close of trading, which is the date closest to the reporting date. Therefore, according to accounting policy the fair value of transferred shares is EUR 1,616 thousand.

In May 2018 the Company has established UAB MD Partners by investing EUR 3 thousand. The entity owns 37.5% of Heim Partners Limited shares and has entered into shareholders agreement with other shareholders: the European Bank for Reconstruction and Development (37.5% of shares) and subsidiary of fund managed by Ukrainian private equity manager Horizon Capital (25% of shares)). On 22 June 2018 Heim Partners Limited signed a Pre-Contract with the Moldovan Agency for Public Property regarding the participation in the auction to acquire a stake of 41.09% in the largest Moldovan bank Moldova-Agroindbank (MAIB). On 2 October 2018 Heim Partners Limited won the auction to acquire 41.09% of shares of MAIB for 451.533 million Moldovan lei (EUR 23.031 million). To finance the acquisition, UAB MD Partners issued convertible bonds in the amount of EUR 9,198 thousand. The Company has acquired convertible bonds of UAB MD Partners for EUR 4,723 thousand, and the remaining EUR 4,475 thousand part of the bond issue was acquired by INVL Special Opportunities Fund, managed by consolidated subsidiary UAB INVL Asset Management. Investors into INVL Special Opportunities Fund are independent from the Group. As at 31 December 2019 and 2018 the Company held 100% of voting rights of UAB MD Partners. After obtaining the permission of the Moldovan central bank, those bonds was converted into shares of MD Partners in April 2020, after which the Company owns 51.37% of shares and 48.63% of shares is owned by INVL Special Opportunities Fund. However, according to the bond terms, the Company receives 51.37% of economic benefits from the investment into UAB MD Partners until conversion also. In 1st Half Year of 2019 convertible bonds of UAB MD Partners owned by the Group were redeemed for EUR 1,732 thousand to transfer to the Group indirectly received dividends inflows from MAIB.

In September 2018 and December 2018 the Company has established and invested EUR 304 thousand into the share capital of UAB BSGF Sanus and UAB BSGF Fortis. Entities are established for the benefit of a closed-end private equity fund INVL Baltic Sea Growth Fund.

In December 2018 the Company has additionally invested EUR 319 thousand into share capital of UAB Kelio ženklai by converting loans granted.

In July 2018 the share capital of UAB Cedus Invest and UAB Invalda INVL Investments was decreased by EUR 2,000 thousand and EUR 390 thousand, respectively. EUR 390 thousand receivable was set-off with borrowings from UAB Invalda INVL Investments.

Additional acquisition of UAB Informacinio Verslo Paslaugų Įmonė

Unconsolidated subsidiary UAB Įmonių Grupė Inservis acquired from the state 51.67% stake in UAB Informacinio Verslo Paslaugų Įmonė for EUR 352 thousand. The transaction with the state entity Turto Bankas was completed on 31 January 2019. After this transaction, the Group increased its shareholding in UAB Informacinio Verslo Paslaugų Įmonė from 37.03% (initial acquisition is occurred in 2016) up to 88.7% and the entity became indirectly owned unconsolidated subsidiary. UAB Informacinio Verslo Paslaugų Įmonė has a licence of payment institution issued by the Bank of Lithuania. The company administers taxes on energy and utilities provided to residents, provides services to companies and institutions. In 2019 and 2018 the unconsolidated subsidiary UAB Įmonių Grupė Inservis has received dividends of EUR 478 thousand and EUR 333 thousand from UAB Informacinio Verslo Paslaugų Įmonė, respectively.

Acquisition of associates in 2019 and 2018

During 2019 the Company has additionally acquired shares of INVL Baltic Real Estate for EUR 52 thousand on the stock exchange.

During 2018 the Company has additionally acquired shares of INVL Baltic Real Estate for EUR 104 thousand on the stock exchange.

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

Acquisition of associates in 2019 and 2018

Acquisition of UAB Mundus

On 2 February 2018 the Group acquired 51% shares of UAB Mundus for EUR 265 thousand (all amount would be paid in cash; contingent consideration is amounted to EUR 77 thousand). Until the end of reporting period EUR 188 thousand was paid. During 2019 EUR 43 thousand was paid. The acquiree operates in Lithuania and has managed one investment fund, which invest into private debt investments of fast growing alternative finance companies. As of 31 December 2017 the entity managed EUR 13.7 million of assets. The 49% shares of UAB Mundus are owned by two key management personnel of entity. With them is signed shareholders agreement in November 2017. According to the agreement it is required consent of one of other shareholder to direct the relevant activities of the entity. In the agreement is not specified with which of other shareholder have to be agreed decisions regarding the relevant activities of the entity. Therefore, the Group has neither control nor joint control over entity in 2018 and accounted the investment as associate at fair value, because the Company is investment entity. About acquired control over entity is described above in the section 'Acquisition in 2019 and 2018'.

Change of effective ownership in UAB Litagra

In 2018 and 2019 associate UAB Litagra is acquired own shares from its other shareholders. It was executed three tranches. In each was acquired 10% of own shares and after own shares was annulled. Therefore, the Group's owned voting rights of UAB Litagra is increased from 36.88% to 40.98% as at 31 December 2018 and up to 48.81% as at 31 December 2019.

Disposals of subsidiaries in 2019 and 2018

In February 2019 the subsidiaries UAB BSGF Sanus and UAB BSGF Fortis were sold to a closed-end private equity fund INVL Baltic Sea Growth Fund for EUR 304 thousand. Entities were established for the benefit of this fund and, therefore, were sold for price equalled to investment amount.

There were no disposals of subsidiaries in 2018.

Disposals of associates in 2019 and 2018

From 2 May 2018 until 13 December 2018 the Company publicly offered to sell shares of INVL Baltic Real Estate in accordance with the approved Prospectus. During 2018 the shares in accordance with the Prospectus were sold for EUR 57 thousand.

5. Segment information

The Board of Directors monitors the operating results of the business units of the Group separately for the purpose of making decisions about resource allocations and performance assessment. After becoming investment entity the performance of activities excluding asset management segment is evaluated based on changes in fair value of investments, including dividends and interest income received by the Company. Asset management segment's performance is evaluated based on net profit or loss. Group financing (including finance costs and finance income) and income taxes are allocated between segments as they are identified on basis of separate legal entities. Consolidation adjustments and eliminations are not allocated on a segment basis. Segment assets are measured in a manner consistent with that of the financial statements. All assets are allocated between segments, because segments are identified on a basis of separate legal entities. The granted loans by the Company are allocated to segment's, to which entities they are granted, assets. The impairment losses of these loans are allocated to a segment to which the loan was granted initially.

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

<u>Asset management</u>

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

<u>Investment activity</u>

The investment activity segment includes the Company investment activities to the unconsolidated subsidiaries, associates and financial assets at fair value, administrative activities of the Companies. The main investment activities of the Company, which is presented to the management separately is disclosed below:

Agriculture

Agricultural activities include the primary crop and livestock (milk) production, feed production and grain processing and agricultural services.

Facility management

The facility management activities includes facility management of dwelling-houses, commercial and public real estate properties and administration of taxes on energy and utilities provided to residents.

Real estate

The real estate activities is investing in investment properties held for future development and in commercial real estate and its rent.

Bank activities

Bank activities represents indirectly investment into MAIB, bank operating in Moldova and investments into AB Šiaulių bankas, bank operating in Lithuania, held by the Company (owned. Because both investments amounts are material and operate in different markets, they are analysed separately.

All other activities

All other activities comprise other investments held by the Company. There is also attributed unconsolidated subsidiary UAB Kelio Ženklai, that are involved in road signs production, wood manufacturing.

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

(all amounts are in EUR thousand unless otherwise stated)

5 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2019:

	Asset management	Investment activity	Inter-segment transactions and consolidation adjustments	Total
Year ended 31 December 2019				
Revenue				
Sales to external customers	11,291	35	-	11,326
Inter-segment sales	2	1	(3)	-
Total revenue	**11,293**	**36**	**(3)**	**11,326**
Results				
Net changes in fair value of financial assets	917	17,797	-	18,714
Interest income	4	52	-	56
Other income	184	1,724	-	1,908
Employee benefits expense	(5,546)	(382)	-	(5,928)
Depreciation and amortization	(942)	(20)	-	(962)
Impairment	-	139	-	139
Interest expenses	(113)	(11)	-	(124)
Other expenses	(3,318)	(153)	3	(3,468)
Profit (loss) before income tax	2,479	19,182	-	21,661
Income tax credit (expenses)	(170)	(650)	-	(820)
Net profit (loss) for the year	**2,309**	**18,532**	**-**	**20,841**
Attributable to:				
Equity holders of the parent	2,295	18,532	-	20,827
Non-controlling interest	14	-	-	14
As at 31 December 2019				
Assets and liabilities				
Segment assets	**18,362**	**75,193**	**(80)**	**93,475**
Segment liabilities	**4,574**	**1,973**	**(80)**	**6,467**
Other segment information				
Capital expenditure:				
• Property, plant and equipment	386	2	-	388
• Intangible assets	427	-	-	427
• Costs to obtain contract	929	-	-	929

(all amounts are in EUR thousand unless otherwise stated)

5 Segment information (cont'd)

The following table presents revenues, profit (loss) and certain assets and liabilities information regarding the Group's business segments for the year ended 31 December 2018:

	Asset management	Investment activity	Inter-segment transactions and consolidation adjustments	Total
Year ended 31 December 2018				
Revenue				
Sales to external customers	7,391	37	-	7,428
Inter-segment sales	2	1	(3)	-
Total revenue	**7,393**	**38**	**(3)**	**7,428**
Results				
Net changes in fair value of financial assets	47	(7,546)	-	(7,499)
Interest income	4	49	-	53
Other income	50	8,583	-	8,633
Employee benefits expense	(4,533)	(431)	-	(4,964)
Depreciation and amortization	(510)	(3)	-	(513)
Impairment	1	(139)	-	(138)
Interest expenses	-	-	-	-
Other expenses	(3,132)	(167)	3	(3,296)
Profit (loss) before income tax	(680)	384	-	(296)
Income tax credit (expenses)	(6)	645	-	639
Net profit (loss) for the year	**(686)**	**1,029**	**-**	**343**
Attributable to:				
Equity holders of the parent	(686)	1,029	-	343
Non-controlling interest	-	-	-	-
As at 31 December 2018				
Assets and liabilities				
Segment assets	**12,174**	**56,461**	**(19)**	**68,616**
Segment liabilities	**1,942**	**1,189**	**(19)**	**3,112**
Other segment information				
Capital expenditure:				
• Property, plant and equipment	186	1	-	187
• Intangible assets	12	-	-	12
• Costs to obtain contract	596	-	-	596

(all amounts are in EUR thousand unless otherwise stated)

5 Segment information (cont'd)

The following tables present measurement of investment activities results on the basis of changes in fair value, including dividend and interest income:

	Agriculture	Facility management	Real estate	Bank sector (MAIB)	Bank sector (AB Šiaulių bankas)	Other investments	Total
Year ended 31 December 2019							
Net changes in fair value on financial assets	5,033	515	2,474	4,440	3,460	1,875	17,797
Dividend income	-	205	554	-	955	-	1,714
Interest income	-	9	6	-	-	37	52
Total income from investments	**5,033**	**729**	**3,034**	**4,440**	**4,415**	**1,912**	**19,563**
Investments fair value as at 31 December 2019	**17,256**	**4,511**	**14,308***	**8,022**	**16,672**	**13,445**	**74,214**

*include loans granted to associate.

The Group also have investments at fair value with carrying amount of EUR 3,210 thousand which attributed to asset management segment.

	Agriculture	Facility management	Real estate	Bank sector (MAIB)	Bank sector (AB Šiaulių bankas)	Other investments	Total
Year ended 31 December 2018							
Net changes in fair value on financial assets	2,251	417	193	589	(3,284)	(7,712)	(7,546)
Dividend income	-	535	551	-	154	7,334	8,574
Interest income	-	-	-	-	-	49	49
Total income from investments	**2,251**	**952**	**744**	**589**	**(3,130)**	**(329)**	**1,077**
Investments fair value as at 31 December 2018	**12,223**	**3,996**	**10,276**	**5,314**	**13,212**	**4,007**	**49,028**

The Group also have investments at fair value with carrying amount of EUR 3,718 thousand which attributed to asset management segment.

Analysis of revenue by timing of revenue recognition:

	2019		**2018**	
	Group	**Company**	**Group**	**Company**
Revenue recognised over time:	10,862	36	6,657	38
Management fee	*9,199*	-	*6,417*	-
Success fee	*1,511*	-	*131*	-
Other consideration	*152*	36	*109*	38
Revenue recognised at a point in time	464	-	771	-
Total revenue	**11,326**	**36**	**7,428**	**38**

The Company is domiciled in the Lithuania and the Group operates in Lithuania and Latvia. The result of Group's revenue from external customers in the Lithuania is EUR 10,644 thousand (2018: EUR 6,888 thousand), and the total of revenue from external customers from Latvia is EUR 682 thousand (2018: EUR 540 thousand).

(all amounts are in EUR thousand unless otherwise stated)

5 Segment information (cont'd)

The table below presents distribution of the Group non-current assets (other than financial instruments and deferred tax assets) by geographical area as at 31 December 2019 and 2018:

	Lithuania	Latvia	Total
As at 31 December 2019	6,936	431	7,367
As at 31 December 2018	4,611	468	5,079

6. Other income and expenses

6.1. Net changes in fair value on financial instruments

	Group		Company	
	2019	2018	2019	2018
Net gain (loss) from changes in fair value of unconsolidated subsidiaries and associates	12,388	(4,595)	12,393	(4,575)
Net gain (loss) from financial assets at fair value through profit or loss (except held for trading)	6,353	(3,341)	5,404	(3,383)
Net gain (loss) from financial assets held for trading	-	412	-	412
Net gain (loss) from financial liabilities at fair value through profit or loss	(27)	25	-	-
Net gain (loss) from financial instruments at fair value through profit or loss, total	*18,714*	*(7,499)*	*17,797*	*(7,546)*

6.2. Employee benefits expenses

	Group		Company	
	2019	2018	2019	2018
Short-term employee benefits	5,130	4,285	353	397
Share-based payments (cash alternative)	620	455	-	-
Equity-settled share-based payments	178	224	28	33
	5,928	4,964	381	430

6.3. Other expenses

	Group		Company	
	2019	2018	2019	2018
Vehicles maintenance costs	(201)	(190)	(2)	(1)
Repairs and maintenance cost of premises	(91)	(60)	(2)	(1)
Taxes	(487)	(411)	(18)	(17)
Professional services	(274)	(189)	(30)	(16)
Fees for securities	(390)	(341)	(26)	(24)
Other expenses	(740)	(486)	(51)	(65)
	(2,183)	(1,677)	(129)	(124)

(all amounts are in EUR thousand unless otherwise stated)

7. Income tax

	Group		Company	
	2019	**2018**	**2019**	**2018**
Components of the income tax expense				
Current year income tax	(126)	(1)	(1)	(1)
Prior year current income tax correction	(22)	-	-	-
Deferred income tax income (expense)	(672)	640	(649)	647
Income tax income (expense) charged to the income statement – total	(820)	639	(650)	646

There is no income tax expense recognised in other comprehensive income in 2019 and 2018.

Deferred tax asset and liability were estimated at 15% rate in Lithuania as at 31 December 2019.

The movement in deferred tax assets and liabilities of the Group during 2019 is as follows:

	Balance as at 31 December 2018	Recognised in the income statement	Impact of IFRS 16	Acquired subsidiary	Balance as at 31 December 2019
Deferred tax asset					
Tax loss carry forward for indefinite period of time	976	(198)	-	-	778
Tax loss carry forward till 2020 – 2021	221	(195)	-	-	26
Receivables	1	-	-	-	1
Investments at fair value through profit or loss	6	(6)	-	-	-
Accruals	3	119	-	-	122
Lease liabilities	-	10	226	-	236
Contract liabilities	29	89	-	-	118
Recognised deferred tax asset	1,236	(181)	226	-	1,281
Asset netted with liability of the same legal entities	(760)	(19)	-	-	(779)
Deferred tax asset, net	**476**	**(200)**	**226**	**-**	**502**
Deferred tax liability					
Property, plant and equipment (right of use assets)	-	(3)	(226)	-	(229)
Intangible assets	(163)	28	-	(61)	(196)
Investments at fair value through profit or loss	(1,149)	(546)	-	-	(1,695)
Undistributed profits of consolidated subsidiaries	(9)	9	-	-	-
Costs to obtain contacts with customers	(161)	21	-	-	(140)
Deferred tax liability	(1,482)	(491)	(226)	(61)	(2,260)
Liability netted with asset of the same legal entities	760	19	-	-	779
Deferred tax liability, net	**(722)**	**(472)**	**(226)**	**(61)**	**(1,481)**
Deferred tax, net	**(246)**	**(672)**	**-**	**(61)**	**(979)**

Deferred tax assets have not been recognised for tax losses carry forward for indefinite period of time of EUR 4,182 thousand (tax effect EUR 627 thousand) as at 31 December 2019.

(all amounts are in EUR thousand unless otherwise stated)

7 Income tax (cont'd)

Deferred tax asset and liability were estimated at 15% rate in Lithuania as at 31 December 2018.

The movement in deferred tax assets and liabilities of the Group during 2018 is as follows:

	Balance as at 31 December 2017	Recognised in the income statement	Recognised in the equity (impact of IFRS 15)	Transfer of tax losses	Balance as at 31 December 2018
Deferred tax asset					
Tax loss carry forward for indefinite period of time	970	32	-	(26)	976
Tax loss carry forward till 2019 – 2021	399	(178)	-	-	221
Receivables	2	(1)	-	-	1
Investments at fair value through profit or loss	-	6	-	-	6
Accruals	23	(20)	-	-	3
Intangible assets	2	(2)	-	-	-
Contract liabilities	-	17	12	-	29
Recognised deferred tax asset	1,396	(146)	12	(26)	1,236
Asset netted with liability of the same legal entities	(771)	(3)	(12)	26	(760)
Deferred tax asset, net	**625**	**(149)**	**-**	**-**	**476**
Deferred tax liability					
Intangible assets	(176)	13	-	-	(163)
Investments at fair value through profit or loss	(1,911)	762	-	-	(1,149)
Undistributed profits of consolidated subsidiaries	-	(9)	-	-	(9)
Costs to obtain contacts with customers	-	20	(181)	-	(161)
Deferred tax liability	(2,087)	786	(181)	-	(1,482)
Liability netted with asset of the same legal entities	771	3	12	(26)	760
Deferred tax liability, net	**(1,316)**	**789**	**(169)**	**(26)**	**(722)**
Deferred tax, net	**(691)**	**640**	**(169)**	**(26)**	**(246)**

Deferred tax assets have not been recognised for tax losses carry forward for indefinite period of time of EUR 5,255 thousand (tax effect EUR 788 thousand) and for other temporary differences of EUR 201 thousand (tax effect EUR 30 thousand) as at 31 December 2018.

(all amounts are in EUR thousand unless otherwise stated)

7 Income tax (cont'd)

The movement in deferred tax assets and liabilities of the Company during 2019 is as follows:

	Balance as at 31 December 2018	Recognised in the income statement	Transfer of tax losses	Impact of IFRS 16	Balance as at 31 December 2019
Deferred tax asset					
Tax loss carry forward for indefinite period of time	232	65	(83)	-	214
Tax loss carry forward till 2020 – 2021	221	(195)	-	-	26
Lease liabilities	-	(1)	-	18	17
Recognised deferred tax asset	453	(131)	(83)	18	257
Asset netted with liability of the same legal entities	(453)	131	83	(18)	(257)
Deferred tax asset, net	**-**	**-**	**-**	**-**	**-**
Deferred tax liability					
Property, plant and equipment (right of use assets)	-	2	-	(18)	(16)
Investments at fair value through profit or loss	(1,148)	(520)	-	-	(1,668)
Deferred tax liability	**(1,148)**	**(518)**	**-**	**(18)**	**(1,684)**
Liability netted with asset of the same legal entities	453	(131)	(83)	18	257
Deferred tax liability, net	**(695)**	**(649)**	**(83)**	**-**	**(1,427)**
Deferred tax, net	**(695)**	**(649)**	**(83)**	**-**	**(1,427)**

The movement in deferred tax assets and liabilities of the Company during 2018 is as follows:

	Balance as at 31 December 2017	Recognised in the income statement	Transfer of tax losses	Balance as at 31 December 2018
Deferred tax asset				
Tax loss carry forward for indefinite period of time	189	69	(26)	232
Tax loss carry forward till 2019 - 2021	399	(178)	-	221
Accruals	1	(1)	-	-
Recognised deferred tax asset	589	(110)	(26)	453
Asset netted with liability of the same legal entities	(589)	110	26	(453)
Deferred tax asset, net	**-**	**-**	**-**	**-**
Deferred tax liability				
Investments at fair value through profit or loss	(1,905)	757	-	(1,148)
Deferred tax liability	**(1,905)**	**757**	**-**	**(1,148)**
Liability netted with asset of the same legal entities	589	(110)	(26)	453
Deferred tax liability, net	**(1,316)**	**647**	**(26)**	**(695)**
Deferred tax, net	**(1,316)**	**647**	**(26)**	**(695)**

(all amounts are in EUR thousand unless otherwise stated)

7 Income tax (cont'd)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
Profit before income tax	**21,661**	**(296)**	**21,477**	**(303)**
Tax calculated at the tax rate of 15 %	(3,249)	44	(3,222)	45
Non-taxable income - dividend income	282	1,293	257	1,286
Non-taxable income (expenses) – changes in fair value of financial assets	2,225	(693)	2,150	(701)
Non-taxable income (expenses) – impact of equity method	-	-	344	(102)
Other tax non-deductible (expenses) / non-taxable income	(48)	(10)	16	(1)
Deferred tax expenses arising from write-down, or reversal of a previous write-down, of deferred tax asset due to changes in probability to utilise it	(194)	(124)	(194)	(12)
Prior year current income tax correction	(22)	-	-	-
The amount of benefit arising from previously unrecognised tax loss of a prior period that is used to reduce current tax expense	161	132	-	132
The amount of benefit arising from temporary difference of a prior period that is used to reduce deferred tax expense	30	-	-	-
Other	(5)	(3)	(1)	(1)
Income tax credit (expenses) recorded in the income statement	(820)	639	(650)	646

8. Earnings per share

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

The weighted average number of shares for 2019 and 2018 was as follows:

Calculation of weighted average for the year 2019	**Number of shares (thousand)**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2018	11,560	0.29	365/365	11,560
Increase of share capital as at 23 May 2019	52	0.29	222/365	32
Own shares acquired as at 12 June 2019	(2)	0.29	202/365	(1)
Shares issued as at 31 December 2019	11,610	0.29	-	11,591

Calculation of weighted average for the year 2018	**Number of shares (thousand)**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares issued as at 31 December 2017	11,564	0.29	365/365	11,564
Own shares acquired as at 23 May 2018	(4)	0.29	222/365	(2)
Shares issued as at 31 December 2018	11,560	0.29	-	11,562

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

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
Net profit, attributable to the equity holders of the parent	20,827	343	20,827	343
Weighted average number of ordinary shares (thousand)	11,591	11,562	11,591	11,562
Basic earnings per share (EUR)	1.80	0.03	1.80	0.03

The following table reflects the share data used in the diluted earnings per share computations in 2019:

	Number of shares (thousand)	**Issued/365 (days)**	**Weighted average (thousand)**
Weighted average number of ordinary shares for basic earnings per share	-	-	11,591
Potential dilutive shares from share-based payment (granted on 2 May 2016 and news shares issued on 23 May 2019)	43	142/365	17
Potential dilutive shares from share-based payment (granted on 3 May 2017)	12	365/365	12
Potential dilutive shares from share-based payment (granted on 16 May 2017)	54	365/365	54
Potential dilutive shares from share-based payment (granted on 3 May 2018)	49	365/365	49
Potential dilutive shares from share-based payment (granted on 6 May 2019)	59	239/365	39
Weighted average number of ordinary shares for diluted earnings per share	-	-	11,762

8. Earnings per share (cont'd)

The following table reflects the share data used in the diluted earnings per share computations in 2018:

	Number of shares (thousand)	Issued/365 (days)	Weighted average (thousand)
Weighted average number of ordinary shares for basic earnings per share	-	-	11,562
Potential dilutive shares from share-based payment (granted on 2 May 2016)	43	365/365	43
Potential dilutive shares from share-based payment (granted on 3 May 2017)	11	365/365	11
Potential dilutive shares from share-based payment (granted on 16 May 2017)	52	365/365	52
Potential dilutive shares from share-based payment (granted on 3 May 2018)	48	242/365	32
Weighted average number of ordinary shares for diluted earnings per share	-	-	11,699

The following table reflects the income data used in the diluted earnings per share computations in 2019 and 2018:

	Group		Company	
	2019	2018	2019	2018
Net profit, attributable to the equity holders of the parent	20,827	343	20,827	343
Weighted average number of ordinary and potential shares (thousand)	11,762	11,699	11,762	11,699
Diluted earnings per share (EUR)	1.77	0.03	1.77	0.03

9. Dividends per share

In 2019 and 2018 dividends were not declared.

Changes in liabilities arising from financing activities (dividends) are presented in the table below:

	Group/Company
	Dividends payable
As at 31 December 2017	**372**
Dividends paid to equity holders of the parent	(6)
Approved dividends	-
As at 31 December 2018	**366**
Dividends paid to equity holders of the parent	(3)
Approved dividends	-
As at 31 December 2019	**363**

(all amounts are in EUR thousand unless otherwise stated)

10. Property, plant and equipment

Group	Right-of-use assets (leased premises)	Vehicles	Other property, plant and equipment	Total
Cost:				
Balance as at 31 December 2017	-	4	228	232
Additions	-	-	187	187
Disposals and write-offs	-	-	(1)	(1)
Balance as at 31 December 2018	-	4	414	418
Impact of IFRS 16	1,510	-	-	1,510
Additions	297	-	90	387
Acquisition of subsidiaries (Note 4)	-	-	1	1
Disposals and write-offs	-	-	(12)	(12)
Balance as at 31 December 2019	1,807	4	493	2,304
Accumulated depreciation:				
Balance as at 31 December 2017	-	2	158	160
Charge for the year	-	1	41	42
Disposals and write-offs	-	-	(1)	(1)
Balance as at 31 December 2018	-	3	198	201
Charge for the year	245	1	72	318
Disposals and write-offs	-	-	(10)	(10)
Balance as at 31 December 2019	245	4	260	509
Net book value as at 31 December 2018	**-**	**1**	**216**	**217**
Net book value as at 31 December 2019	**1,562**	**-**	**233**	**1,795**

Company	Right-of-use assets (leased premises)	Other property, plant and equipment	Total
Cost:			
Balance as at 31 December 2017	-	93	93
Additions	-	1	1
Disposals and write-offs	-	-	-
Balance as at 31 December 2018	-	94	94
Impact of IFRS 16	121	-	121
Additions	3	-	3
Disposals and write-offs	-	-	-
Balance as at 31 December 2019	124	94	218
Accumulated depreciation:			
Balance as at 31 December 2017	-	91	91
Charge for the year	-	1	1
Disposals and write-offs	-	-	-
Balance as at 31 December 2018	-	92	92
Charge for the year	18	1	19
Disposals and write-offs	-	-	-
Balance as at 31 December 2019	18	93	111
Net book value as at 31 December 2018	**-**	**2**	**2**
Net book value as at 31 December 2019	**106**	**1**	**107**

(all amounts are in EUR thousand unless otherwise stated)

10. Property, plant and equipment (cont'd)

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2019 amounts to EUR 318 thousand and EUR 19 thousand, respectively (in the year 2018 EUR 42 thousand and EUR 1 thousand, respectively). Any property, plant and equipment of the Group and the Company as at 31 December 2019 and 2018 was not have any encumbrance.

11. Intangible assets and costs to obtain contracts with customers

As at 31 December 2019 and 2018 this item of statement of financial position of the Group comprise:

Group	**As at 31 December 2019**	**As at 31 December 2018**
Intangible assets	3,241	3,216
Costs to obtain contracts with customers	2,331	1,646
Total	**5,572**	**4,862**

Intangible assets

Movement in the account of intangible assets is presented below:

Group	**Goodwill**	**Funds' management rights**	**Software and other intangible assets**	**Total**
Cost:				
Balance as at 31 December 2017	90	4,320	61	4,471
Additions	-	-	12	12
Acquisition of consolidated subsidiaries	-	-	-	-
Disposals and write-offs	-	-	-	-
Balance as at 31 December 2018	90	4,320	73	4,483
Additions			11	11
Acquisition of consolidated subsidiaries (Note 4)	14	402	-	416
Disposals and write-offs	-	-	(1)	(1)
Balance as at 31 December 2019	104	4,722	83	4,909
Accumulated amortisation:				
Balance as at 31 December 2017	-	912	45	957
Charge for the year	-	298	12	310
Disposals and write-offs	-	-	-	
Balance as at 31 December 2018	-	1,210	57	1,267
Charge for the year	-	392	9	401
Disposals and write-offs	-	-	-	-
Balance as at 31 December 2019	-	1,602	66	1,668
Net book value as at 31 December 2018	**90**	**3,110**	**16**	**3,216**
Net book value as at 31 December 2019	**104**	**3,120**	**17**	**3,241**

(all amounts are in EUR thousand unless otherwise stated)

11 Intangible and costs to obtain contracts with customers assets (cont'd)

Company	**Software**	**Total**
Cost:		
Balance as at 31 December 2017	29	29
Additions	-	-
Disposals and write-offs	-	-
Balance as at 31 December 2018	29	29
Additions	-	-
Disposals and write-offs	-	-
Balance as at 31 December 2019	29	29
Accumulated amortisation:		
Balance as at 31 December 2017	26	26
Charge for the year	2	2
Disposals and write-offs	-	-
Balance as at 31 December 2018	28	28
Charge for the year	1	1
Disposals and write-offs	-	-
Balance as at 31 December 2019	29	29
Net book value as at 31 December 2018	**1**	**1**
Net book value as at 31 December 2019	**-**	**-**

The amortisation charge of the Group's and the Company's intangible assets for the year ended 31 December 2019 amounts to EUR 401 thousand and EUR 1 thousand, respectively (in the year 2018 EUR 310 thousand and EUR 2 thousand, respectively).

After 2nd pillar pension funds reform in Lithuania, which are implemented from 1 January 2019, the previous funds were merged and split into new life-cycle pension funds. The Group also reviewed amortisation period for 2nd pillar pension funds right and determined it to be for all 2nd pillar pension funds rights ten years from 1 January 2019. Therefore, it was recognised additionally amortisation expenses of EUR 54 thousand.

Main intangible assets of the Group are as at 31 December 2019:
- 2nd pillar pension funds. The funds' with carrying amount of EUR 2,286 thousand remaining estimated useful live is 9 years. The funds' with carrying amount of EUR 376 thousand remaining estimated useful live is 5 years and is related to Latvian entity.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 96 thousand remaining estimated useful live is 4.75 - 8 years.
- Private debt investment fund (acquired control of subsidiary in 2019). Its carrying amount equals to EUR 362 thousand and remaining estimated useful live is 4.5 years.

Main intangible assets of the Group are as at 31 December 2018:
- 2nd pillar pension funds. The funds' with carrying amount of EUR 535 thousand remaining estimated useful live is 6 years (EUR 451 thousand of this carrying amount is related to Latvian entity). The funds' with carrying amount of EUR 1,000 thousand remaining estimated useful live is 10.75 - 11 years. The funds' with carrying amount of EUR 1,455 thousand remaining estimated useful live is 15.75 years.
- 3rd pillar pension funds. The funds' with carrying amount of EUR 113 thousand remaining estimated useful live is 5.75 - 9 years.
- Investments funds and portfolio of clients. Its carrying amount equals to EUR 7 thousand and remaining estimated useful live is 1 years.

(all amounts are in EUR thousand unless otherwise stated)

11 Intangible and costs to obtain contracts with customers assets (cont'd)

Costs to obtain contracts with customers

Movement in the account of costs to obtain with customers is presented below:

	Group
Balance as at 1 January 2018 (impact of IFRS 15)	**1,211**
Additions	596
Amortisation	(161)
Balance as at 31 December 2018	**1,646**
Additions	929
Amortisation	(244)
Balance as at 31 December 2019	**2,331**

12. Financial instruments by category

Group	Financial assets at amortised cost	Assets at fair value through the profit or loss	Total
31 December 2019			
Assets as per statement of financial position			
Investments into unconsolidated subsidiaries	-	13,166	13,166
Investments into associates	-	30,058	30,058
Trade and other receivables short term excluding tax receivables	2,246	-	2,246
Financial assets at fair value through profit and loss	-	34,200	34,200
Other financial assets at amortised cost	-	-	-
Cash and cash equivalents	5,577	-	5,577
Total	**7,823**	**77,424**	**85,247**

Group	Financial assets at amortised cost	Assets at fair value through the profit or loss	Total
31 December 2018			
Assets as per statement of financial position			
Investments into unconsolidated subsidiaries	-	10,144	10,144
Investments into associates	-	22,745	22,745
Trade and other receivables short term excluding tax receivables	7,573	-	7,573
Financial assets at fair value through profit and loss	-	19,857	19,857
Other financial assets at amortised cost	386	-	386
Cash and cash equivalents	2,048	-	2,048
Total	**10,007**	**52,746**	**62,753**

(all amounts are in EUR thousand unless otherwise stated)

12 Financial instruments by category (cont'd)

Group	31 December 2019		31 December 2018	
Liabilities as per statement of financial position	Financial liabilities at amortised cost	Financial liabilities through the profit or loss	Financial liabilities at amortised cost	Financial liabilities through the profit or loss
Trade payables	369	-	400	-
Lease liabilities	1,609	-	-	-
Other current payables excluding tax payables and employee benefit payables	688	36	567	52
Total	**2,666**	**36**	**967**	**52**

Company	Financial assets at amortised cost	Assets at fair value through the profit or loss	Total
31 December 2019			
Assets as per statement of financial position			
Investments into unconsolidated subsidiaries	-	13,166	13,166
Investments into associates	-	30,058	30,058
Trade and other receivables	78	-	78
Financial assets at fair value through profit or loss	-	30,990	30,990
Cash and cash equivalents	617	-	617
Total	**695**	**74,214**	**74,909**

Company	Financial assets at amortised cost	Assets at fair value through the profit or loss	Total
31 December 2018			
Assets as per statement of financial position			
Investments into unconsolidated subsidiaries	-	10,144	10,144
Investments into associates	-	22,499	22,499
Trade and other receivables	6,640	-	6,640
Financial assets at fair value through profit or loss	-	16,385	16,385
Cash and cash equivalents	670	-	670
Total	**7,310**	**49,028**	**56,338**

(all amounts are in EUR thousand unless otherwise stated)

12 Financial instruments by category (cont'd)

Company	**31 December 2019**	**31 December 2018**
Liabilities as per statement of financial position	Financial liabilities at amortised cost	
Lease liabilities	110	-
Trade payables	7	4
Other current payables excluding tax payables and employee benefit payables	380	430
Total	**497**	**434**

13. Fair value estimation

Financial instruments that are not carried at fair value

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

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

The carrying amount of the cash and cash equivalents, trade and other receivables, trade and other payables of the Group and the Company as at 31 December 2019 and 2018 approximated their fair value because they are short-term and the impact of discounting is immaterial.

Financial instruments carried at fair value

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

Unconsolidated subsidiaries and associates are measured at fair value through profit or loss.

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

The level 2 instruments are investments to collective investment undertakings and entities, where fair value is measured as fair value of net assets value, which is based only on observable inputs. Therefore, collective investment undertakings and these entities have invested only to securities which are measured as Level 1 instruments, and have only cash, current liabilities, which carrying amount approximate to fair value.

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

Investment into shares of UAB Litagra (agriculture activity) was valued under the market approach in 2018 and 2019. Relative valuation (market multiples) was done using median EV/EBITDA (capitalization equals EBITDA multiplied by enterprise value and EBITDA multiple minus net debt) and P/BV (capitalization equals Price to book value multiple multiplied by company's book value) multiples. Although farming is considered a relatively stable business, its results for a particular year may vary depending on weather and other one-off conditions. We partially smooth out such volatility by using weighted historical financials for the entity and for its peers. EBITDA is calculated using numbers for the last three years however giving a higher emphasis for the last trailing 12 months result. Additionally, we add a value of land portfolio owned by Litagra group. It was valued by external asset valuators, accounted in the statement of financial position for the reporting period date; therefore, we use it for valuation purpose as well. The value of land portfolio is adjusted by rent costs, which would be payable in case of land sale, in EV/EBITDA multiplier method.

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Agricultural activities include the primary crop and livestock (milk) production, feed production and grain processing. UAB Litagra is holding company which directly and indirectly owned shares of multiple entities which for valuation are divided into two subgroups. One subgroup comprises the primary crop and livestock (milk) production. This segment is compared to 5 peers from Central Eastern Europe region including 2 entities from Lithuania. During 2019 the average market capitalization grew although financial results slightly worsened on average. This led to EV/EBITDA multiple increase from 11.0 to 17.4. It shows that market valuations grew in general. Also, it confirms the specifics of farming business, i.e. it is relatively sensitive to weather conditions and other short term effects leading to volatility of financial results but the business remains attractive long term and investors can maintain higher valuation in prospect of improving results. P/BV multiple remained stable. Another subgroup comprises feed production and grain processing. It was compared to another 4 entities operating in grain processing business. Multiple of this valuation remained relatively stable.

Higher market multiples for the peers and improved financial results of UAB Litagra itself led to higher valuation. Another reason is increased stake as a buyout of minority shareholder was done by the entity itself with minority discount. During 2019 the effective ownership held by the Group is increased from 40.98% to 48.81%.

In 2019 the Company was prepared also valuation by using discounted cash flows method to check the valuation of multiplier method. The cash flows were adjusted by rent costs of owned land. The value of land, valued by external asset valuators, was added to the value established by discounted cash flows. The valuation supported determined fair value by multiplier method.

Investment in facility management entities was measured in 2018 and 2019 using trailing twelve months EBITDA and applying a multiplier of comparable entity City Service SE, operating in Lithuania and listed on the on the Warsaw Exchange. It was decided not to use other foreign companies' multipliers, which were higher than the one used in the calculations due to the fact that facility management is local business dependent on varying Lithuanian legal and business environment. Other facility management entities operating in Lithuania are not public companies. In 2019, the Company was prepared also valuation by using discounted cash flows method to check the valuation of multiplier method. The valuation supported determined fair value by multiplier method.

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

Until acquiring of control UAB Mundus was measured using its assets under management and applying a multiplier of assets under management and discount for the small size of the entity and lack of marketability. The multiplier of assets under management is based on ratio between market value of comparable assets management entity and it assets under management.

Investments into UAB MD Partners are measured as fair value of net assets value of entity, where main indirectly owned assets – investment into MAIB bank – are measured using price to earnings (P/E) and P/BV multiplier method of comparable banks from the Central and Eastern Europe (9 peers are selected) and applying discount at which investment was acquired. Structure of investments into MAIB is described in Note 1. The Company indirectly has 7.9% shares of MAIB. As at 31 December 2018 at the level of entity HEIM Partners Limited was recognised dividends receivable of EUR 4.5 million from MAIB, which were declared in November 2018 . There were also some cash and liabilities at the level intermediate entities UAB MD Partners and HEIM Partners Limited. Because convertible bonds of UAB MD Partners have the same economic rights to the profit of UAB MD Partners as its shares, shares and convertible bonds are measured as one investment.

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

The Group and the Company have also invested into collective investment undertakings, which main assets are Level 3 financial instruments. These investments are valued at net assets value of collective investment undertakings, which are measured at fair value and communicated to investor by the management entity of collective investment undertakings. Investments of collective investment undertakings are measured EBITDA and Revenue multiplier method or by using discounted cash flows method.

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table represents inputs and fair value valuation techniques of unconsolidated subsidiaries and associates used by the Company and the Group as at 31 December 2019:

Profile of activities	Fair value	Valuation technique	Inputs	Values of inputs
Facility management (UAB Inservis, UAB Įmonių Grupė Inservis*) (Level 3)	4,511	Comparable companies in the market	EBITDA multiple	10.8
			EBITDA, EUR thousand	403
		Discounted cash flows	Yearly increase of sales	4%-5%
			Yearly increase of expenses	3%-5%
			Discount rate	8.9%
			Terminal growth rate	1%
Agriculture (UAB Litagra) (Level 3)	17,256	Comparable companies in the market	EBITDA multiple	9.03 and 17.37
			P/BV	0.65 and 0.86
			Equity, EUR thousand	36,537
			EBITDA, EUR thousand	3,120
			Discount for lack of marketability	10%
		Discounted cash flows	EBITDA margin	6% and 16%-19%
			Discount rate	7.5% and 7.82%
			Terminal growth rate	1%
Road signs production, wood manufacturing (UAB Kelio Ženklai) (Level 3)	351	Fair value of net assets	-	-
Investment entity (UAB MD partners, investment into MAIB)** (Level 3)	8,022	Comparable companies in the market	P/BV	1.01
			P/E	7.42
			Net profit, EUR million	37
			Equity, EUR million	229
			Discount for lack of marketability and country and MAIB risk	60%
Investment entity (UAB Cedus Invest) (Level 2)	240	Fair value of net assets	-	-
Dormant SPEs (Level 2)	42	Fair value of net assets	-	-
BSGF (Level 3)	3,577	Comparable companies in the market/discounted cash flows	EBITDA multiple	12.83
			Revenue (Sales) multiple	0.91
			Discount for lack of marketability	14%
			Discount rate	12.07%
			Terminal growth rate	1%
			EBITDA margin	5.1%-5.7%

*Valuation of UAB Įmonių Grupė Inservis include indirectly owned unconsolidated subsidiaries - UAB Priemiestis, UAB Jurita, UAB Informacinio Verslo Paslaugų Įmonė, SIA Inservis and dormant UAB IPP Integracijos Projektai.

**The Company has analysed acquisitions market of Moldavian banking institutions in 2019. Based on the data of 2019 transactions similar to MAIB bank acquisition transaction, the Company revised the discount rate applied in valuation of MAIB bank and decreased it from 69% (calculated when calibrating acquisition price to market peer data and applied as at 31 December 2018) to 60% (applied as at 31 December 2019).

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table represents inputs and fair value valuation techniques of subsidiaries and associates used by the Company and the Group as at 31 December 2018:

Profile of activities	Fair value	Valuation technique	Inputs	Values of inputs
Facility management (UAB Inservis, UAB Įmonių Grupė Inservis)(Level 3)	3,996	Comparable companies in the market	EBITDA multiple	11.9
			EBITDA, EUR thousand	310
Agriculture (UAB Litagra) (Level 3)	12,223	Comparable companies in the market	EBITDA multiple	8.85 and 10.97
			P/BV	0.67 and 0.85
			Equity, EUR thousand	38,619
			EBITDA, EUR thousand	2,805
			Discount for lack of marketability	10%
Road signs production, wood manufacturing (UAB Kelio Ženklai) (Level 3)	518	Fair value of net assets	-	-
Assets management (UAB Mundus) (Level 3)*	246	Comparable companies in the market	Assets under management, EUR thousand	18,634
			Assets under management multiple	0.0248
			Discount for the small size of the entity and lack of marketability	20%
Investment entity (UAB MD partners, investment into MAIB) (Level 3)	5,314	Comparable companies in the market	P/BV	0.81
			P/E	7.3
			Net profit, EUR million	27
			Equity, EUR million	199
			Discount for lack of marketability and country and MAIB risk	69%
Dormant SPEs (Level 2)	316	Fair value of net assets	-	-

*Actual only to the Group

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

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

Profile of activities	Unobservable inputs	Reasonable possible shift +/- (absolute value/bps/%)	Change in Valuation +/- As at 31 December 2019	Change in Valuation +/- As at 31 December 2018
Facility management (Level 3)	EBITDA multiple	1	403/(403)	310/(310)
	EBITDA	5%	217/(217)	184/(184)
	Discount rate	100 bps	(481)/617	-
	Terminal growth rate	50 bps	196/(173)	-
Agriculture (UAB Litagra) (Level 3)	EBITDA multiple	1	494/(494)	359/(359)
	P/BV multiple	0.1	802/(802)	712/(712)
	EBITDA	10%	1,087/(1,087)	550/(550)
	Discount for lack of marketability	100 bps	(192)/192	(136)/136
	Discount rate	100 bps	(1,727)/2,323	-
	Terminal growth rate	50 bps	812/(699)	-
Investment entity (UAB MD partners, investment into MAIB) (Level 3)	P/BV	0.1	364/(364)	242/(242)
	P/E	0.5	290/(290)	165/(165)
	Net profit, EUR thousand	5%	245/(245)	133/(133)
	Discount for lack of marketability and country risk	100 bps	199/(199)	(142)/142
BSGF (Level 3)	EBITDA multiple	2	253/(253)	-
	Revenue (Sales) multiple	0.4	367/(367)	-
	Discount for lack of marketability	500 bps	(138)/138	-
	Discount rate	200 bps	(413)/600	-
	Terminal growth rate	100 bps	161/(138)	-
	EBITDA margin	100 bps	666/(666)	-

(all amounts are in EUR thousand unless otherwise stated)

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019:

	Level 1	Level 2	Level 3	Total balance
Assets				
Unconsolidated subsidiaries				
- Facilities management	-	-	4,511	4,511
- Bank sector	-	-	8,022	8,022
- Other activities	-	282	351	633
Associates				
- Agriculture	-	-	17,256	17,256
- Real estate	12,802	-	-	12,802
Financial assets at fair value through profit or loss				
- Information technology	3,522	-	-	3,522
- Bank sector	18,671	-	-	18,671
- Other ordinary shares	-	70	830	900
- Collective investment undertakings - funds	-	5,437	3,787	9,224
- Government bonds	377	-	-	377
- Real estate (loans granted)	-	-	1,506	1,506
Total Assets	**35,372**	**5,789**	**36,263**	**77,424**
Liabilities	**-**	**-**	**36**	**36**

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2019:

	Level 1	Level 2	Level 3	Total balance
Assets				
Unconsolidated subsidiaries				
- Facilities management	-	-	4,511	4,511
- Bank sector	-	-	8,022	8,022
- Other activities	-	282	351	633
Associates				
- Agriculture	-	-	17,256	17,256
- Real estate	12,802	-	-	12,802
Financial assets at fair value through profit or loss				
- Information technology	3,130	-	-	3,130
- Bank sector	16,672	-	-	16,672
- Other ordinary shares	-	70	830	900
- Collective investment undertakings - funds	-	5,205	3,577	8,782
- Real estate (loans granted)	-	-	1,506	1,506
Total Assets	**32,604**	**5,557**	**36,053**	**74,214**
Liabilities	**-**	**-**	**-**	**-**

(all amounts are in EUR thousand unless otherwise stated)

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total balance
Assets				
Unconsolidated subsidiaries				
- Facilities management	-	-	3,996	3,996
- Bank sector	-	-	5,314	5,314
- Other activities	-	316	518	834
Associates				
- Agriculture	-	-	12,223	12,223
- Real estate	10,276	-	-	10,276
- Asset Management	-	-	246	246
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	2,833	-	-	2,833
- Bank sector	14,796	-	-	14,796
- Other ordinary shares	1	167	494	662
- Collective investment undertakings - funds	-	396	1,170	1,566
Total Assets	**27,906**	**879**	**23,961**	**52,746**
Liabilities	**-**	**-**	**52**	**52**

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2018:

	Level 1	Level 2	Level 3	Total balance
Assets				
Unconsolidated subsidiaries				
- Facilities management	-	-	3,996	3,996
- Bank sector	-	-	5,314	5,314
- Other activities	-	316	518	834
Associates				
- Agriculture	-	-	12,223	12,223
- Real estate	10,276	-	-	10,276
Financial assets designated upon initial recognition at fair value through profit or loss				
- Information technology	2,512	-	-	2,512
- Bank sector	13,212	-	-	13,212
- Other ordinary shares	-	167	494	661
Total Assets	**26,000**	**483**	**22,545**	**49,028**
Liabilities	**-**	**-**	**-**	**-**

During 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

(all amounts are in EUR thousand unless otherwise stated)

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3 (cont'd)

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

The following table presents the changes in Level 3 instruments of the Group for the period ended 31 December 2019:

	Facilities management	Agriculture	Assets management*	Bank sector (MAIB)	Other activities	Collective investment undertakings	Total
Balance at 31 December 2018	**3,996**	**12,223**	**246**	**5,314**	**1,012**	**1,170**	**23,961**
Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss')	515	5,033	(5)	4,440	(3)	1,466	11,466
Loans granted	300	-	-		135	-	435
Interest charged	9	-	-	-	37	-	46
Loans and interest repaid	(309)	-	-		-	-	(309)
Acquired control of associates	-	-	(241)	-	-	-	(241)
Redeemed convertible bonds	-	-	-	(1,732)	-	-	(1,732)
Acquisition	-	-	-	-	-	3,444	3,444
Disposal	-	-	-	-	-	(2,293)	(2,293)
Balance at 31 December 2019	**4,511**	**17,256**	**-**	**8,022**	**1,181**	**3,787**	**34,757**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	515	5,033	-	4,440	(3)	1,077	11,062

(all amounts are in EUR thousand unless otherwise stated)

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3 (cont'd)

The following table presents the changes in Level 3 instruments of the Company for the period ended 31 December 2019:

	Facilities management	Agriculture	Bank sector (MAIB)	Other activities	Collective investment undertakings	Total
Balance at 31 December 2018	**3,996**	**12,223**	**5,314**	**1,012**	**-**	**22,545**
Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss')	515	5,033	4,440	(3)	1,042	11,027
Loans granted	300	-		135	-	435
Interest charged	9	-	-	37	-	46
Loans and interest repaid	(309)	-		-	-	(309)
Acquired control of associates	-	-	-	-	-	-
Redeemed convertible bonds	-	-	(1,732)	-	-	(1,732)
Acquisition	-	-	-	-	3,444	3,444
Disposal	-	-	-	-	(909)	(909)
Balance at 31 December 2019	**4,511**	**17,256**	**8,022**	**1,181**	**3,577**	**34,547**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	515	5,033	4,440	(3)	1,022	11,007

The following table presents the changes in Level 3 instruments of the Company and the Group for the period ended 31 December 2018:

	Facilities management	Agriculture	Assets management*	Bank sector	Other activities	Collective investment undertakings*	Total
Balance at 31 December 2017	**3,579**	**9,972**	**-**	**-**	**972**	**554**	**15,077**
Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss')	417	2,251	(19)	589	(594)	116	2,760
Loans granted	-	-	-	-	95	-	95
Interest charged	-	-	-	-	45	-	45
Reclassification from available-for-sale	-	-	-	-	494	-	494
Acquisition	-	-	265	4,725	-	500	5,490
Balance at 31 December 2018	**3,996**	**12,223**	**246**	**5,314**	**1,012**	**1,170**	**23,961**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	417	2,251	(19)	589	(594)	116	2,760

*These caption are actual only to the Group.

(all amounts are in EUR thousand unless otherwise stated)

13 Fair value estimation (cont'd)

Financial instruments carried at fair value (cont'd)

Financial instruments in Level 3 (cont'd)

The following table presents the changes in the contingent consideration (Level 3 financial liability measurement) of the Group for the period ended 31 December 2018 and 2019:

	2019	2018
Balance at 1 January	**(52)**	**-**
Gains and losses recognised in profit or loss (within 'Net changes in fair value of financial assets at fair value through profit or loss')	(27)	25
Contingent consideration for acquisition of associate (Note 4)	-	(77)
Paid	43	-
Balance at 31 December	**(36)**	**(52)**
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	(27)	25

(all amounts are in EUR thousand unless otherwise stated)

14. Financial assets, at fair value through profit or loss and other financial assets at amortised cost

	Group		Company	
	2019	2018	2019	2018
Held-for-trading				
Ordinary shares – quoted	-	-	-	-
	-	-	-	-
Financial assets at fair value through profit or loss (excluding held-for-trading)				
Ordinary shares – quoted	22,193	17,630	19,802	15,724
Bonds	377	386	-	-
Investment units	9,224	1,566	8,782	-
Ordinary shares - unquoted	900	661	900	661
Loans granted	1,506	-	1,506	-
	34,200	20,243	30,990	16,385
Total financial assets at fair value through profit or loss	34,200	20,243	30,990	16,385
Non-current financial assets at fair value through profit or loss	32,317	19,857	29,484	16,385
Current financial assets at fair value through profit or loss	1,883	386	1,506	-

Investing into a closed-end private equity fund INVL Baltic Sea Growth Fund

The Management Board of the Company on 5 February 2019 approved entering into INVL Baltic Sea Growth Fund Partnership Agreement and a Subscription Agreement related to investment in the closed-end private equity fund INVL Baltic Sea Growth Fund (hereinafter – BSGF), which is managed by consolidated subsidiary UAB INVL Asset Management. The Company will invest EUR 19.15 million in BSGF. It is provided that the capital committed to the fund will be called in stages, for the execution of specific transactions. After the investment in BSGF is made, the Company undertakes not to invest in private equity assets that comply with the fund's strategy and to conduct its main investment activity through this fund. Initially the Company's investment will comprise less than 20 per cent of the capital committed to the fund, while after the second closing it is envisaged that the Company's investment may decrease to less than 10 per cent of the total capital committed to the fund.

In February 2019 first closing of BSGF was completed at EUR 106 million of commitments. The Company will have to invest into BSGF pro-rata of its commitments. When new investors were attracted to BSGF, BSGF returned to old investors cash as equalisation amount that all investors into funds would transfer proportionally the same part of its commitments. During 2019 the Company has transferred EUR 3,444 thousand of cash into BSGF. In first closing the Company has owned 18.1% of funds units. In September the second closing was completed and the fund size reached a total amount of EUR 141,861 million of commitments. After that the Company has owned 13.5% of funds units. BSGF has redeemed funds unit for EUR 909 thousand as equalisation amount.

In 2019 the Group and the Company have additionally invested EUR 89 thousand by cash into other financial assets at fair value through profit or loss and have sold them for EUR 1,686 and EUR 99 thousand by cash, respectively. The Group and the Company have acquired managed investment fund INVL Emerging Europe Bond Subfund from unconsolidated subsidiary for EUR 5,175 thousand, amount of EUR 5,170 thousand was set-off with dividend payable from unconsolidated subsidiary.

In 2018 the Group and the Company have additionally invested EUR 691 thousand and 91 thousand by cash into financial assets at fair value through profit or loss and have sold them for EUR 206 thousand and EUR 5 thousand by cash, respectively.

In 2018 the Group and the Company sold held-for-trading financial assets for EUR 1,971 thousand.

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

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

	Group	
	2019	2018
Moody's ratings		
From BA1 till BA3	377	386
	377	386

(all amounts are in EUR thousand unless otherwise stated)

15. Loans granted

As at 31 December 2017 the Group's and the Company's loans granted with nominal value of EUR 682 thousand and EUR 682 thousand, respectively, were impaired and fully provided for from the year of 2009. As impact of applying of IFRS 9 the loan granted is written-off, but are still subject to enforcement activity.

16. Trade, other receivables and contract assets

	Group		Company	
	2019	**2018**	**2019**	**2018**
Trade and other receivables, gross	2,254	951	78	9
Dividends receivable (including receivable form share capital decrease)	-	6,770	-	6,770
Taxes receivable, gross	8	20	-	-
Contract assets	95	110	-	-
Less: allowance for doubtful trade and other receivables	(8)	(148)	-	(139)
	2,349	7,703	78	6,640

Changes in allowance for doubtful trade and other receivables for the year 2019 and 2018 have been included within 'Provision for impairment of financial and contract assets' expenses in the income statement.

Trade and other receivables are non-interest bearing and are generally on 10–30 days terms. Receivables from related parties are disclosed in more details in Note 27. The Group and the Company set-off dividend payable of EUR 5,170 thousand with liability arising of acquisition of managed investment fund INVL Emerging Europe Bond Subfund from unconsolidated subsidiary.

Movements in the allowance for accounts receivable of the Group and the Company were as follows:

	Group	Company
Balance as at 31 December 2017	10	-
Charge for the year	139	139
Reversal of amounts previously impaired	(1)	-
Balance as at 31 December 2018	148	139
Charge for the year	-	-
Write-off	(1)	-
Reversal of amounts previously impaired	(139)	(139)
Balance as at 31 December 2019	8	-

The credit risk exposure of trade and other receivables and contract assets of the Group can be assessed on the ageing analysis disclosed below:

	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
As at 31 December 2019						
Trade and other receivables, gross	2,244	-	2	-	8	2,254
Contract assets	95	-	-	-	-	95
Expected credit losses	-	-	-	-	(8)	(8)
Trade and other receivable and contact assets net of expected credit losses	**2,339**	**-**	**2**	**-**	**-**	**2,341**
As at 31 December 2018						
Trade and other receivables, gross	925	3	2	4	17	951
Dividends receivable (including receivable form share capital decrease)	-	-	-	2,000	4,770	6,770
Contract assets	110	-	-	-	-	110
Expected credit losses	-	-	-	-	(148)	(148)
Trade and other receivable and contract assets net of expected credit losses	**1,035**	**3**	**2**	**2,004**	**4,639**	**7,683**

(all amounts are in EUR thousand unless otherwise stated)

16 Trade, other receivables and contract assets (cont'd)

The credit quality of trade and other receivables of the Company can be assessed on the ageing analysis disclosed below:

	Current	Less than 30 days	30–90 days	90–180 days	More than 180 days	Total
As at 31 December 2019						
Trade and other receivables, gross	78	-	-	-	-	78
Expected credit losses	-	-	-	-	-	-
Trade and other receivable net of expected credit losses	**78**	**-**	**-**	**-**	**-**	**78**
As at 31 December 2018						
Trade and other receivables, gross	9	-	-	-	-	9
Dividends receivable (including receivable form share capital decrease)	-	-	-	2,000	4,770	6,770
Expected credit losses	-	-	-	-	(139)	(139)
Trade and other receivable net of expected credit losses	**9**	**-**	**-**	**2,000**	**4,631**	**6,640**

17. Cash and cash equivalents

	Group 2019	Group 2018	Company 2019	Company 2018
Cash at bank	5,577	2,048	617	670
	5,577	2,048	617	670

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

The Group's and the Company's cash and cash equivalents did not have any encumbrance.

As at 31 December 2019 and 2018, the Group and the Company had previous term deposits at insolvent AB Bankas Snoras with the maturity of more than 3 months, which are fully provided for and as impact of IFRS 9 is written-off as at 1 January 2018, but are still subject to enforcement activity (gross amount EUR 3,122 thousand).

All cash balances have a low credit risk at the reporting date and the impairment loss determined on 12-month expected credit losses is resulted in an immaterial amount.

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

	Group 2019	Group 2018	Company 2019	Company 2018
Moody's ratings				
Prime-1	2,504	749	14	6
Prime-2	3,073	808	603	639
Prime-3	-	491	-	25
	5,577	2,048	617	670

(all amounts are in EUR thousand unless otherwise stated)

18. Share capital, share premium and own shares

The total authorised number of ordinary shares is 11,918,899 (as of 31 December 2018: 11,865,993 shares) with a par value of EUR 0.29 per share. All issued shares are fully paid.

Changes during 2018

From 7 May 2018 until 21 May 2018 the Company implemented share buy-back through the tender offer market. Maximum number of shares to be acquired was 200,000. Share acquisition price established at EUR 5.53 per share. During buy-back 3,396 shares (0.03% of share capital) were acquired for EUR 19 thousand, including brokerage fees. The acquired shares were settled on 23 May 2018. Acquired own shares do not have voting rights.

Changes during 2019

On 23 May 2019 the Register of Legal Entities has registered an increased authorised capital of the Company. Since that date the total number of issued shares is 11,918,899 with a par value of EUR 0.29 per share. Authorised share capital of the Company is amounted to EUR 3,456,480.71. It was issued 52,906 ordinary registered shares with an issue price of EUR 1. The shares were issued in order to realise the stock options granted in 2016 to the employees of the Group.

From 28 May 2019 until 10 June 2019 the Company implemented share buy-back through the tender offer market. Maximum number of shares to be acquired was 200,000. Share acquisition price established at EUR 5.67 per share. During buy-back 2,552 shares (0.02% of share capital) were acquired for EUR 14 thousand, including brokerage fees. The acquired shares were settled on 12 June 2019.

19. Reserves

The movements in legal and other reserves are as follows:

Group	**Legal reserve**	**Reserve for the acquisition of own shares**	**Reserve for the grant of shares**	**Share based payments reserve**	**Total**
As at 31 December 2017	**490**	**11,121**	**-**	**460**	**12,071**
Transfer to reserves	13	-	900	(460)	453
Share-based payments	-	-	-	224	224
As at 31 December 2018	**503**	**11,121**	**900**	**224**	**12,748**
Transfer to reserves	6	-	-	-	6
Share-based payments	-	-	-	408	408
As at 31 December 2019	**509**	**11,121**	**900**	**632**	**13,162**

Reserves of the Company is the same as in the Group, except the legal reserve, which is amounted to EUR 473 thousand as at 31 December 2017, 2018 and 2019.

On 30 April 2018 the annual general meeting of the Company has decided to transfer from retained earnings and the share based payment reserve EUR 900 thousand to the reserve for the grant of shares.

<u>Legal reserve</u>

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.

<u>Reserve for the acquisition of own shares</u>

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

(all amounts are in EUR thousand unless otherwise stated)

19 Reserves (cont'd)

Reserve for the grant of shares

Reserve for the grant of shares is formed when shares are granted by issuing a new share emission. The amount of the reserve for the grant of shares shall not be less than the sum of the emission price of the shares issued when the shares are granted free of charge, and (or) difference between the sum of the emission price of the shares issued and the sums paid by the persons acquiring the shares, when the shares are granted partly in consideration.

Share-based payments reserve

The share-based payment transactions reserve is used to recognise the value of equity-settled share-based payment transactions provided to employee of the Group.

The Company every year offered to employees of the Group the share options transaction. With some key employees of the consolidated subsidiaries is signed formal agreement, which determined principle of bonus remuneration to them. In these agreements, except one, the employee have choice to receive fixed cash or share options. One agreement determined only right to share option. In two consolidated subsidiaries exist bonus plans, where employees could choose share options as alternative to fixed cash after issuing audited financial statements. the choice of employee is irrevocable. In all above mentioned cases, the quantity of share option is calculated as division fixed cash amount to share option value. Latter is calculated as difference between audited consolidated equity per share at year-end or share price at year-end, which is higher, and option exercise price. The main conditions of share options transactions were:

- The employee has the right to acquire the shares after three years after conclusion of the share options agreements, early exercising is not allowed;
- Option exercise price – EUR 1;
- Some transactions have service vesting condition. The right to acquire share in the part of transactions come in to force in future in three years, if the employment contract is not terminated until mentioned dates.
- When the time to exercise is matures the right to acquire the shares will be realized by selling of own shares of the Company or by offering to sign newly issued shares of the Company to employee;
- The options could not be sold.

The value of share-based payments was calculated using the Black-Scholes formula. For volatility input is used historical shares volatility on exchange.

Set out below are summaries of options granted by the Company:

	Number of options, thousand	
	2019	**2018**
Balance as at 1 January	**201**	**140**
Granted during year	70	60
Change in accrued number for rendered services at year-end	24	1
Exercised	(53)	-
Balance as at 31 December	**242**	**201**
Vested and exercisable at 31 December	166	169

The share price at the date of exercise of share option was EUR 5.75.

Share options outstanding at the end of the year have following expiry dates and inputs to measure fair value:

As at 31 December 2019	**Expiry date**	**Share options, thousand**	**Share price**	**Volatility**	**Expected dividend yield**	**Risk-free interest rate**	**Fair value of share option**
Granted on 11 August 2016	30 April 2023	25	4.00	40.87%	0%	(0.422%)	3.06
Granted on 3 May 2017	3 May 2020	14	4.35	33.58%	0%	(0.641%)	3.33
Granted on 16 May 2017	3 May 2020	65	4.55	33.60%	0%	(0.578%)	3.53
Granted on 3 May 2018	3 May 2021	60	5.25	32.38%	0%	(0.423%)	4.24
Granted on 6 May 2019	6 May 2022	70	5.65	30.90%	0%	(0.566%)	4.63
Accrued on 31 December 2019	30 April 2023	8	6.80	29.95%	0%	(0.548%)	5.78
Total	**-**	**242**	**-**	**-**	**-**	**-**	**-**

19 Reserves (cont'd)

Share-based payments reserve (cont'd)

As at 31 December 2018	**Expiry date**	**Share options, thousand**	**Share price**	**Volatility**	**Expected dividend yield**	**Risk-free interest rate**	**Fair value of share option**
Granted on 2 May 2016	2 May 2019	53	3.91	36.52%	0%	(0.448%)	2.90
Granted on 3 May 2017	3 May 2020	14	4.35	33.58%	0%	(0.641%)	3.33
Granted on 16 May 2017	3 May 2020	65	4.55	33.60%	0%	(0.578%)	3.53
Granted on 3 May 2018	3 May 2021	60	5.25	32.38%	0%	(0.423%)	4.24
Accrued on 31 December 2018	30 April 2022	9	4.70	31.37%	0%	(0.498%)	3.68
Total	**-**	**201**	**-**	**-**	**-**	**-**	**-**

In 2019 and 2018 the share-based payment expenses were recognised in the income statement of the Company and the Group within "Employee benefits expenses" as the fair value of share options. In 2019 and 2018 the Group recognized EUR 178 thousand and EUR 224 thousand of expenses from equity settled share-based payment transaction, respectively. On the Group level liability of EUR 230 thousand was reclassified to the share based payment reserve, when employees chose share option instead of cash alternative. In 2019 and 2018 the Group has recognised EUR 620 thousand and 455 EUR thousand from cash alternative of share based payment transaction. In 2019 the Company has recognised EUR 28 thousand of expenses and EUR 380 thousand as additional investment to consolidated subsidiaries. In 2018 the Company has recognised EUR 34 thousand of expenses and EUR 190 thousand as additional investment to consolidated subsidiaries.

20. Borrowings

As at 31 December 2018 and 2019 the Company has not received any borrowings. As at 31 December 2018 and 2019 the Group has not any borrowings.

Weighted average effective interest rates of borrowings during the year:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
Borrowings	-	-	-	3.00%

Changes in liabilities arising from financing activities (borrowings) are presented in the table below (changes in lease liabilities is presented in Note 26):

	Company
	Borrowings
As at 31 December 2017	**398**
Repayment of granted loans	(398)
Interest paid	(7)
Interest expenses	7
As at 31 December 2018	**-**

21. Trade payables

Trade payables are non-interest bearing and are normally settled on 14–60 day terms. For terms and conditions relating to related parties please refer to Note 27.

(all amounts are in EUR thousand unless otherwise stated)

22. Contract liabilities

Movement in the account of contract liabilities is presented below:

Group	**2019**	**2018**
Balance as at 1 January	**197**	**82**
During period received cash for satisfying of performance obligation	633	127
Recognised revenue during period partly satisfied performance obligation	(45)	(12)
Balance as at 31 December	**785**	**197**
Non-current	700	175
Current	85	22

23. Other liabilities

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

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
Financial liabilities				
Dividends payable	363	366	363	366
Contingent consideration – financial liabilities at fair value through profit or loss	36	52	-	-
Other amounts payable	325	201	17	64
	724	619	380	430
Non – financial liabilities				
Salaries, bonus plans (excluding cash alternative of share-based payment arrangement) and social security payable	427	286	49	40
Cash alternative of share-based payment arrangement and social security payable	813	720	-	-
Tax payable	28	168	-	-
Other amounts payable	-	-	-	-
	1,268	1,174	49	40
Total other current and non-current liabilities	1,992	1,793	429	470
Non-current liabilities	100	-	-	-
Current liabilities	1,892	1,793	429	470

24. Financial risk management

24.1. Financial risk factors

The risk management function within the Group is carried out in respect of financial risks (credit, market and liquidity), operational risks and legal risks. On an overall Group level strategical risk management is executed by the Board of Directors. Operational risk management is carried out at each entity level by directors. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

The Group's and the Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's and the Company's operations. The Group and the Company have various financial assets such as trade and other receivables, loans granted, investments in equity and debt securities, deposits held in banks and cash which arise directly from its operations. The Group and Company have not used any of derivative instruments so far, as management considered that there is no necessity for them.

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

The Company's policy is to not provide any guarantee or surety for the Group's companies. The Group's companies do not provide any guarantees one against another usually.

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

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

24.1 Financial risk factors (cont'd)

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding trade receivables, loans granted and debt securities.

The Group estimates the credit risk separately by the segments.

The maximum exposure to credit risk and impairment of trade and other receivables and loans granted is disclosed in Notes 15 and 16. The maximum exposure to credit risk for loans granted classified as 'investments to unconsolidated subsidiaries and associate measured at fair value through profit or loss' are their carrying amounts (EUR 1,750 thousand as at 31 December 2019 and EUR 518 thousand as at 31 December 2018). In Note 16 is also disclosed credit risk exposure of trade receivable. There are no significant transactions of the Group or the Company that occur outside Lithuania and Latvia.

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

The maximum exposure to credit risk from financial assets are:

	Group		Company	
	2019	2018	2019	2018
Trade and other receivables	2,246	7,573	78	6,640
Loans granted	1,750	518	1,750	518
Bonds	377	386	-	-
Cash at bank	5,577	2,048	617	670
	9,950	10,525	2,445	7,828

Cash flow and fair value interest rate risk

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the debt obligations with floating interest rates and to the owned bonds.

The Group and the Company do not have any borrowing as at 31 December 2019 and 2018. The Company and the Group have loans granted to their consolidated subsidiaries with fixed interest rates for one year. Therefore, the Group and the Company are not exposed to cash flow interest rate risk from loans granted.

In 2019 and 2018 bonds at fixed rates expose the Group to fair value interest rate risk, but it was insignificant.

Share price risk

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

The Group's and the Company's investments in equity of other entities that are publicly traded are included in the equity index: OMX Baltic Benchmark Gross Index (OMXBBGI).

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

Index	Group		Company	
	2019	2018	2019	2018
OMXBBGI	3,806	2,947	3,420	2,650

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

24.1 Financial risk factors (cont'd)

Share price risk (cont'd)

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

Foreign exchange risk

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

The foreign currency risk at the Group and the Company is not large, taking into consideration that most monetary assets and obligations are denominated in euro. As at 31 December 2019 and 2018 the Group and Company have insignificant assets denominated in foreign currency.

Liquidity risk

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

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

Long-term liquidity risk is managed by analysing the predicted future cash flows taking into account the possible financing sources. Before approving the new investment projects the Group and the Company evaluate the possibilities to attract needed funds. The general rule is applied in the Group to finance the Group companies or to take loans from them through the parent company in order to minimise the presence of direct borrowings between the companies of different operating segments.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Lease liabilities		95	284	1,397	276	2,052
Trade and other payables	-	369	-	-	-	369
Financial liabilities at fair value	-	-	18	18	-	36
Other liabilities	363	324	1	-	-	688
Balance as at 31 December 2019	**363**	**788**	**303**	**1,415**	**276**	**3,145**
Trade and other payables	-	400	-	-	-	400
Financial liabilities at fair value	-	-	34	18	-	52
Other liabilities	366	200	1	-	-	567
Balance as at 31 December 2018	**366**	**600**	**35**	**18**	**-**	**1,019**

(all amounts are in EUR thousand unless otherwise stated)

24 Financial risk management (cont'd)

24.1 Financial risk factors (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments.

	On demand	Less than 3 months	4 to 12 months	2 to 5 years	More than 5 years	Total
Financial lease liabilities	-	6	19	99	23	147
Trade and other payables	-	7	-	-	-	7
Other current liabilities	363	17	-	-	-	380
Balance as at 31 December 2019	**363**	**30**	**19**	**99**	**23**	**534**
Borrowings	-	-	-	-	-	-
Trade and other payables	-	4	-	-	-	4
Other current liabilities	366	64	-	-	-	430
Balance as at 31 December 2018	**366**	**68**	**-**	**-**	**-**	**434**

The Group's liquidity ratio (total current assets / total current liabilities) as at 31 December 2019 was approximately 3.56 (4.66 as at 31 December 2018). The Company's liquidity ratio as at 31 December 2019 was approximately 5.26 (15.60 as at 31 December 2018). The Group's and the Company's management considers the liquidity position of the Group and the Company based on the current market conditions and takes actions to keep the favourable situation.

24.2. Capital management

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

The Group's and the Company's capital comprises share capital, share premium, reserves and retained earnings.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions and specific risks of their activity. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year 2019 and 2018.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Law on Companies of Republic of Lithuania. As at 31 December 2019 and 2018 all the Group consolidated subsidiaries comply with above mentioned requirement. Pursuant to the Law on State Funded Pensions of Republic of Latvia the authorised share capital of an investment management entity must be not less than EUR 500,000, if it managed pension funds of total assets up to EUR 50 million, and must be not less than EUR 1,000,000, if it managed pension funds of total assets up to EUR 100 million. As of 31 December 2019 and 2018 IPAS INVL Asset Management complied with this requirement.

The Company's consolidated subsidiaries UAB INVL Asset Management and UAB FMĮ INVL Finasta are managing their capital and all relevant risks in accordance with requirements set by the Bank of Lithuania. The Company's consolidated subsidiary IPAS INVL Asset Management is managing their capital and all relevant risks in accordance with requirements set by the Financial and Capital Market Commission of Latvia. Internally there was approved a common risk level – to which extent the minimal capital adequacy requirement would not be violated and there would not be a real threat of its violation. UAB INVL Asset Management ensure that the capital adequacy ratio which is calculated dividing the entity's own funds by the required amount of capital according to the Bank of Lithuania requirements would be at least 1.0. UAB FMĮ INVL Finasta ensures that the capital adequacy ratio which is calculated dividing the entity's own funds by the total risk exposure amount according to the Bank of Lithuania requirements would be at least 8%. IPAS INVL Asset Management own funds may never be lower than the higher of: 1) the sum total of the minimum initial capital and additional total own funds or 2) 25 per cent of the sum total amount of the fixed costs or fixed overheads of the previous full reporting year. As at 31 December 2019 and 2018 the above mentioned consolidated subsidiaries complied with these requirements.

(all amounts are in EUR thousand unless otherwise stated)

25. Commitments and contingencies

Funds and individual portfolios managed by the Group

The table below presents the net assets or commitments of the Group's managed funds (depends from what amount management fees is calculated) and individual portfolios and capitalisation of managed closed-end investment companies (cross-holding is not excluded):

	2019	2018
2nd pillar pension funds	622,876	429,202
3rd pillar pension funds	41,084	26,772
Investment funds	55,661	66,329
Portfolios of clients	74,993	56,634
Alternative investments funds	183,738	30,082
Closed-end investment companies	60,879	49,355
Total	**1,039,231**	**658,374**

BSGF

As at 31 December 2019 the outstanding commitment to invest to BSGF is amounted to EUR 16,569 EUR.

Tax legislation

Tax authorities have right to examine accounting records of the Company and its consolidated subsidiaries in Lithuania at any time during the current period and for 3 previous years before the reporting period, in some cases 5 or 10 years before the reporting period, and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances which would raise substantial tax liability in this respect to the Company and to the Group. Activity in the Republic of Latvia is not subject to corporate income tax. Instead of taxation on the profit of the current year, the tax is applied only upon profit distribution, i.e. upon payment of dividends.

26. Lease

The Company has lease contract for premises and parking spaces. The lease term is until 2025. The lease contract has not any termination and extension option. The Company could only sub-lease premises to the Group companies, but has not entered in any sublease agreements. The Group has several lease contract for premises and parking spaces. The lease terms is until 2021 and 2025, except lease, which are less than 12 months as at 31 December 2019 and for which Group applies the 'short-term lease' recognition exemption. Until 31 December 2018 all lease of the Group and the Company was classified as operating lease. The Group's lease agreements have not unilaterally extension options. Some agreements has termination options, but the Group does expect to use them. Generally, the Group is restricted from assigning and subleasing the leased assets, excluding that in some contracts is determined right to sub-lease premises to the Group companies. But the Group has not entered in any sublease agreements, Most of leases has lease indexation clause based on customer price index change. The terms of lease do not include restrictions on the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

Right- of-use assets are presented as property, plant and equipment and is disclosed in Note 10. The maturity analysis of leases liabilities is disclosed in Note 24.1 (section liquidity risk).

The following is the amounts recognised in profit or loss in 2019:

	Group	Company
Depreciation charge for right-of-use assets	(245)	(18)
Interest expenses (included in finance cost)	(124)	(11)
Expense relating to short-term lease	(25)	-

(all amounts are in EUR thousand unless otherwise stated)

26 Lease (cont'd)

Changes in liabilities arising from financing activities (lease liabilities) are presented in the table below:

	Group	Company
As at 1 January 2019 (impact of IFRS 16)	**1,510**	**121**
Lease payments	(198)	(14)
Interest paid	(124)	(11)
Interest expenses	124	11
Addition	297	3
As at 31 December 2019	**1,609**	**110**

In 2018, the lease expenses of the Group and the Company amounted to EUR 432 thousand and EUR 24 thousand, respectively.

As at 31 December 2019 future lease payments related to short-term lease is amounted to EUR 10 thousand.

Future lease payments according to the signed operating lease contracts are as follows as at 31 December 2018:

		Group	Company
Within one year			
	- lease of premises	307	23
	- other lease	11	1
		318	24
From one to five years			
	- lease of premises	1,125	93
	- other lease	45	3
		1,170	96
After five years			
	- lease of premises	481	43
	- other lease	18	2
		499	45
		1,987	**165**

(all amounts are in EUR thousand unless otherwise stated)

27. Related party transactions

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

The related parties of the Group in 2019 and 2018 were unconsolidated subsidiaries, associates, the shareholders of the Company, who have joint control or significance influence (Note 1) and key management personnel, including companies under control or joint control of key management and shareholders having significant influence or joint control and including companies, where shareholders having joint control over the Company are key management personnel or having significant influence. To the other related parties are attributed entities left the Group during split-off occurred in 2014, because shareholders having joint control over the Company are key management personnel of these entities or having significant influence and managed funds.

Receivables from related parties are presented in carrying amount. They include loans granted to unconsolidated subsidiaries and associates, that are considered as part of investments to unconsolidated subsidiaries and associates. Interest income and expenses are presented in the 'revenue and other income' and 'purchases' columns, respectively.

Transactions of the Group with unconsolidated subsidiaries in 2019 and balances as at 31 December 2019 were as follows:

2019 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties (including presented in carrying value of investments)**	**Payables to related parties**
Loans and borrowings	46	-	244	-
Dividends	205	-	-	-
Accounting services	2	-	-	-
Donation	-	50	-	-
Other services	2	-	-	-
	255	50	244	-

The maturity of loans granted is 2020, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Group classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Group with associates in 2019 and balances as at 31 December 2019 were as follows:

2019 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	6	-	1,506	-
Rent and utilities services	4	70	-	4
Dividends	607	-	-	-
Management and success fees	569	-	27	-
Services rendered to UAB Mundus	27	-	-	-
Accounting services	15	-	-	-
	1,228	70	1,533	4

The maturity of loans granted is 31 March 2020, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The loan granted was repaid on 9 March 2020.

Transactions of the Group with other related parties in 2019 and balances as at 31 December 2019 were as follows:

2019 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Accounting services	16	-	-	-
The group of UTIB INVL Technology (information technology maintenance services)	-	202	-	39
The group of AB INVL Baltic Farmland (land administration services)	40	-	49	84
Management fee (for UTIB INVL Technology)	394	-	101	-
Managed funds	9,795	-	1,796	-
Other services	10	1	-	-
	10,255	203	1,946	123

(all amounts are in EUR thousand unless otherwise stated)

27 Related party transactions (cont'd)

Transactions of the Group with unconsolidated subsidiaries in 2018 and balances as at 31 December 2018 were as follows:

2018 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties (including presented in carrying value of investments)**	**Payables to related parties**
Loans and borrowings	45	-	518	-
Transfer of tax losses	27	-	-	-
Dividends	7,735	-	6,631	-
Accounting services	3	-	-	-
Donation	-	60	-	-
Other services	1	-	-	-
	7,811	60	7,149	-

The maturity of loans granted is 2019, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Group classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Group with associates in 2018 and balances as at 31 December 2018 were as follows:

2018 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Rent and utilities services	4	258	-	5
Dividends	593	-	-	-
Management and success fees	357	-	23	-
Services rendered to UAB Mundus	73	-	8	-
Accounting services	16	-	7	-
	1,043	258	38	5

Transactions of the Group with other related parties in 2018 and balances as at 31 December 2018 were as follows:

2018 Group	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Accounting services	18	-	2	-
The group of UTIB INVL Technology (information technology maintenance services)	-	246	-	18
The group of AB INVL Baltic Farmland (land administration services)	141	-	78	-
Management fee (for UTIB INVL Technology)	381	-	57	-
Managed funds	5,400	-	550	-
Other services	9	3	-	-
	5,949	249	687	18

(all amounts are in EUR thousand unless otherwise stated)

27 Related party transactions (cont'd)

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

Transactions of the Company with subsidiaries in 2019 and balances as at 31 December 2019 were as follows:

2019 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	46	-	244	-
Dividends	472	-	-	-
Transfer of tax losses	19	-	-	-
Accounting services	2	-	-	-
Other services	-	-	14	-
	539	-	258	-

The maturity of loans granted is 2020, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Company classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Company with associates in 2019 and balances as at 31 December 2019 were as follows:

2019 Company	**Revenue and other income from related Parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	6	-	1,506	-
Rent and utilities services	-	16	-	-
Dividends	554	-	-	-
Accounting services	15	-	-	-
	575	16	1,506	-

The maturity of loans granted is 31 March 2020, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The loan granted was repaid on 9 March 2020.

Transactions of the Company with other related parties in 2019 and balances as at 31 December 2019 were as follows:

2019 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
The group of UTIB INVL Technology (information technology maintenance services)	-	8	-	1
Accounting services	16	-	-	-
Other services	10	1	-	-
	26	9	-	1

(all amounts are in EUR thousand unless otherwise stated)

27 Related party transactions (cont'd)

Transactions of the Company with subsidiaries in 2018 and balances as at 31 December 2018 were as follows:

2018 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Loans and borrowings	45	7	518	-
Dividends	8,203	-	6,631	-
Transfer of tax losses	63	-	-	-
Accounting services	4	-	-	-
Other services	-	2	-	2
	8,315	9	7,149	2

The maturity of loans granted is 2019, effective interest rate is fixed at 4.5 %. Loans hold no collateral. The Company classifies part of loans granted as long term, because has policy to prolong them on maturity date.

Transactions of the Company with associates in 2018 and balances as at 31 December 2018 were as follows:

2018 Company	**Revenue and other income from related Parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
Rent and utilities services	-	28	-	1
Dividends	551	-	-	-
Accounting services	16	-	7	-
	567	28	7	1

Transactions of the Company with other related parties in 2018 and balances as at 31 December 2018 were as follows:

2018 Company	**Revenue and other income from related parties**	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
The group of UTIB INVL Technology (information technology maintenance services)	-	10	-	1
Accounting services	18	-	2	-
Other services	9	2	-	-
	27	12	2	1

(all amounts are in EUR thousand unless otherwise stated)

27 Related party transactions (cont'd)

The movements of loans granted to associates were:

	Group		Company	
	2019	**2018**	**2019**	**2018**
At 1 January	**-**	**-**	**-**	**-**
Loans granted during year	1,500	-	1,500	-
Loans repayment received	-	-	-	-
Interest charged	6	-	6	-
Interest received	-	-	-	-
At 31 December	**1,506**	**-**	**1,506**	**-**

The movements of loans granted to subsidiaries were:

	Group		Company	
	2019	**2018**	**2019**	**2018**
At 1 January	**518**	**951**	**518**	**951**
Loans granted during year	435	395	435	395
Loans repayment received	(300)	(3)	(300)	(3)
Loans and interest converted to increased share capital	(446)	(616)	(446)	(616)
Changes in fair value of loans	-	(250)	-	(250)
Interest charged	46	45	46	45
Interest received	(9)	(4)	(9)	(4)
At 31 December	**244**	**518**	**244**	**518**

The movements of borrowings from subsidiaries were:

	Group		Company	
	2019	**2018**	**2019**	**2018**
At 1 January	**-**	**-**	**-**	**398**
Borrowings received during year	-	-	-	-
Borrowings repaid during year	-	-	-	(398)
Interest charged	-	-	-	7
Interest paid	-	-	-	(7)
At 31 December	**-**	**-**	**-**	**-**

<u>Key management compensation and other payments</u>

The management remuneration contains short-term employees' benefits and share-based payments. In 2019 and 2018 key management of the Company and Group includes Board members and Chief financial officer of the Company.

	Group		Company	
	2019	**2018**	**2019**	**2018**
Wages, salaries and bonuses	339	255	270	255
Social security contributions	6	80	5	79
Payments to pensions funds	-	-	-	-
Share-based payments	28	33	28	33
Total key management compensation	373	368	303	367

There were no loans granted during the reporting period or outstanding at the end of the reporting period. In 2019 and 2018 dividends were not paid.

28. Events after the reporting period

BSGF

In February 2020 was completed third and last closing of BSGF. Fund's size reached EUR 164.7 million of commitments. The Company has additional committed EUR 974 thousand. After final closing the Company has owned 12.2% of fund units. As a consequence of equalisation to the Company was refunded EUR 265 thousand. The outstanding capital commitment to BSGF is EUR 17,787 thousand.

Impact of COVID-19

On 11 March 2020, the World Health Organization announced the coronavirus outbreak a pandemic, and the Lithuanian government declared 'lockdown' on 16 March 2020. Responding to the potentially serious threat the COVID – 19 presents to public health, the Lithuanian government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-border movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Lithuania, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Lithuania and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty reflected in more volatile asset prices and currency exchange rates.

As of the date of approval of the financial statements for issue, the Company and Group have not been significantly affected by the outbreak of COVID – 19.

Management considered the following operating risks that may adversely affect the Company and Group:

- Negative impact on asset values from the deteriorating economic environment. As at 31 December 2019, the fair value of Level 1 and Level 2 financial assets of the Group and of the Company, which are affected by change of quoted prices in the markets, was 40,613 EUR thousand and 37,990 EUR thousand, respectively. As at the date of approval of these financial statements for issue, fair values of all Level 1 and Level 2 investments to bonds, shares and funds decreased by approximately 12% from the fair value as at 31 December 2019. The Company and Group have not yet prepared analysis of fair value of level 3 investments, but it is expected that decrease in fair value would not be materially different from decrease in values for quoted financial instruments. The major Level 3 investment operates in the agriculture sector, which is one of the sectors least affected by COVID-19.
- The fall in the value of financial instruments will reduce the Group's income generated from the management fee received for the managed investment products investing in quoted company securities and closed-end investment companies managed. Investor interest in the open-ended funds managed and new products created can also decrease due to the resulting uncertainties in the economy, which would lead to investment withdrawal and subsequent decrease in the assets managed by the Group.

Considering the potential risks, the Management took the following steps and considers the following circumstances:

- Within a short time, the Company and Group ensured the possibility to work from home for all employees.
- As at 31 December 2019, the Company's and Group's liquidity position included cash equivalents amounting to 617 EUR thousand and 5,577 EUR thousand respectively and level 1 financial assets, most of which contains equity securities, amounting to 32,604 EUR thousand and 35,372 EUR thousand respectively. Net assets of the Company and Group amount to 86,776 EUR thousand, the Company and Group has no external loan debt. As at the date of approval of the financial statements for issue, the Company has cash equivalents amounting to 1,8 EUR million, which is enough to cover yearly expenses of the Company. The management is of the view that these liquid assets serve as an adequate basis for any reasonably possible drops in business activity that may imply decreased asset base.
- The consolidated subsidiaries operate in a finance (asset management) sector that has not been significantly affected by the outbreak of COVID – 19. The Group's management fee income will increase from alternative closed-type products which the Group distributed in 2019 and in the beginning of 2020 as management fee income from these products is not directly subject to the impact of the drop in financial market prices.

28 Events after the reporting period (cont'd)

Impact of COVID-19 (cont'd)

Any quantification of the potential impact of COVID-19 and the related economic slowdown on the Company's and the Group's financial position and results of operations is subject to significant estimation uncertainty. However, the Company's and the Group's management follow the situation closely and reviews the costs estimated for developing activities in order to optimise their activities and ensure careful targeting of spending considering the changes in the economy and markets, and aiming to control the risks arising due to uncertainty of the situation. Based on the currently publicly available information, the management does not anticipate a direct immediate and significant adverse impact of the COVID – 19 outbreak on the Company and the Group. The management cannot, however, preclude the possibility that extended lock-down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Company and the Group operates in, will not have an adverse effect on the Company and the Group and their financial position and operating results in the medium and longer-term.

Dividends

A dividend in respect of the year ended 31 December 2019 of EUR 0.80 per share, amounting to a total dividend of EUR 9,288 thousand, is to be proposed at the annual general meeting for the year of 2019. These financial statements do not reflect this dividend payable.

INVALDA INVL

Invalda INVL, AB
Consolidated Annual Management Report for 2019

Translation note:

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

CONTENTS

A WORD FROM THE PRESIDENT OF THE COMPANY

Dear All,

The year 2019 was very good for the Invalda INVL group. We continued steadfast work and global markets were also favourable. That allowed us to earn 140 million euros for the people who have entrusted their assets to us to manage. The profit of Invalda INVL itself was 20.8 million euros, its net asset value per share reached an all-time high of 7.47 euros, and shareholders' equity totalled 86.8 million euros.

Looking at Invalda INVL's main business areas, the first – the strategic asset management business – had a value of 13.6 million euros in the financial statements at year-end, while the second – legacy assets – had a portfolio value of 74.2 million euros.

Our business model is based on how, in investing and managing assets, we prioritize the interests of the people who entrusted the money to us to manage, their financial security and long-term return. In 2019, all the products we manage generated a positive return for investors. Some were the best in their categories, as confirmed not just by their operating results, but also by the top ratings they are getting from rating agencies.

Last year we conducted large forest and real estate sale transactions by which we realized part of the value that has been created and earned a significant profit for investors, accumulating cash which they will be able to use in the markets or for other purposes. The INVL Baltic Forests Fund I had an average annual return of 27% (20 million euros was paid out to investors during 2019), while that of INVL Baltic Real Estate was nearly 19% (20.4 million euros of dividends to investors were approved in 2020).

I am pleased that we retained all the key members of the team and strengthened it with new ones. It is thanks to their talent and professionalism along with Invalda INVL's long years of groundwork that during the pension fund reform our number of clients grew the most in the market. The INVL Baltic Sea Growth Fund, the largest private equity investment fund for the Baltic region, also got off to a successful start.

Year-end figures for the asset management business reached new highs: 1 billion euros of asset under management and 11.3 million euros of revenue. Although we are actively investing in expansion of the asset management business and that has a negative effect on current operating results, in 2019 we earned 2.3 million euros from the asset management business.

The value of Invalda INVL's investment portfolio grew in 2019, bringing us gains of 17.8 million euros. We have a stated policy of investing together with our clients, thus seeking maximum alignment of the interests of investors and the manager. We continue decisively increasing such investments –the decision was made to invest 20.1 million euros in the INVL Baltic Sea Growth Fund, continuing Invalda INVL's long private equity investment activity.

In looking back on 2019 and taking pleasure in the year's success, we realize that the economy is cyclical and good times are followed by more difficult periods, after which growth again returns. We are ready for the coming changes: we have a strong team of professionals and a sustainable business model, we do not have debts, and we enjoy from ample financial reserves. Moreover, the downturn is a good time to enhance and develop Invalda INVL's asset management business, investing and taking advantage of the opportunities that arise in the markets, so that, once it is over, we are even better and stronger.

On behalf of the board of Invalda INVL, I thank our clients for their trust, our employees for their dedication and professionalism, our shareholders for their loyalty, and all our stakeholders for their engagement and collaboration. Together, we can grow, improve and do even more – much more – important work.

Darius Šulnis

President of Invalda INVL

I. General Information

1. Reporting period for which the report is prepared

The report is prepared for 12 months of 2019 (January – December). The report also includes significant events of the company and the group that took place after the reporting period.

The report was reviewed by auditors.

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

Information about the Issuer

Name of the Issuer	The public joint-stock company Invalda INVL
Code	121304349
Address	Gynėjų str. 14, LT-01109 Vilnius, Lithuania
Telephone	+370 5 279 0601
E-mail	info@invaldainvl.com
Website	www.invaldainvl.com
Legal form	The public joint-stock company
Date and place of registration	20 March 1992. Register of Enterprise of Vilnius
Register in which data about the Company are accumulated and stored	Register of Legal Entities

Information on company's goals, philosophy and operating principles

Activity

Invalda INVL is one of the leading asset management groups in the Baltic countries. Invalda INVL group currently manages pension funds (2nd and 3rd pillar) and mutual funds, alternative investments (private equity, private debt and real estate funds), individual portfolios and other financial instruments. Companies of the group engaged in asset management manage over 1 billion euros of assets entrusted to them by more than 200 thousand clients in Lithuania and Latvia as well as international investors.

Experience

Invalda INVL, AB started the activity in 1991 as the company Invalda, AB. From 1991 until 1997 it operated as a public investment company established during the state property privatization, which was implemented in accordance to the State Property Primary Privatization law of the Republic of Lithuania. From 1997 until 2003 the company operated as a licenced holding investment company (the license was issued by the Securities Commission of Lithuania). Company's shares have been traded on the Nasdaq Vilnius Exchange since 1995. On May 2015 the company changed its corporate name to the public joint-stock company Invalda INVL.

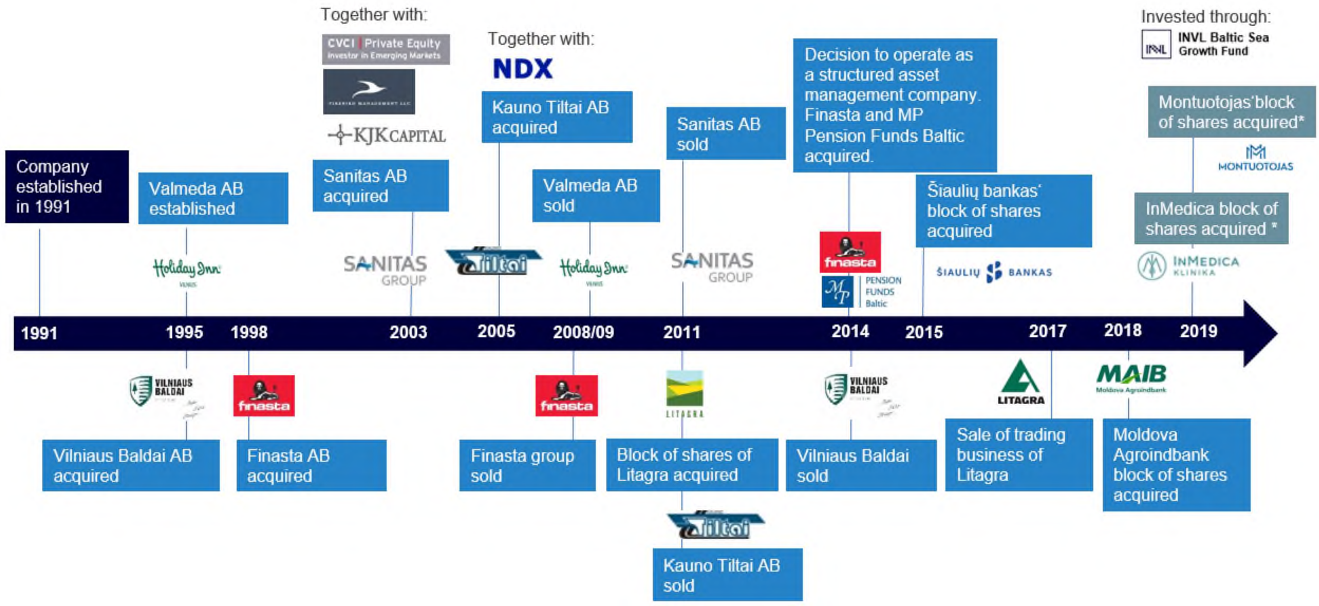
Over its history Invalda INVL implemented a few dozen corporate acquisitions and sales, capital raising transactions worth more than EUR 1.5 bln.

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

Goals

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

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



** Since the end of the first closing of INVL Baltic Sea Growth Fund on February 2019 Invalda INVL undertakes not to invest in private equity assets that comply with the fund's strategy and to conduct its main investment activity through this fund.*

Experience of Invalda INVL in the private equity market

1991 In 1991 the investment company Invalda began its activities.

1995 Since 1995 the shares of Invalda have traded on the Nasdaq Vilnius exchange.

1997 From 1997 to 2003 the company was licensed as an investment holding company.

In 1998 Invalda acquired FMĮ Finasta which, with the acquisition of several other smaller brokers (Mifonda, Apyvarta, Klaipėdos Vertybiniai Popieriai, Finansų Špektras and Sinkus), became Lithuania's leading financial brokerage firm.

2003 2003 brought the creation of the asset management company Finasta Investicijų Valdymas, which within a few years became the Lithuanian asset manager with the largest number of mutual fund clients.

2008 In 2008 the investment bank Finasta was established. It was sold along with other Finasta group companies in 2009.

2013 After a reorganisation of Invalda in May 2013, its operations were continued by two companies. A part of the assets were split-off to form the new company Invalda Privatus Kapitalas. The company Invalda, which continued after the split-off, changed its name first to Invalda LT and then, in April 2015, to Invalda INVL.

2014 In 2014 it was decided to revise the group's business model and manage not only shareholders' assets but also those of other investors. In April 2014, three companies each managing uniform types of assets were split off from Invalda LT with plans to seek closed-end investment company (UTIB) licences.

In 2014 the Bankas Finasta group was acquired, including the Finasta Asset Management companies in Lithuania and Latvia. During the year, pension fund manager MP Pension Funds Baltic was also acquired . Since March 2015, Finasta Asset Management has operated under the name INVL Asset Management.

2015 Since completion of the merger of INVL Asset Management, MP Pension Funds Baltic and INVL Fondai in October 2015, it is INVL Asset Management that operates in the market.

In 2015 Invalda INVL sold its shareholdings in Bankas Finasta and the brokerage firm Finasta to Šiaulių Bankas.

2016 In July 2016, the status of a closed-end investment company was granted to INVL Technology, and in December it was granted to INVL Baltic Real Estate. The companies' management was assumed by INVL Asset Management. INVL Technology will operate as a closed-end investment company for 10 years, while INVL Baltic Real Estate will do so for 30 years.

2017 In August 2017 Latvian asset management company INVL Asset Management presented new passive management 2nd pillar pension plan INVL index Direct. In November 2017 Lithuanian company INVL Asset Management from the company Swedbank Investicijų Valdymas has assumed the management of the Swedbank Supplementary Pension Fund, a 3rd pillar pension accumulation fund.

2018 In February 2018 Lithuanian company INVL Asset Management has acquired a stake in the asset management company Mundus and owns 51 per cent its shares.

2019 In February 2019 INVL Asset Management completed the first closing of the INVL Baltic Sea Growth Fund, a closed-end private equity fund intended for professional investors and it became the largest private equity investment fund in the Baltics. In 2020 INVL Baltic Sea Growth Fund successfully completed its final close reaching a total of €164.7mn.

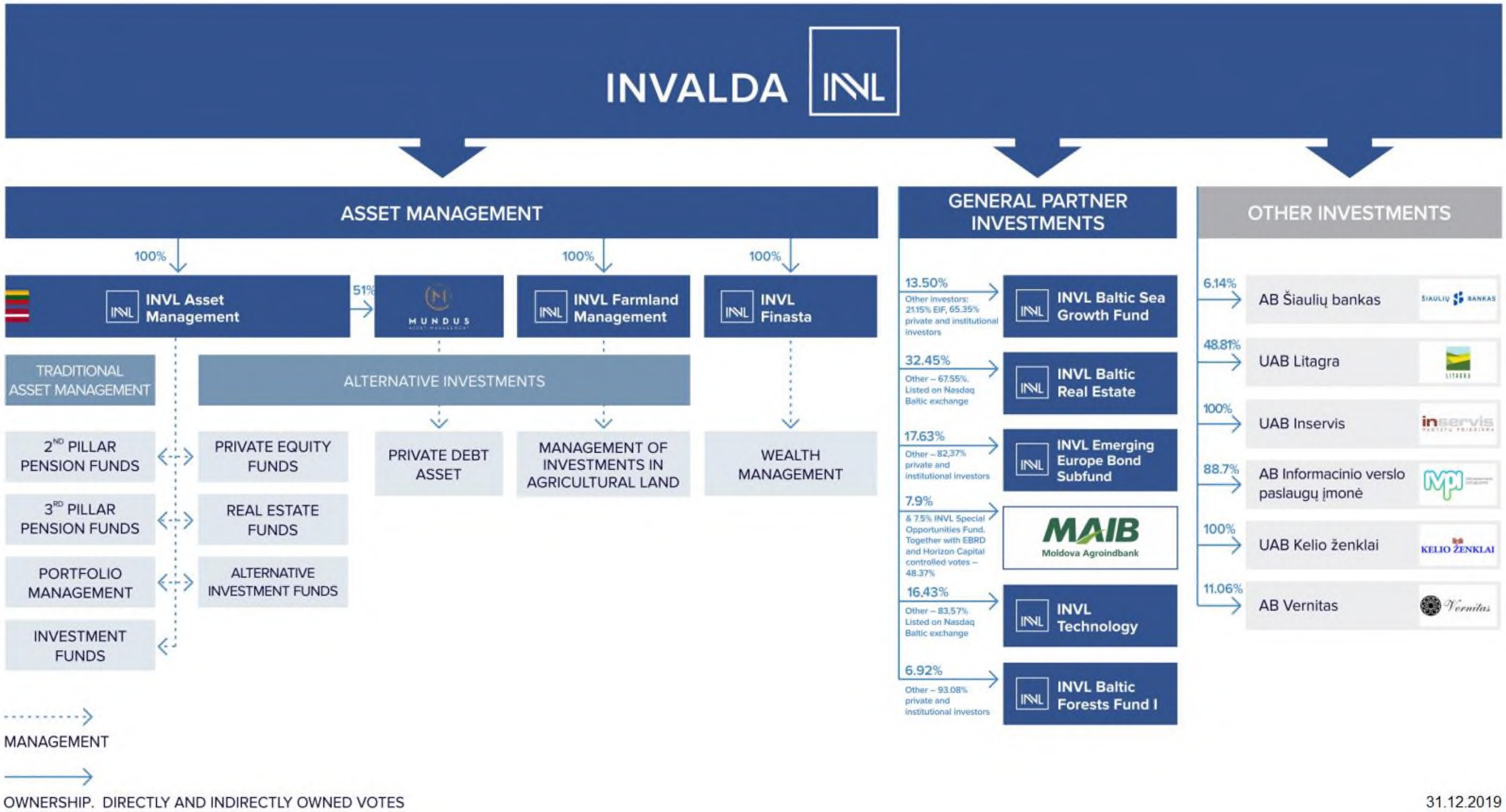
Key development steps of asset management business of Invalda INVL group

INVALDA INVL

Information about the Issuer‘s group of companies

The largest part of Invalda INVL group assets are concentrated in Lithuania and Latvia. At the end of the reporting period the company acted in the field of asset management business and managed investments into group managed products as well as other direct private equity investments, investing in banking, agricultural, facility management and production areas. The asset management business is the core of the company's strategic, while other investments may be sold after receiving attractive offers.

List of group companies as well as their contact information is presented at Annex 1 to this Annual Report.



Simplified scheme of Invalda INVL group

II. Financial information and significant events

3. Performance results of the issuer and the group

Main items of financial statements

EUR thousand	Company's			Group's		
	2017	2018	2019	2017	2018	2019
Non-current assets	63,301	59,278	86,381	59,511	58,301	83,410
Current assets	2,879	7,395	2,368	7,513	10,315	10,065
Equity	63,996	65,504	86,776	63,996	65,504	87,008
Non-current liabilities	1,316	695	1,523	1,316	897	3,640
Current liabilities	868	474	450	1,712	2,215	2,827
Result before taxes	12,750	(303)	21,477	12,644	(296)	21,661
Net result	11,307	343	20,827	11,307	343	20,841
Net result attributable to holders of the parent Company	-	-		11,307	343	20,827

Calculation of the net asset value of Invalda INVL

EUR thousand	Evaluation criteria	2017	2018	2019
Investment into asset management	Equity method	7,996	10,247	13,566
Investments into INVL Baltic Sea Growth Fund (commitment to invest is excluded)	Fair value of net assets	-	-	3,577
Investments into INVL Baltic Real Estate (including loans granted)	Market price	10,036	10,276	14,308
Investments into Moldova-Agroindbank	Comparative method of multipliers	-	5,314	8,022
Investments into INVL Technology	Market price	2,521	2,512	3,130
Investment into investment fund through subsidiary and directly	Fair value of net assets	8,498	6,399	5,415
Investments into Litagra, UAB (including loans granted)	Comparative method of multipliers	9,972	12,223	17,256
Investments into Šiauliai Bank	Market price	18,111	13,212	16,672
Investments into Inservis, UAB (including loans granted)	Comparative method of multipliers	3,579	3,996	4,511
Other listed shares	Market price	1,560	-	-
Investments into other subsidiary companies (including loans granted)	Fair value of net assets	1,917	834	633
Other assets, other investments	Book value	940	990	1,042
Cash and cash equivalents	Book value	1,050	670	617
Total assets	Book value	66,180	66,673	88,749
Liabilities	Book value	2,184	1,169	1,973
Net asset value	Book value	63,996	65,504	86,776
Net asset value per share	Book value	5.53	5.67	7.47

Financial ratios

	Company's			Group's		
	2017	2018	2019	2017	2018	2019
Return on Equity (ROE), %	19.38	0.53	27.35	19.38	0.53	27.35
Debt ratio	0.03	0.02	0.02	0.05	0.05	0.07
Debt – Equity ratio	0.03	0.02	0.02	0.05	0.05	0.07
Liquidity ratio	3.32	15.60	5.26	4.39	4.66	3.56
Earnings per share (EPS), EUR	0.98	0.03	1.80	0.98	0.03	1.80
Price Earnings ratio (P/E)	5.42	158.43	3.78	5.42	158.43	3.78

The Company publishes Alternative performance measures (AVR), that are in use of the Company, provides indicators definitions. All the information is disclosed in the Company's web site section „Intestor relations" → „Reports" → „Formulas for performance indicators.

https://invaldainvl.com/lit/en/investor-relations/reports/formulas-of-performance-indicators

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

4. Information on the group's activities

4.1. Asset Management business

INVL ASSET MANAGEMENT INVL ASSET MANAGEMENT INVL FMĮ INVL FINASTA INVL FARMLAND MANAGEMENT MUNDUS

Invalda INVL manages the licensed asset management companies INVL Asset Management in Lithuania and Latvia, the financial brokerage company INVL Finasta, the land administration company INVL Farmland Management and 51 percent stake in Mundus through INVL Asset Management.

At the beginning of the reporting period, INVL Asset Management successfully completed the transfer of participants in INVL Pillar II Pension Funds INVL Extremo II 16+, INVL Medio II 47+, INVL Mezzo 53+, INVL Stabilo II 58+ work into life cycle pension funds established in early 2019. The new funds were set up in the context of the ongoing reform of the country's pension system, whereby from 2019 onwards, the country's population accumulate in life-cycle pension funds. Savings in life-cycle funds are distinguished by the fact that individuals no longer have to worry about changing funds - the investment strategy changes according to the age of the participants themselves, thus ensuring that accumulators take the right risk-to-earnings ratio.

In the 4th quarter of the reporting period INVL Asset Management UAB underwent a restructuring of the portfolio of managed investment funds. In the first half of November 2019, the company decided to close the INVL Absolute Return Sub-Fund. Subsequently, INVL Baltic Fund was joined by INVL Emerging Europe ex. Russia TOP20 Sub-Fund. Having so far increased the number of mutual funds, the company has revised their palette in terms of efficiency for clients.

In December 2019, INVL Baltic Forest Fund I, managed by INVL Asset Management, sold 4.3 thousand hectares of forest in Lithuania. INVL Baltic Forest Fund I has raised EUR 15 million from investors. Based on the principles of sustainable forestry, the fund has developed a portfolio of quality forests, most of which has been acquired by Silvestica Green Forest Lithuania.

In February 2020 INVL Baltic Sea Growth Fund successfully completed its final close reaching a total of €164.7mn. The fund is managed by INVL Asset Management. The Fund will seek to assemble a diversified portfolio of Baltic Sea based companies, targeting deals with a ticket size of €10mn to €30mn, that showcase high growth potential and the ability to compete on a truly global basis (the Fund will also offer co-investment opportunities in case of larger transactions). The Fund will focus on growth capital, buyout, and “buy and build” investments. It is expected that the portfolio of the Fund will comprise 8-12 investments in total. Since the first close, the Fund has invested in two companieswithin the healthcare and steel based industrial equipment manufacturing and assembly and civil engineering sectors respectively.

Results of the asset management

EUR million (if not stated otherwise)	2018			2019		
	Lithuania	Latvia	**Total**	Lithuania	Latvia	**Total**
Number of clients, units	150.4	51.9	202.3	179.8	53.1	232.9
Amount earned for clients			(21.9)			140.0
Asset under management*	600.3	75.1	675.4	939.8	99.7	1,039.5
2nd pillar pension funds	353.3	69.3	422.6	520.7	98.2	618.9
3rd pillar pension funds	23.9	1.2	25.1	37.7	1,5	39.2
Investment funds	66.3	-	66.3	55.7	-	55.7
Portfolios	52.0	-	52.0	70.0	-	70.0
Alternative assets	104.8	4.6	109.4	255.7	-	255.7
Revenues	6.9	0.5	7.4	10.61	0.68	11.29
Profit (loss) before tax, EUR thousand**	(648)	(32)	(680)	2,601	(122)	2,479

*eliminated investments into own products, for which management fee is not charged
** according to accounting data of Invalda INVL

Number of employees

Number of employees	2017	2018	2019
-	96	119	130

4.2. Other major investments

Company	Activity	Directly owned share, %	Value of the owned shares 31.12.2019, EUR million	Profit (loss) from investment, EUR million during 2019
General partner investments				
INVL Baltic Sea Growth Fund bsgf.invl.com	The largest private equity investment fund in the Baltic countries. The fund is intended for professional investors.	13.50	3.58 + 16.57 commitment to invest	1.04
INVL BALTIC REAL ESTATE www.invlbalticrealestate.com	Investments in commercial real estate company, acting as a closed-end investment company.	32.45	12.8 +1.5 loan granted	3.0
MAIB Moldova Agroindbank www.maib.md	The largest commercial bank in Moldova providing a full range of financial services	7.9	8.0	4.4
INVL TECHNOLOGY www.invltechnology.com	Investments in information technology company, acting as a closed-end investment company.	14.61	3.1	0.6
Other historical investments				
LITAGRA www.litagragroup.lt	Primary agricultural production company that concentrates on agriculture - the cultivation of grain, milk and feed production.	48.81	17.3	5.0
ŠIAULIŲ BANKAS www.sb.lt	Lithuanian commercial bank providing financial services for business and private clients.	5.48	16.7	4.4
inservis PASTATŲ PRIEŽIŪRA www.inservis.lt	Facility management companies group	100	4.5	0.7

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

5.1. Evaluation of implementation of goals for 2019

The long-term priority of Invalda INVL group is to ensure successful management of the entrusted assets. 2019 was a very good year, the group companies earned EUR 140 million for people who entrusted the management of their assets. Invalda INVL's profit amounted to EUR 20.8 million.

The other two main priorities of Invalda INVL group in 2019 were implemented - efficient and economically rationale participation in the ongoing pension fund reform and successful launch of INVL Baltic Sea Growth Fund by raising capital and implementing the first investments.

At the beginning of last year, INVL Asset Management completed the transfer of participants who had previously accumulated in four INVL second-tier pension funds to the life-cycle pension funds established at the beginning of the year, based on the ongoing reform of the country's pension system. During the reform, INVL Asset Management recorded the largest positive change in number of customers in the market.

In 2019, the first two transactions of INVL Baltic Sea Growth Fund were launched and implemented. At the beginning of 2020, INVL Baltic Sea Growth Fund, the largest private equity investment fund in the Baltic States, as successfully completed its final close reaching a total of €164.7 million. The Fund will focus on growth capital, buyout, and "buy and build" investments. It is expected that the portfolio of the Fund will comprise 8-12 investments in total. Since the first close, the Fund has invested in two companies within the healthcare and steel based industrial equipment manufacturing and assembly and civil engineering sectors respectively.

5.2. Activity plans and forecasts

The Invalda INVL group's priority is the successful management of the assets entrusted to it. Taking into account the unfavourable and unpredictable situation in the markets in early 2020 due to the impact of Covid-19, the year's main challenge is to ensure the financial security and long-term investment return to the people who have entrusted their money to the Invalda INVL group for management.

While adapting to the ongoing changes, focusing on clients' needs and the effectiveness of internal processes, the intention is to further develop the asset management business. There are plans, taking advantage of the team's experience and historical success and considering market opportunities and needs, for a new forest and land fund to launch during 2020. Additionally, the INVL Baltic Sea Growth Fund intends to make significant investments.

Given the current situation of the markets, it is highly likely that in 2020 the issuer Invalda INVL will suffer losses, the size of which, due to the prevailing uncertainty, we cannot assess. Invalda INVL's results will depend on two factors. The majority of Invalda INVL's equity is comprised of General Partner investments and legacy assets. If the global stock markets continue to decline and business values decrease, the value of the assets owned by Invalda INVL is expected to diminish in 2020. The second determining factor would be the potential income decline in Invalda INVL's core asset management business which is related to the size of the assets under management and / or the result of its management activities.

We are prepared for a more difficult period. We think our business model is sustainable also in the current environment, we do not have financial debts, and we have accumulated a financial reserve which makes it possible to stably develop the asset management business and think about the investment opportunities appearing on the market.

We will strive to make good use of this period so that, once it is over, we are even better and stronger.

III. Information About Securities

6. Information about Issuer's authorised capital

Adjustments of the authorised capital

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

- 3 February 2010, the share capital of Invalda, AB was increased till EUR 14.96 million after conversion of EUR 14.48 million bonds.
- The share capital of Invalda, AB was increased by EUR 1.7 million till EUR 16.67 million after conversion of EUR 2.15 million and EUR 7.24 million convertible bonds.
- On 6 August 2012 the share capital of Invalda, AB was decreased till EUR 15 million. The authorised capital of Invalda, AB decreased due to cancelling of own shares acquired by the company.
- The amended Articles of Association of Invalda, AB were registered with the Register of Legal Entities on 31 May 2013. The Articles of Association were amended due to split-off of the company and stated a new name of the company – public joint-stock company Invalda LT as well as a reduced authorized capital due to the split-off procedure. The authorised capital of Invalda LT, AB was EUR 7.19 million.
- The amended Articles of Association of Invalda LT, AB were registered with the Register of Legal Entities on 29 April 2014. The Articles of Association were amended due to split-off of the company. After the completion of the split-off of Invalda LT, the authorised capital was EUR 3.44 million and was divided into 11,865,993 ordinary registered shares.
- The amended Articles of Association were registered with the Register of Legal Entities on 11 May 2015. According to amended Articles of Association the name of the company was changed into Invalda INVL, AB. The authorised capital was recounted into EUR and made EUR 3,441,137.97. It was divided into 11,865,993 ordinary registered shares with nominal value EUR 0.29 each.
- On 23 May 2019 a new edition of the Articles of Association of Invalda INVL was registered in the Register of Legal Entities. The Articles of Association were amended by increasing the authorized capital up to EUR 3,456,480.71 in order to realize the stock options granted to the employees of Invalda INVL Group in 2016.

Structure of the authorized capital

Structure of Invalda INVL, AB authorised capital as of 31 December 2019.

Type of shares	Number of shares, units	Total number of votes granted by all issued shares, units	Number of votes calculating the quorum of the General Meeting of Shareholders *	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	11,918,899	11,918,899	11,613,043	0.29	3,456,480.71	100

* according to Article 27 (4) of the Law on Companies' in determining the quorum of the General Meeting of Shareholders, it is considered that the acquired own shares do not grant voting rights.

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

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

Invalda INVL also owns asset management company INVL Asset Management in Latvia (through it – INVL atklatais pensiju fonds", manangin 3rd pillar pension funds in Latvia), therefore according to Latvian Financial and Capital Market Commission restrictions under acquisition of the shareholding in Invalda INVL might be fulfilled as well.

In addition, Invalda INVL group has indirectly invested in Moldova-Agroindbank, the largest commercial bank in Moldova, therefore the relevant requirements of the Central Bank of Moldova may also apply to the acquisition of block of shares in Invalda INVL.

Information about the Issuer's treasury shares

Since the beginning of 2019 until the release of the report, the company implemented own share acquisition process for one time. Share purchase started on 28 May 2019. Share purchase ended on 10 June 2019. Max number of shares to be acquired (units): 200,000. The company acquired 2,552 units of own shares (0.02 percent), EUR 14.5 thousand (without brokerage fee) were paid for the acquired shares. The price of one share was EUR 5.67.

Information about the Issuer's treasury shares:

Year of acquisition of own shares	Acquired amount, units	Acquired amount, % of the authorised capital	Price for one share, EUR
2015	143,645	1.20%	3.82
2016	135,739	1.14%	4.11
2017	23,076	0.19%	4.55
2018	3,396	0.03%	5.53
2019	2,552	0.02%	5.67
total	308,408		

Information about employees stock options

Employees of Invalda INVL and companies where Invalda INVL owns more than 50% of shares may be offered to enter into stock option agreements on the basis of which, within 3 (three) years they are granted the stock options. Employees shall be entitled to acquire 0.29 EUR nominal value ordinary registered Invalda INVL shares at a price of EUR 1 (one) for each share acquired. If shareholders adopts a decision on the payment of dividends, the reduction of authorized capital paying out free funds to shareholders or other measures involving pay-outs to shareholders, then the General Meeting of Shareholders must consider the matter of changing the number of Shares which Employees are allowed to acquire and/or the price of the Shares in such a way as to maintain balance between the economic logic of the contract on entering into an agreement to acquire Shares and the interests of the parties.

Option contracts concluded and stock options exercised:

Allocation of options		Exercise of options	
The year when stock options contracts have been signed	Number of shares, units	The year when stock options are exercised	The number of shares (units) acquired by employees under option contracts
2016	52,906	2019	52,906
2017	80,571	2020	N/A
2018	59,674	2021	N/A
2019	70,397	2022	N/A

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

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

On 23 May 2019 a new edition of the Articles of Association of Invalda INVL was registered in the Register of Legal Entities. The Articles of Association were amended by increasing the authorized capital in order to realize the stock options granted to the employees of Invalda INVL Group in 2016.

Actual wording of the Articles of Association is dated as of 23 May 2019. The document is published on the company's website.

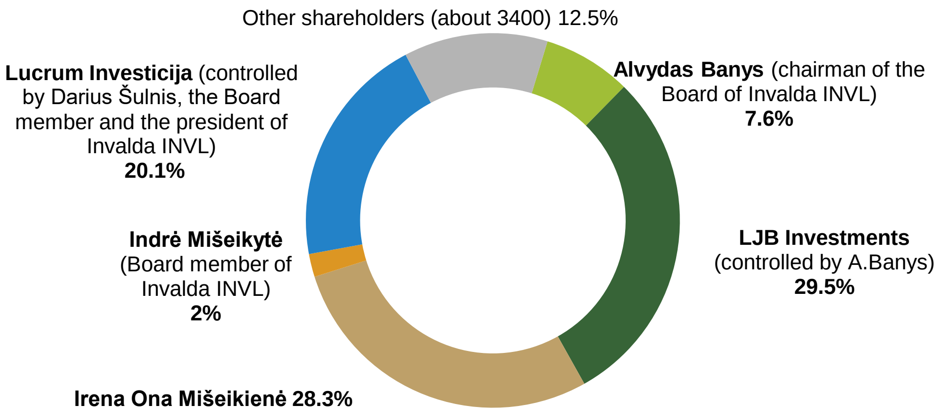
8. Shareholders

8.1. Information about shareholders of the company

Shareholders who held title to more than 5% of Invalda INVL authorised capital and/or votes 31 December 2019

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital and votes held, %	Indirectly held votes*, %	Total votes of the shareholders group*, %
LJB Investments. UAB code 300822575, Juozapavičiaus str. 9A, Vilnius	3,515,855	29.50	58.05	87.55
Irena Ona Mišeikienė	3,369,435	28.27	59.28	
Darius Šulnis	0	0.00	87.55	
Lucrum Investicija, UAB code 300806471. Gynėjų str. 14, Vilnius	2,401,442	20.15	67.40	
Alvydas Banys	910,875	7.64	79.91	
Indrė Mišeikytė	236,867	1.99	85.56	

*Invalda INVL shareholders Alvydas Banys, UAB LJB Investments, Irena Ona Mieikeikiene, Indrė Mišeikytė, Darius Sulnis and UAB Lucrum Investicija have signed an Agreement with the purpose of agreeing on the long-term management policy of Invalda INVL. Therefore, in accordance with Article 16, Section 1, Point 2 of the Securities Law, their votes are counted together. Given that the said Agreement does not contain any provisions on the direct use of voting rights of the parties of the Agreement in other companies affiliated with Invalda INVL, their votes are counted together only at the level of the issuer, i.e. only in Invalda INVL.



Distributions of the share capital and votes of the shareholders of Invalda INVL as of 31 December 2019

At the end of 2019 the total number of shareholders was 3,372. There are no shareholders entitled to special rights of control. There is also no controlling shareholder in the company. Considering the share of the Company's authorized capital and / or voting rights held by the Company's shareholders as of the date of issue of this report, as well as the purpose and provisions of the Agreement on the implementation of the long-term corporate governance policy signed by the above-mentioned Invalda INVL group of shareholders, in the Company's opinion, there is no controlling shareholder, i.e. the parties to the said agreement control the company within the group but not individually. Invalda INVL, AB has no knowledge of any restriction on voting rights or mutual agreements between the shareholders that might result in the restriction of shares transfer and (or) voting rights. There are no agreements to which the Issuer is a party and which would come into effect of being amended or terminated in case of change in the Issuer‘s control in 2019.

8.2. Rights and obligations carried by the shares

8.2.1. Rights of the shareholders

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

1) to receive a part of the Company's profit (dividend);
2) to receive the company's funds when the authorised capital of the company is reduced with a view to paying out the company's funds to the shareholders;
3) to receive a part of assets of the company in liquidation;
4) to receive shares without payment if the authorised capital is increased out of the Company funds, except in cases provided by the laws of the Republic of Lithuania;
5) to have the pre-emption right in acquiring shares or convertible debentures issued by the Company, except in cases when the General Shareholders' Meeting in the manner prescribed in the Law on Companies of the Republic of Lithuania decides to withdraw the pre-emption right in acquiring the Company's newly issued shares or convertible debentures for all the shareholders;
6) to lend to the company in the manner prescribed by law; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders shall be prohibited from negotiating a higher interest rate;
7) other property rights provided by laws;
8) to attend the General Shareholders' Meetings;
9) to submit to the Company in advance the questions connected with the issues on the agenda of the General Meeting of Shareholders;
10) to vote at the General Shareholders' Meetings according to voting rights carried by their shares;
11) to receive information on the Company specified in the Law on Companies of the Republic of Lithuania;
12) to appeal to the court for reparation of damage resulting from nonfeasance or malfeasance by the Company's manager and the Board members of their obligations prescribed by the Law on Companies of Republic of Lithuania and other laws of the Republic of Lithuania and the Company's Articles of Association as well as in other cases laid down by laws;
13) to receive information on a public company whose shares are admitted to trading on a regulated market as specified in the Law on Companies of Financial Instruments Markets in the Republic of Lithuania;
14) other non-property rights established by laws and the Company's Articles of Association.

8.2.2. 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.

A person who has acquired all the shares of a company or has acquired a part of the shares of a public limited company from the shareholder of this company shall notify the company no later than 5 days after the conclusion of the transaction. The notice must include the number of shares acquired, including the number of shares by class, where the shares of the different classes are acquired, their nominal value and the identity of the person transferring and acquiring the shares (name, surname, personal identity number and place of residence or address of the natural person; name, legal form, code and registered office and name, surname, personal code, place of residence or address of the legal representative). The notice shall be accompanied by a document confirming the acquisition of the shares or an extract thereof. If a document is provided, it must include the parties to the transaction, the subject of the transaction and the date of acquisition of the shares.

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.

9. 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.
The company did not allocate dividends during the reporting period. Information about allocation of dividends since the establishment of the company is presented on the company's web page.

Ratios related with shares.

	2017	2018	2019
Net Asset Value per share, EUR	5.53	5.67	7.47
Price to book value (P/Bv)	0.96	0.83	0.91

The Company publishes Alternative performance measures (AVR), that are in use of the Company, provides indicators definitions. All the information is disclosed in the Company's web site section „Intestor relations" → „Reports" → „Formulas for performance indicators.

https://invaldainvl.com/lit/en/investor-relations/reports/formulas-of-performance-indicators

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

10.1. Trading in Issuer's securities

Main characteristics of Invalda INVL, AB shares admitted to trading

Shares issued, units	11,918,899
Nominal value	0.29 EUR
Total nominal value	3,456,480.71 EUR
ISIN code	LT0000102279
LEI code	52990001IQUJ710GHH43
Name	IVL1L
Exchange	Nasdaq Vilnius
List	Baltic Secondary list Baltic Main List (from 1 January 2008 until 20 July 2015)
Listing date	19 December 1995

Company uses no services of liquidity providers.

Trading in Invalda INVL, AB shares

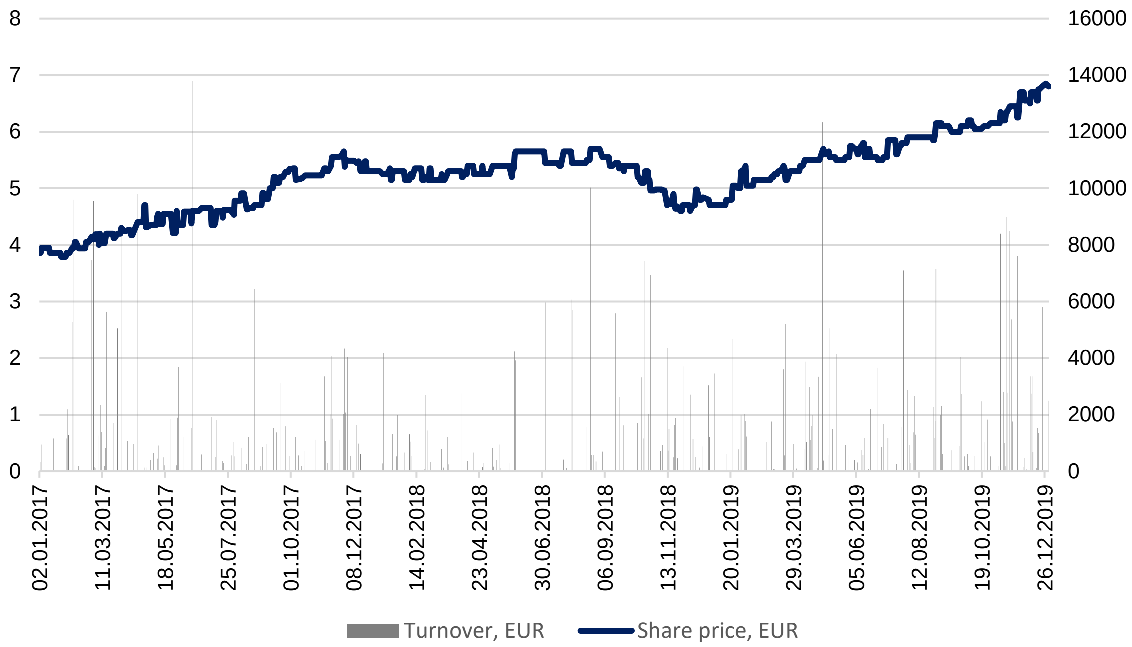
	2017	2018	2019
Share price, EUR			
- open	3.86	5.30	4.74
- high	5.65	5.70	6.85
- low	3.79	4.60	4.70
- medium	4.65	5.28	5.85
- last	5.30	4.70	6.80
Turnover, units	46,514	28,181	41,794
Turnover, EUR	209,268	146,295	244,594
Traded volume, units	251	210	303

Trading in the company's shares during the period of 2017–2019 (quarterly) on Nasdaq Vilnius stock exchange:

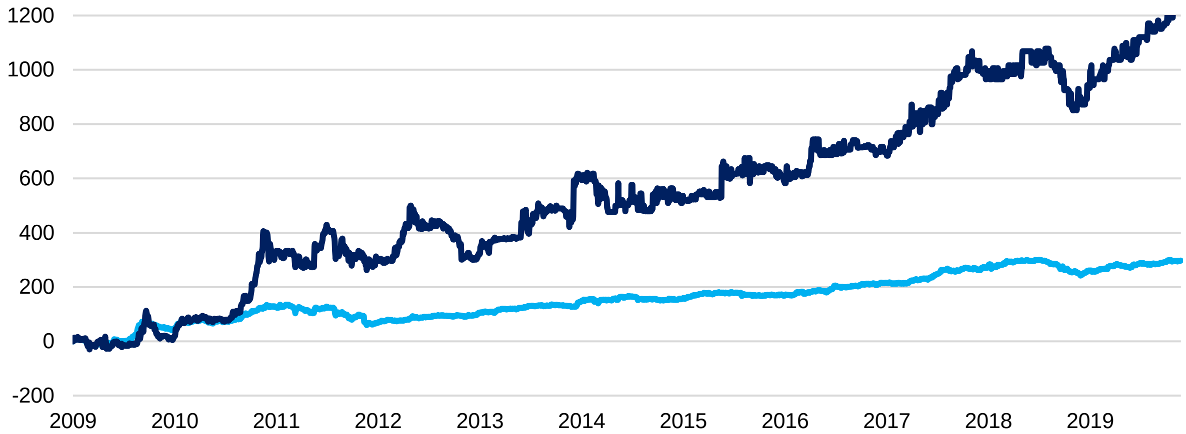
Reporting period	Price, €			Last trading date	Total turnover	
	high	low	last		units	€
2017, 1st Q	4.30	3.79	4.30	31.03.2017	20,486	83,436
2017, 2nd Q	4.70	4.61	4.65	30.06.2017	10,995	48,449
2017, 3rd Q	5.34	4.35	5.34	29.09.2017	6,449	31,087
2017, 4th Q	5.64	5.15	5.30	29.12.2017	8,584	46,296
2018, 1st Q	5.35	5.15	5.30	29.03.2018	4,369	22,814
2018, 2nd Q	5.65	5.20	5.65	29.06.2018	4,436	23,963
2018, 3rd Q	5.70	5.20	5.40	28.09.2018	7,985	43,462
2018, 4th Q	5.40	4.60	4.70	28.12.2018	11,391	56,056
2019, 1st Q	5.40	4.70	5.30	29.03.2019	6,629	34,017
2019, 2nd Q	5.80	5.30	5.50	29.06.2019	11,457	63,836
2019, 3rd Q	6.15	5.50	6.10	30.09.2019	9,555	55,966
2019, 4th Q	6.85	5.95	6.80	30.12.2019	14,153	90,776

Capitalisation

Last trading date	Number of shares (company's own shares excluded), units	Last price, €	Capitalisation, €
31.03.2017	11,586,609	4.30	49,822,419
30.06.2017	11,563,533	4.65	53,770,428
29.09.2017	11,563,533	5.34	61,749,266
29.12.2017	11,563,533	5.30	61,286,725
29.03.2018	11,563,533	5,30	61,286,725
29.06.2018	11,560,137	5.65	65,314,774
28.09.2018	11,560,137	5.40	62,424,740
28.12.2018	11,560,137	4.70	54,332,644
29.03.2019	11,560,137	5.30	61,268,726
29.06.2019	11,613,043	5.50	63,871,737
30.09.2019	11,613,043	6.10	70,839,562
30.12.2019	11,613,043	6.80	78,968,692



Turnover of Invalda INVL. AB shares and share price during the past 3 years



Changes in Invalda INVL share price and OMX Vilnius index over 10 years

Index/Shares	01.01.2009	01.01.2019	30.12.2019	Change (%) since 2009	Change (%) YTD
OMX Vilnius	179.25	619.90	712.14	297.29 ↑	15.44 ↑
Invalda INVL	0.4837 EUR	4.70 EUR	6.80 EUR	1305.93 ↑	44.68 ↑

10.2. Trading in securities of the group companies'

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

Information about trading in INVL Baltic Real Estate shares

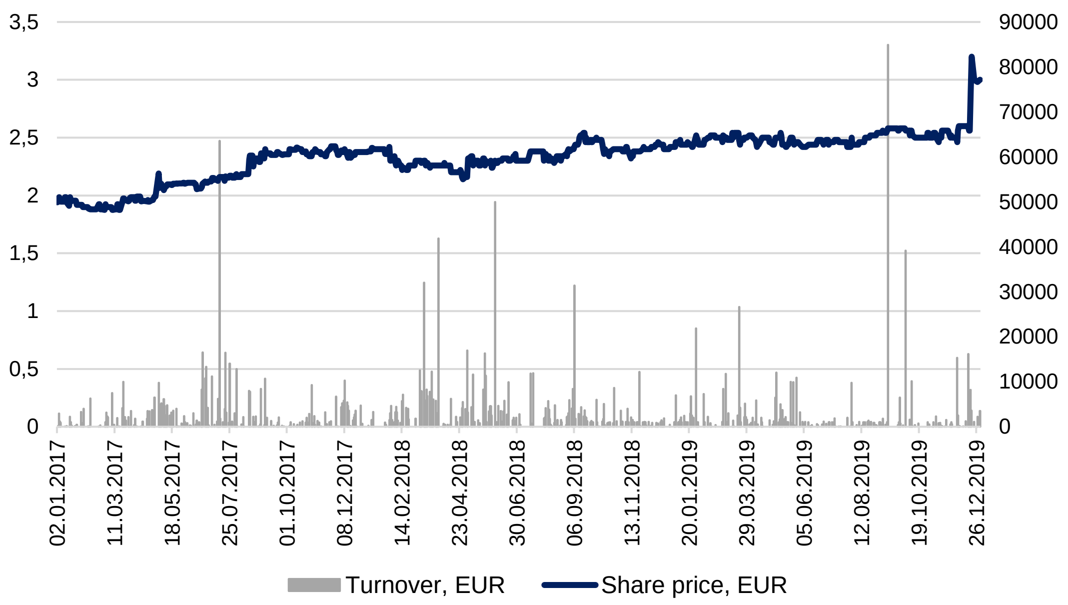
Main characteristics of INVL Baltic Real Estate shares admitted to trading

ISIN code	LT0000127151
Name	INR1L
Exchange, list	Nasdaq Vilnius, Baltic Secondary list
Listing date	4 June 2014
Shares issued, units	13,150,000
Nominal value, EUR	1.45
Total nominal value, EUR	19,067,500

Trading in INVL Baltic Real Estate shares, EUR

	2017	2018	2019
Share price, EUR			
- open	0.388	0.475	2.42
- high	0.485	2.56	3.20
- low	0.375	0.476	2.10
- last	0.475	2.42	3.00
Turnover, units	1,200,986	295,380	194,005
Turnover, EUR	511,271.04	663,917.14	487,917.16
Traded volume, units	565	594	396

On 15 January 2018, the Articles of Association registered by increasing the nominal value of the share to EUR 1.45; the price of the shares is not recalculated



INVL Baltic Real Estate share price and turnover

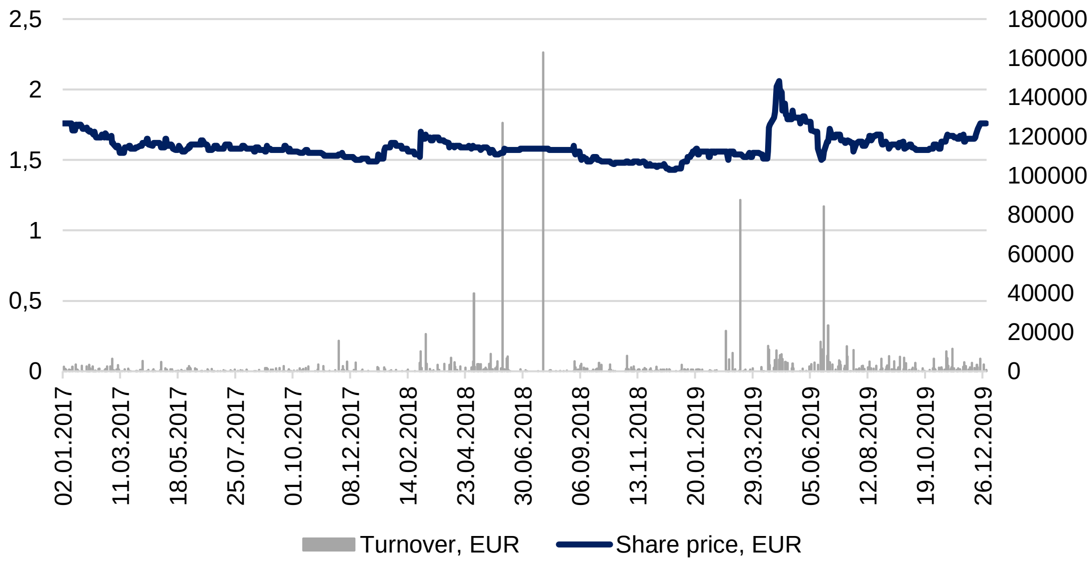
Information about trading in INVL Technology shares

Main characteristics of INVL Technology shares admitted to trading

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

Trading in INVL Technology, EUR

	2017	2018	2019
Share price, EUR			
- open	1.76	1.49	1.44
- high	1.76	1.70	2.10
- low	1.49	1.43	1.44
- last	1.49	1.44	1.76
Turnover, units	101,324	367,226	418,385
Turnover, EUR	162,698	575,934	679,401
Traded volume, units	364	336	605



INVL Technology share price and turnover

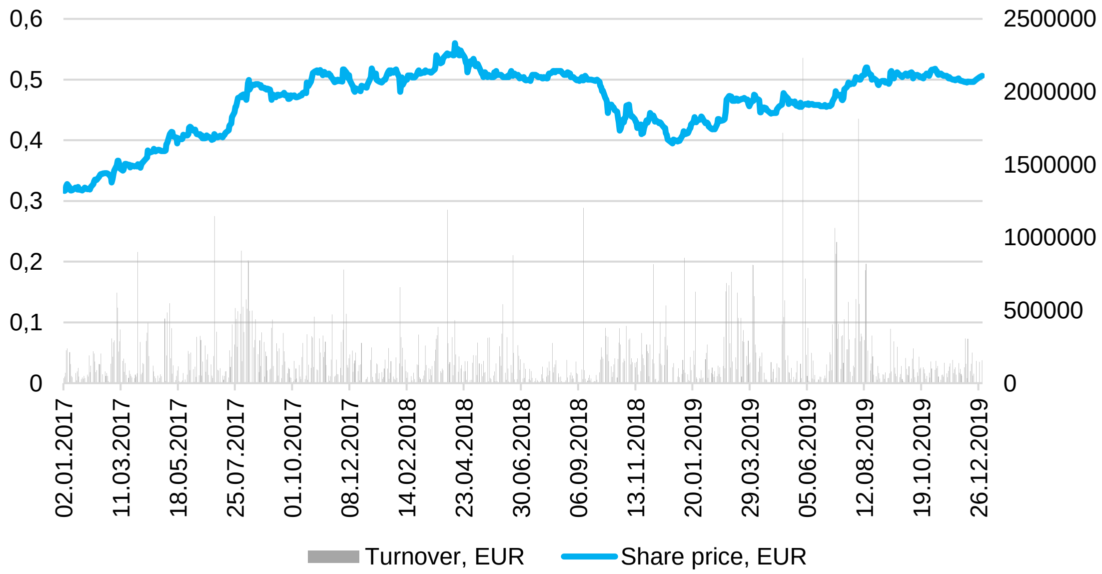
Information about trading in Šiaulių Bankas shares

Main characteristics of Šiaulių Bankas shares admitted to trading

ISIN code	LT0000102253
Name	SAB1L
Exchange, list	Nasdaq Vilnius, Baltic Main list
Listing date	29 November 1994
Shares issued, units	600,726,263
Nominal value, EUR	0.29
Total nominal value, EUR	174,210,616.27

Trading in Šiaulių Bankas shares, EUR

	2017	2018	2019
Share price, EUR			
- open	0.448	0.590	0.399
- high	0.627	0.658	0.534
- low	0.448	0.391	0.394
- last	0.589	0.401	0.506
Turnover, units	82,944,561	68,675,469	102,210,739
Turnover, EUR	44,524,471	34,711,624	48,335,215



Šiaulių Bankas share price and turnover

IV. Issuer's Managing Bodies

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

General Shareholders' Meeting

The Board (3 members)

The President

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

11.1. General Shareholders' Meeting

Powers of the General Shareholders' Meeting

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

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

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

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

- amend the Articles of Association of the Company. unless otherwise provided for by the Law on Companies of the Republic of Lithuania;
- change registered office of the company;
- elect members of the Board;
- dismiss the Board or its members;
- elect and dismiss the firm of auditors. set the conditions for auditor remuneration;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- take a decision regarding conversion of shares of one class into shares of another class. approve share conversion procedure;
- take a decision to replace private limited liability company share certificates by shares;
- approve the annual accounts and the report on company operations;
- take a decision on profit/loss appropriation;
- take a decision on the formation, use, reduction and liquidation of reserves;
- to approve the set of interim financial statements for the purpose of making a decision on the allocation of dividends for a period shorter than the financial year;
- decide on the allocation of dividends for a period shorter than the financial year;
- take a decision on the issue of convertible debentures;
- take a decision on withdrawal for all the shareholders the pre-emption right to acquire the Company's shares or convertible debentures of the specific issue;
- take a decision to increase the authorised capital;
- take a decision to reduce the authorised capital. except the cases provided for by the Law on Companies of the Republic of Lithuania;
- take a decision for the Company to purchase its own shares;
- take a decision to approve rules on giving stock options to employees and /or members of the bodies;

- take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off, except the cases provided for in the Law on Companies of the Republic of Lithuania;
- take a decision on transformation of the Company;
- take decisions on company restructuring in the cases provided for in the Law on Restructuring of Enterprises;
- take a decision to liquidate the Company, cancel the liquidation of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania;
- elect and dismiss the liquidator of the Company, except the cases provided by the Law on Companies of the Republic of Lithuania.

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

Convocation of the General Shareholders' Meeting of Invalda INVL, AB

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

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 (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes). Proposal to supplement the agenda is submitted in writing sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invaldainvl.com. 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 sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invaldainvl.com) or in writing during the General Shareholders Meeting (this right is granted to shareholders who hold shares carrying at least 1/20 of all the votes); (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 sending the proposal by registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invaldainvl.com. The company reserves the right to answer to those shareholders of the Company who can be identified and whose questions are not related to the company's confidential information or commercial secrets.

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. A power of attorney issued by a natural person must be certified by a notary. 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. A power of attorney issued in a foreign state must be translated into Lithuanian and legalised in the manner established by law. The Company does not establish special form of power of attorney.

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. No notarisation of such authorization is required.

The power of attorney issued through electronic communication means must be confirmed by the shareholder with a safe electronic signature developed by safe signature equipment and approved by a qualified certificate effective in the Republic of Lithuania. The shareholder shall inform the Company on the power of attorney issued through the means of electronic communication by e-mail info@invaldainvl.com not later than on the last business day before the General Shareholders Meeting. The power of attorney and notification must be issued in writing and could be sent to the Company by communication means if the transmitted information is secured and the shareholder's identity can be identified.

The Company is not providing the possibility to attend and vote at the General Shareholders Meeting through electronic means of communication.

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 www.invaldainvl.com section For Investors.

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 sent by the registered mail to the Company at Gyneju str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company no later than the day before of the General Shareholders Meeting.

In 2019 2 (two) shareholders' meetings of Invalda INVL were held. The Ordinary General Meeting of Shareholders of Invalda INVL AB was held on 30 April 2019. During the meeting, the consolidated annual management report of Invalda INVL and the auditor's report on the financial statements of Invalda INVL were discussed. The financial statements of Invalda INVL, distribution of profits, terms of own shares purchase and the issue of the number of ordinary registered shares of Invalda INVL, for which employees are offered option contracts in 2019 and share prices were approved. It was also decided to increase the Company's authorized capital and approve the new wording of the Articles of Association in order to realize stock options granted in 2016 for the employees of Invalda INVL Group. On 14 October 2019, the shareholders' meeting decided to elect KPMG Baltics, an auditing company, to audit the financial statements for 2019-2021.

11.2. The Board

Powers of the Board

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

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

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

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

The Board discusses and approves the issues set forth in the Law on Companies of the Republic of Lithuania.

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

The Board shall consider and approve the company's business strategy, analyse and evaluate information about the company's business strategy, the following information is provided to the Annual General Meeting.

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

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

Procedure of work of the Board

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

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

Any Member of the Board of the company must confound company's property with its own property and do not use it or information which they received while holding position as the Members of the Board for personal benefit or for the benefit of third party on other way than the General Shareholders Meeting and the Board allows it.

Each Member of the Board actively participates in the Meetings of Board and devotes sufficient time and attention to perform his duties as the Member of the Board. Regulation of the work of the Board of the company settles the statements that if the Member of the Board attended the Meetings of the Board less than 2/3 times in the financial year, such information must be disclosed to shareholders in the General Shareholders' Meeting.

Alvydas Banys, Indrė Mišeikytė and Darius Šulnis were elected to the Board of Invalda INVL on 30 April 2018. The members of the Board elected by the General Meeting of Shareholders act separately and for the benefit of the Company and its shareholders, but do not meet the requirements of independence. The Supervisory Authority of the Bank of Lithuania recommends to disclose that the composition of the Board of the Company without independent members cannot ensure proper implementation of the provisions of the Law on Companies of the Republic of Lithuania in relation to related parties transactions. The Company makes every effort to ensure the proper implementation of the aforementioned provisions regarding related party transactions and publishes such information on the Company's website and in its annual reports, distributes information and recommendations to its related companies, and frequently consults with the Company's Audit Committee. The independence provisions of the board members will apply to the election of a new board within the company. The current Board of Invalda INVL will perform its functions until the end of the term for which it was elected, ie until 2022.

11.3. The President

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

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

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

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

The President shall be responsible for:

- the organisation of activities and the implementation of objects of the company;
- the drawing up of the annual financial statements and annual management report;
- drafting a decision on the issuance of dividends for a period shorter than the financial year, drawing up an interim financial report and preparing an interim report for the adoption of a decision on the allocation of dividends for a period shorter than the financial year. The interim report shall apply mutatis mutandis the provisions of the Law on Company Financial Accountability for the preparation and publication of the annual management report.
- Drafting rules on giving stock options;
- the conclusion of the contract with the firm of auditors where the audit is mandatory or required under the Statutes of the company;
- the submission of information and documents to the General Meeting. the Supervisory Board and the Board in cases laid down in this Law or at their request;
- the submission of documents and particulars of the company to the administrator of the Register of Legal Persons;
- the submission of the documents of a public limited liability company to the Bank of Lithuania and the Central Securities Depository;
- the publication of information referred to in this Law in the daily indicated in the Statutes;
- reporting to the shareholders and the board about the most important events that are relevant to the company's activities;
- the submission of information to shareholders;

- the fulfilment of other duties laid down in this Law and other laws and legal acts as well as in the Statutes and the staff regulations of the manager of the company.

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

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

The Board of Invalda INVL, AB was re-elected during the Extraordinary General Shareholders' Meeting on 30 April 2018. Mr. Banys was elected as the Chairman of the Board. Mr. Šulnis and Ms. Mišeikytė were elected as the Members of the Board. Mr. Šulnis was appointed as the President of the company on 22 May 2013.

Alvydas Banys – Chairman of the Board

Term of office	From 2018 until 2022
Educational background and qualifications	Vilnius Gediminas Technical University. Faculty of Civil Engineering. Master in Engineering and Economics. Junior Scientific co-worker. Economic's Institute of Lithuania's Science Academy.
Other current positions	Invalda INVL, AB (code 121304349, Gynėjų g. 14, Vilnius, Lithuania) – Advisor (the main workplace) LJB Investments, UAB (code 300822575, A. Juozapavičiaus g. 9A, Vilnius, Lithuania) - Director LJB Property, UAB (code 300822529, A. Juozapavičiaus g. 9A, Vilnius, Lithuania) - Director Litagra, UAB (code 304564478, Savanorių pr. 173, Vilnius, Lithuania) – Member of the Board INVL Baltic Farmland, AB (code 303299781, Gynėjų g. 14, Vilnius, Lithuania) – Chairman of the Board INVL Technology, SUTPKIB (code 300893533, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Advisory Committee Montuotojas, UAB (code 121520069, Naugarduko g. 34, Vilnius, Lithuania) – Supervisory Board member INVL Baltic Sea Growth Fund, managed by INVL Asset Management UAB (code 126263073, Gynėjų g. 14, Vilnius, Lithuania) - Investment Committee member
Owned number of shares in Invalda INVL, AB	Personally: 910,875 units of shares, 7.64% of authorised capital and votes. Together with controlled company LJB Investments: 4,426,730 units of shares, 37.14% of authorized capital and votes. Total votes with others whose votes are counted together - 87.55%.

Indre Mišeikytė – Member of the Board

The term of office	From 2018 until 2022
Educational background and qualifications	Vilnius Gedimino Technical University. Faculty of Architecture. Master in Architecture.
Other current positions	Invalda INVL, AB (code 121304349, Gynėjų g. 14, Vilnius, Lithuania) - Advisor (the main workplace) Inreal Valdymas, UAB (code 222894170, T. Narbuto g. 5, Vilnius, Lithuania)– Architect INVL Baltic Farmland, AB (code 303299781, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Board INVL Technology, SUTPKIB (code 300893533, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Advisory Committee (till 29 April 2019) Invalda Privatus Kapitalas, AB (code 303075527, Žalgirio g. 92, Vilnius) – Member of the Board
Owned number of shares in Invalda INVL, AB	Personally: 236,867 units of shares, 1.99% of authorised capital and votes. Total votes with others whose votes are counted together - 87.55%.

Darius Šulnis – Member of the Board, the President

The term of office in the Board	From 2018 until 2022
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.
Other current positions	Invalda INVL, AB (code 121304349, Gynėjų g. 14, Vilnius, Lithuania) – President (the main workplace). INVL Asset Management, UAB (code 126263073, Gynėjų g. 14, Vilnius, Lithuania) – Chairman of the Board Litagra, UAB (code 304564478, Savanorių pr. 173, Vilnius, Lithuania) – Member of the Board Šiaulių Bankas AB (code 112025254, Tilžės g. 149, Šiauliai, Lithuania) – Member of the Supervisory Board INVL Baltic Sea Growth Fund, managed by INVL Asset Management UAB (code 126263073, Gynėjų g. 14, Vilnius, Lithuania) - Investment Committee Member INVL Baltic Farmland, AB (code 303299781, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Board
Owned number of shares in Invalda INVL, AB	Personally: 0 units of shares, 0% of authorised capital and votes; together with controlled company Lucrum Investicija: 2,401,442 units of shares, 20.15% of authorised capital and votes. Total votes with others whose votes are counted together - 87.55%.

Raimondas Rajeckas – CFO (the main workplace)

Educational background and qualifications	Vilnius University, Faculty of Economics. Master in Accounting and Audit.
Other current positions	Aktyvo, UAB (code 301206846, Gynėjų g. 14, Vilnius, Lithuania) – CEO Aktyvus Valdymas, UAB (code 301673764, Gynėjų g. 14, Vilnius, Lithuania) – CEO MBGK, UAB (code 300083611, Gynėjų g. 14, Vilnius, Lithuania) – CEO MGK Invest, UAB (code 302531757, Gynėjų g. 14, Vilnius, Lithuania) – CEO RPNG, UAB (code 302575892, Gynėjų g. 14, Vilnius, Lithuania) – CEO Regenus, UAB (code 302575821, Gynėjų g. 14, Vilnius, Lithuania) – CEO Cedus Invest, UAB (code 302576631, Gynėjų g. 14, Vilnius, Lithuania) – CEO Cedus, UAB (code 302656796, Gynėjų g. 14, Vilnius, Lithuania) – CEO Consult Invalda - CEO Imoniu Grupe Inservis, UAB (code 301673796, Gynėjų g. 14, Vilnius, Lithuania) – Member of the Board Invalda INVL Investments UAB (code 303252237, Gynėjų g. 14, Vilnius, Lithuania) – CEO MD PARTNERS UAB (code 304842899, Gynėjų g. 14, Vilnius) – CEO
Owned number of shares in Invalda INVL, AB	Personally: 12,594 units of shares, 0.11% of authorised capital and votes

13. Information about the Audit Committee of the company

The Audit Committee consists of 2 independent members. The members of the Audit Committee are elected and dismissed by the General Shareholders' Meeting of Invalda INVL, AB for a term not exceeding 4 years. The main functions of the Audit Committee should be the following:

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

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

Procedure of work of the audit committee

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

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

On 28 April 2017 the General Shareholders meeting elected independent Audit Committee members: Dangutė Pranckėnienė, partner and auditor of Moore Stephens Vilnius, UAB and Tomas Bubinas, a Chief Operating Officer at Biotechpharma, UAB

Dangutė Pranckėnienė – Independent Member of the Audit Committee

The term of office	Since 2017 till 2021
Educational background and qualifications	1995 - 1996 Vilnius Gediminas Technical University, Master of Business Administration. 1976 - 1981 Vilnius University, Master of Economics. The International Coach Union (ICU), professional coacher name, license No. E-51. Lithuanian Ministry of Finance, the auditor's name, license No. 000345.
Work experience	since 1997 the Partner at Moore Stephens Vilnius, UAB 1996 - 1997 Audit Manager, Deloitte & Touche 1995 - 1996 Lecturer, Vilnius Gediminas Technical University 1982 - 1983 Lecturer, Vilnius University
Owned number of shares in Invalda INVL, AB	-

Tomas Bubinas – Independent Member of the Audit Committee

The term of office	Since 2017 until 2021
Educational background and qualifications	2004 – 2005 Baltic Management Institute (BMI), Executive MBA 1997 – 2000 Association of Chartered Certified Accountants. ACCA. Fellow Member 1997 Lithuanian Sworn Registered Auditor 1988 – 1993 Vilnius University, Msc. in Economics
Work experience	Since 2013 Chief Operating Officer of Biotechpharma, UAB. 2010 – 2012 Senior Director of TEVA Biopharmaceuticals (USA). 2004-2010 – TEVA Pharmaceuticals, Chief Financial Officer for the Baltic States. 2001-2004 – Sicor Biotech, Chief Financial Officer 1999 – 2001 Senior Manager of PricewaterhouseCoopers. 1994 – 1999 Senior Auditor, Manager of Coopers & Lybrand.
Owned number of shares in Invalda INVL, AB	-

14. Information on the amounts calculated by the Issuer. other assets transferred and guarantees granted to the Members of the Board, the president and CFO

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

During the year 2019 the Members of the Board did not receive dividends or bonuses from the company. There were no assets transferred. no guarantees granted, no bonuses paid and no special payouts made by the company to its managers. The Members of the Board and the president of the Company were not granted with bonuses by other companies of Invalda INVL, AB group.

During the year 2019, the total remuneration for the members of the Audit Committee of the Company amounted to EUR 3,799.

Information about calculated remuneration for Invalda INVL, AB managers for 2019

	Calculated remuneration. thousand EUR		
	2017	2018	2019
For members of the Board (according to employment contracts as employees of the company)[1]	211	218	285
For each member of the Board (average per month)	6	6	8
For members of administration (the President and CFO)[1]	132	141	192
For each member of administration (average per month)	5.5	5.9	8.0

With the change in a large part of tax legislation from 2019, wages in employment contracts are indexed to ensure that employees' after-tax wages do not decrease.

[1] Company and Group companies calculated remuneration

V. OTHER INFORMATION

15. Agreements with intermediaries on public trading in securities

Invalda INVL, AB has signed agreements with these intermediaries:

- Šiaulių Bankas, AB (Tilzes str. 149, Siauliai, Lithuania; tel. +370 41 595 607) – the agreement on investment services, the agreement on management of securities accounting, the agreement on payment of dividends;
- Luminor Bankas, AB (Konstitucijos av. 21A, Vilnius, Lithuania; tel. +370 5 239 3444) – the agreement on financial instruments account management, implementation of orders and offering recommendations;
- SEB Bankas, AB (Gedimino ave. 12, Vilnius, Lithuania; tel. +370 5 268 2370) – the agreement on management of securities account;
- FMI Orion Securities, UAB (A. Tumeno str. 4. (block B), Vilnius, Lithuania; tel. +370 5 231 3841) - the agreement on investment services;
- Bank Zachodni WBK S.A. (Rynek 9/11, 50-950 Wrocław, Poland; tel. +61 856 4445) – the agreement of intermediation;
- AB SEB Pank (Tornimae str. 2., 15010, Tallin, Estonia; tel. +372 6657 772) - the agreement of intermediation.

16. Information on Issuer's branches and representative offices

Invalda INVL, AB has no branches or representative offices.

17. Risk management

17.1. A description of the principal risks and uncertainties

Business risks

Activities of Invalda INVL, AB are influenced by overall economic situation of countries of activity and investments. Invalda INVL, AB also depends on its main managers – their loss could have a negative effect on activities of the company and some of business opportunities could be lost.

The main activity of Invalda INVL group – asset management business. Significant part of companies' assets consists of II pillar assets in Lithuania and Latvia, wherefore the change in legal acts in the pension system could have a negative effect in this business area. We have chosen a regulated asset management business model, and therefore the increase in regulatory burden can increase our costs and negatively impact on profitability. Asset management business must also meet capital adequacy ratios, which may require additional contributions to asset management companies in case of loss.

Our returns may be substantially lower than the average returns historically realized by the private equity industry as a whole because historical results do not show the future performance.

Economic recessions and downturns can affect the companies and assets that we have invested in, both directly and through collective investment undertakings, and reduce their value, while negatively impacting our performance.

Invalda INVL may not be able to realize profits from investments into corporate shares or collective investment undertakings. The companies and collective investment undertakings we invest in may not create value or even destroy it, devaluing our investments.

Our ability to use our capital loss carry forwards may be subject to limitations. Changes in the law or regulations that govern us could have a material impact on our business. Change in taxes and change in regulation of sectors, which are dependent on governmental funding or are regulated by the government, could have negative consequences on our business.

Company's and group's results may fluctuate and may not be indicative of future performance.

The trading price of our stock may fluctuate substantially. The price of the stock may be higher or lower than the price you pay for your shares, depending on many factors, some of which are beyond our control.

We are subject to market discount risk. Shares of Invalda INVL, AB can be traded below NAV.

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

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

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

Investment risk

Our investments may be illiquid; there is a risk that we may not exit out investment at the request of the issuer's management. We may exit our investments when the portfolio company has a liquidity event, such as a sale, recapitalisation or listing in the stock exchange, or when the collective investment undertakings we invest in are making payments to investors.

Our investments into corporate shares and collective investment undertakings are extremely risky and in the worst case the company could lose its entire investment.

When we are a minority equity investor in a portfolio company, we may not be in a position to control the entity and management of the company may make decisions that could decrease the value of our portfolio holdings.

17.2. Information about the extent of risk and its management in the Company

Information on the extent of risks and management of them is disclosed in explanatory notes of consolidated and company's financial statements for 2019.

17.3. The main indications about internal control and risk management systems related to the preparation of consolidated financial statements

The Audit Committee supervises preparation of the consolidated financial statements. systems of internal control and financial risk management and how the company follows legal acts that regulate preparation of consolidated financial statements.

Chief financial officer of the company is responsible for the preparation supervision and the final revision of the consolidated financial statements. Moreover, he constantly reviews International Financial Reporting Standards (IFRS) in order to implement in time IFRS changes, analyses company's and group's significant deals. ensures collecting information from the group's companies and timely and fair preparation of this information for the financial statements. CFO of the company periodically informs the Board about the preparation process of financial statements.

Standardized data collection files prepared by Excel program are used for preparation of consolidated numbers. It also facilitates the automatic reconciliation and elimination of balances and transactions between subsidiaries in the preparation of consolidated accounts. Internal control of the financial numbers of the Group's entities and of the Group financial statements is provided by CFO of the Company.

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

For more information, see Social Responsibility Report, Annex 4 to this Annual Management Report.

18.1. Employees

Average number of employees in 2019 was 7 (in 2018 it was 7). All company's employees have higher university education.

Number of employees and average monthly salary

	Measuring units	2017	2018	2019
Total amount of employees as of the end of the period	person	7	7	7
- managers	person	4	4	4
- specialists	person	3	3	3
Average monthly salary (calculated for)	EUR	2,966	3,515	4,023
- managers	EUR	4,555	5,303	5,626
- specialists	EUR	847	1,118	1,871

Number of employees in Invalda INVL Group was 561 on 31 December 2019 (555 on 31 December 2018).

18.2. Information about agreements of the Company and the members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the Company.

There are no agreements of the company and the Members of the Board, or the employees' agreements providing for compensation in case of the resignation or in case they are dismissed without a due reason or their employment is terminated in view of the change of the control of the company.

19. Memberships in associations

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

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

Invalda INVL together with its INVL Asset Management companies in Lithuania and Latvia, has joined the UN-supported **Principles for Responsible Investment (PRI)** in the middle of 2017. The PRI, founded in 2006, is a global network of over 1700 investors, aims to assess the investment implications of environmental, social and governance (ESG) factors. An economically efficient, sustainable global financial system is considered a necessity for long-term value creation. Investors who support the PRI voluntarily work to apply the principles in their investment activities.

Invalda INVL has joined the **Investors' Association** at the end of 2017. The main activities include the following areas: organization of meetings with business leaders and events on the financial markets of the members of the association, the minority investors' rights advocacy, development of centers of excellence, providing the scientific findings based on the recommendations of the Government and Parliament, drawing attention and warning about the opportunities and risks associated with investing.

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

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

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

INVL Asset Management is an associate member of **The Association of Lithuanian Banks**. This association seeks to ensure a good environment for the banking sector and achieve direct dialogue with the public, supervisory authorities and legislators.

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

There were no harmful transactions (those that are not in line with issuer's goals, not under usual market terms. harmful to the shareholders' or stakeholders' interests. etc.) made in the name of the issuer that had or potentially could have negative effects in the future on the issuer's activities or business results. There were also no transactions where a conflict of interest was present between issuer's management's. controlling shareholders' or other related parties' obligations to the issuer and their private interests.

21. Information on the related parties' transactions

During the reporting period, the largest share of the company and a group of transactions with related parties accounted for loans, computer services, rent and utility costs of purchases, land administration services and asset management services (only group). The detailed information on the related parties' transactions has been disclosed in the section 27 of the consolidated and Company's financial statements for 2019 explanatory notes.

In addition, information regarding Transactions with Related Parties, according to the Law on Companies article 37 (2) , is published on the Company's web site – „For Investors" → „Reports" → "Related parties transactions". The link to the Company's web site: https://www.invaldainvl.com/lit/en/investor-relations/reports/related_parties_transactions.

Information on the Company's related party transactions published on the Company's website is provided in Annex 3, Part 5 to this Consolidated Annual Management Report.

Pursuant to paragraph 10 of Article 37 (2) of the Law on Companies of the Republic of Lithuania, the Company report the amounts of the Company's transactions with related parties, which were implemented in the ordinary course of business and with the same related party in the financial year.

Transaction value, EUR			
Related party	**Sale income from related party**	**Purchase income from related party**	**Sale of convertible bonds to related party**
UAB Cedus Invest Code 302576631, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	521.28	5,174,671.50	
UAB Consult Invalda Code 302575814, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	347.52		
UAB Aktyvo Code 301206846, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	347.52		
UAB Įmonių grupė Inservis Code 301673796, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	521.28		
UAB MD Partners Code 304842899, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	540.00		1,732,213.00*
UAB INVL Farmland Management Code 303788352, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	720.00		
SUTNTIB INVL Baltic Real Estate Code 152105644, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	6,950.88	24,304.12	
UAB Proprietas Code 303252098, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	6,000.00	4,243.35	
UAB Rovelija Code 302575846, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	1,737.72		
UAB BAIP Code 301318539, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities		7,747.19	
UAB FINtime Code 304192355, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	7,777.00		
UAB ACENA Code 300935644, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities		501.81	
UAB Avižėlė Code 303113077, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		

UAB Beržytė Code 30112915, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Dirvolika Code 303112954, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Duonis Code 303112790, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Ekotra Code 303112623, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Kvietukas Code 303112687, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities”	695.04		
UAB Laukaitis Code 303112694, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Lauknešys Code 303112655, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Linažiedė Code 303112922, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Pušaitis Code 303113102, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Puškaitis Code 303112769, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Sėja Code 303113013, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Vasarojus Code 303112776, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Žemgalė Code 303112744, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Žemynėlė Code 303112559, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Žiemkentys Code 303112648, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		
UAB Žalvė Code 303113045, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	695.04		

UAB Cooperor Code 303252162, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	347.52		
AB INVL Baltic Farmland Code 303299781, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	5,048.62		

* The bonds are converted into shares on the date of issue of this report. More about the deal has been announced [10 April 2020]

Related party	Balance of loans granted 01.01.2019	Loans granted during 2019	Interest calculated during 2019	Included into share capital increase during 2019	Loans returned during 2019	Interest paid during 2019	Balance of loans granted 31.12.2019
UAB Kelio ženklai Code 185274242, Geležinkelio g. 28, Pilviškiai Register of Legal Entities	767,802.56	135,000.00	37,261.17	696,000.00			244,063.73
UAB Įmonių grupė Inservis Code 301673796, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	0.00	300,000.00	8,469.89		300,000.00	8,469.89	0.00
SUTNTIB INVL Baltic Real Estate Code 152105644, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	0.00	1,500,000.00	6,472.61				1,506,472.61

Related party	Increase of share capital
UAB Kelio ženklai Code 185274242, Geležinkelio g. 28, Pilviškiai Register of Legal Entities	696,000.00
IPAS INVL Asset Management Code 40003605043, Smilšu g. 7-1, Riga, Latvia	913,028.00

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

In 2019 there were no concluded significant agreements of the company which would come into force, be amended or cease to be valid if there was a change in issuer‘s controlling shareholder.

23. Significant investments made during the reporting period

The Management Board of Invalda INVL on 5 February 2019 approved entering into INVL Baltic Sea Growth Fund Partnership Agreement and a Subscription Agreement related to investment in INVL Baltic Sea Growth Fund, which is managed by Invalda INVL's fully-owned subsidiary UAB INVL Asset Management. Invalda INVL will invest EUR 19.15 million in the INVL Baltic Sea Growth Fund, a closed-end private equity investment fund intended for professional investors. It is provided that the capital committed to the fund will be called in stages, for the execution of specific transactions. After the investment in the INVL Baltic Sea Growth Fund is made, Invalda INVL undertakes not to invest in private equity assets that comply with the fund's strategy and to conduct its main investment activity through this fund.

More information is provided in the section 4 of the consolidated and Company's financial statements for 2019 explanatory notes.

24. References to and additional explanations of the data presented in the financial statements and consolidated financial statements

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

25. Data on the publicly disclosed information

The information publicly disclosed by Invalda INVL, AB during 2019 is presented on the company's website www.invaldainvl.com

Summary of publicly disclosed information

Published	Headline	Message Category	Language
01-02-2019	Group of companies Inservis, a company controlled by Invalda INVL, acquired a controlling stake in Informacinio Verslo Paslaugų Įmonė	Other information	Lt, En
05-02-2019	Mundus, an asset management company of Invalda INVL group, launches new mezzanine fund Mundus Mezzanine I	Other information	Lt, En
07-02-2019	Trading of shares in Invalda INVL will be suspended from 7 February 2019	Notification on material event	Lt, En
08-02-2019	INVL Baltic Sea Growth Fund holds first closing at EUR 106 million	Notification on material event	Lt, En
08-02-2019	Invalda INVL will invest in the INVL Baltic Sea Growth Fund	Notification on material event	Lt, En
08-02-2019	INVL Baltic Sea Growth Fund buys a controlling stake in Montuotojas	Notification on material event	Lt, En
26-02-2019	INVL Baltic Sea Growth Fund completes deal to acquire 70% stake in InMedica chain	Other information	Lt, En
08-04-2019	Convocation of the Ordinary General Shareholders Meeting of Invalda INVL and draft resolutions	General meeting of shareholders	Lt, En
08-04-2019	Audited result of Invalda INVL Group for 2018	Notification on material event	Lt, En
30-04-2019	Audited annual information of Invalda INVL for 2018	Annual information	Lt, En
30-04-2019	The resolutions of the Ordinary General Shareholders Meeting of Invalda INVL	General meeting of shareholders	Lt, En
06-05-2019	Invalda INVL signed employee stock option contracts	Notification on material event	Lt, En
15-05-2019	Presentation of Invalda INVL	Other information	Lt, En
21-05-2019	Regarding information received from INVL Asset Management	Other information	Lt, En
24-05-2019	The decision of the Management Board of Invalda INVL on the purchase of own shares	Notification on material event	Lt, En
24-05-2019	The new wording of the Articles of Association of Invalda INVL have been registered	Notification on material event	Lt, En
24-05-2019	Information about shares issued by Invalda INVL and votes granted	Total number of voting rights and capital	Lt, En
31-05-2019	Unaudited information of Invalda INVL group for 3 months of 2019	Notification on material event	Lt, En

07-06-2019	Notifications on transactions in the issuer's securities	Notifications on transactions concluded by managers of the companies	Lt, En
10-06-2019	INVL Baltic Sea Growth Fund invests up to €30 million into cardboard manufacturing business managed by Grigeo AB	Other information	Lt, En
10-06-2019	Invalda INVL, AB will buy-back 0.02 % shares	Acquisition or disposal of the issuer's own shares	Lt, En
12-06-2019	Information about votes granted in Invalda INVL since 12 June 2019	Total number of voting rights and capital	Lt, En
03-07-2019	INVL Baltic Sea Growth Fund acquires majority stake in Montuotojas	Other information	Lt, En
30-08-2019	Interim information of Invalda INVL for 6 months of 2019	Half-Yearly information	Lt, En
18-09-2019	Convocation of the extraordinary general shareholders meeting of Invalda INVL and draft resolutions	General meeting of shareholders	Lt, En
30-09-2019	Transaction between INVL Baltic Sea Growth Fund and Grigeo terminated	Other information	Lt, En
01-10-2019	INVL Baltic Sea Growth Fund hits second close bringing investment capacity to EUR 142 million	Other information	Lt, En
14-10-2019	The resolutions of the Extraordinary General Shareholders Meeting of Invalda INVL	General meeting of shareholders	Lt, En
19-11-2019	INVL Asset Management, a subsidiary of Invalda INVL, reorganizes its portfolio of investment funds	Other information	Lt, En
29-11-2019	Unaudited information of Invalda INVL group for 9 months of 2019	Notification on material event	Lt, En
11-12-2019	INVL Baltic Forests Fund I managed by INVL Asset Management, a subsidiary of Invalda INVL, completes forest-sale transaction	Other information	Lt, En
16-12-2019	Invalda INVL investor's calendar for 2020	Other information	Lt, En

From the end of the reporting period to the issuance of the report, the company's publicly available information, which is available on the company's website www.invaldainvl.com:

Published	Headline	Message Category	Language
07-02-2020	„INVL closes largest Baltic private equity fund at €165 million	Other information	Lt, En
20-03-2020	Impact of the coronavirus (COVID-19) on the activities of Invalda INVL group	Notification on material event	Lt, En
03-04-2020	Correction: Invalda INVL investor's calendar for 2020	Other information	Lt, En
03-04-2020	Regarding the publication of the audited consolidated annual financial statements of Invalda INVL AB	Notification on material event	Lt, En
08-04-2020	Convocation of the ordinary general shareholders meeting of Invalda INVL	General meeting of shareholder	Lt, En
08-04-2020	Draft resolutions prepared by the Board for the shareholders' meeting of Invalda INVL to be held on 30/04/2020	General meeting of shareholder	Lt, En
10-04-2020	MD Partners, co-owner of MAIB, will be managed by Invalda INVL and INVL Special Opportunities Fund	Other information	Lt, En

Summary of reports about transactions concluded in 2019 by persons employed in management positions and persons closely associated with them

Announce ment date	Date of transaction	Person	Shares, units	Share price	Transaction amount	Type of transaction	Place of transac-tion
07.06.2019	02.05.2016	R.Rajeckas, CFO of Invalda INVL	12,594	1	12,594	Execution of stock option agreement to obtain issuer's shares in the future. Employee shall after 3 years (in 2019) be entitles to get from the issuer up to 12,594 units of issuer shares.	Outside a trading venue
07.06.2019	19.05.2017	R.Rajeckas, CFO of Invalda INVL	6,057	1	6,057	Execution of stock option agreement to obtain issuer's shares in the future. Employee shall after 3 years (in 2020) be entitles to get from the issuer up to 12,594 units of issuer shares.	Outside a trading venue
07.06.2019	25.04.2018	R.Rajeckas, CFO of Invalda INVL	8,058	1	8,058	Execution of stock option agreement to obtain issuer's shares in the future. Employee shall after 3 years (in 2021) be entitles to get from the issuer up to 12,594 units of issuer shares.	Outside a trading venue
07.06.2019	06.05.2019	R.Rajeckas, CFO of Invalda INVL	9,086	1	9,086	Execution of stock option agreement to obtain issuer's shares in the future. Employee shall after 3 years (in 2022) be entitles to get from the issuer up to 12,594 units of issuer shares.	Outside a trading venue
07.06.2019	14.05.2019	R.Rajeckas, CFO of Invalda INVL	12,594	1	12,594	Share subscription agreement exercising stock option agreement of 02.05.2016	Outside a trading venue

26. Information on audit company

The company have not approved criteria for selection of the audit company. Usually the big-four audit companies are attending the competition (Deloitte, KPMG, PricewaterhouseCoopers, Ernst and Young).

The Company's and the Consolidated Financial Statements for the year 2019 were audited by the audit firm KPMG Baltics, UAB (company code 111494971, registered address: Konstitucijos ave. 29, Vilnius). It was elected by the shareholders for the audit of the annual financial statements for 2019-2021 at the Extraordinary General Meeting of Shareholders held on 14 October 2019. At the same meeting, the shareholders set a total remuneration of up to EUR 75 thousand for the audit of the sets of annual financial statements for the period 2019-2021 and the statement on the annual reports (value added tax is calculated and paid in accordance with the law).

Audit company	„KPMG Baltics", UAB
Address of the registered office	Konstitucijos ave. 29, Vilnius, Lithuania
Enterprise code	111494971
Telephone	+370 5210 2600
E-mail	vilnius@kpmg.lt
Website	www.kpmg.com/LT

No internal audit is performed in the company.

All the services granted to Invalda INVL and the its group by the auditor KPMG Baltics

EUR thousand	Group 2019	Company 2019
Financial statement audit services under contracts (including audit services for funds financial statements)	120,200	24,500
Costs of collateral and other related services		-
Costs for tax advice issues		-
Costs for other services (including funds)	1,050	-
In total	**121,250**	**24,500**

President Darius Šulnis

APPENDIX 1. INFORMATION ABOUT GROUP COMPANIES, THEIR CONTACT DETAILS

Company	Registration information	Type of activity	Contact details
ASSET MANAGEMENT BUSINESS			
INVL Asset Management, UAB	Code 126263073 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 21.07.2003	Pension and investment funds management. portfolio management services, real estate funds management	Telephone +370 700 55959 E-mail info@invl.com www.invl.com
INVL Asset Management, IPAS (Latvia)	Code 40003605043 Address Smilšu iela 7-1. Riga Legal form – private limited liability company Registration date 02.10.2002	Pension and investment funds management, portfolio management services	Telephone +371 67 092 988 E-mail LV@invl.com www.invl.com/lat/lv
AS INVL Atklātais pensiju fonds (Latvia)	Code 40003377918 Address Smilšu iela 7-1, Riga Legal form – limited liability company Registration date 04-02-1998	Pension funds	Tel. +371)67 092 988 E-mail LV@invl.com www.invl.com/lat/lv
INVL Farmland Management	Code 303788352 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 26.02.2016	Administration of agricultural land	E-mail kristina.urboniene@invl.com
INVL Finasta, FMĮ UAB	Code 122570630 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 28.05.2015	Brokerage services	Telephone +370 5 211 12 94 E-mail gerovesvaldymas@invl.com www.invl.com
Mundus UAB, asset management company	Code 303305451 Address Vilniaus str. 31, Vilnius Legal form – private limited liability company Registration date 07-05-2014	Management of investment funds	info@mundus.lt www.mundus.lt
Invalda INVL Investments, UAB	Code 303252237 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.02.2014	carries no activity	Telephone +370 5 263 6129
OTHER INVESTMENTS			
INVL Technology, SUTPKIB	Code 300893533 Address Gynėjų str. 14, Vilnius Legal form – joint stock company Registration date 27.06.2007	Investments info information technology businesses	Telephone +370 5 279 0601 E-mail info@invltechnology.lt www.invltechnology.lt
INVL Baltic Real Estate, SUTNTIB	Code 152105644 Address Gynėjų str. 14, Vilnius Legal form – joint stock company Registration date 28.01.1997	Investments into commercial real estate. Rent of commercial real estate.	Telephone + 370 5 279 06 01 E-mail breinfo@invl.com www.invlbalticrealestate.com
Litagra, UAB	Code 123496364 Address Savanoriu pr. 173. Vilnius; Legal form – private limited liability company Registration date 30.01.1996	investments into agriculture companies	Telephone +370 5 236 1600 Fax +370 5 236 1601 E-mail office@litagra.lt www.litagra.lt

Cedus Invest, UAB	Code 302576631 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	investments into agriculture companies	Telephone +370 5 263 6129 Fax +370 5 279 0530
Šiaulių bankas, AB	Code 112025254 Address Tilžės str.149, Šiauliai Legal form – joint stock company Registration date 04.02.1992	Commercial banking	Telephone +370 41 595 607 Fax. +370 41 430 774 E-mail info@sb.lt www.siauliubankas.lt
Inservis, UAB	Code 126180446 Address Juozapaviciaus str. 6. Vilnius Legal form – private limited liability company Registration date 25.03.2003	facility management. engineering systems oversight and incidents management. multi-apartment house management	Telephone +370 5 273 6607 E-mail prieziura@inservis.lt www.inservis.lt
Priemiestis, UAB	Code 221487620 Address Stepono Batoro str. 41. Vilnius Legal form – private limited liability company Registration date 09.07.1992	facility management. engineering systems oversight and incidents management, multi-apartment house management	Telephone +370 5 267 0204 Fax +370 5 267 2941 E-mail info@priemiestis.lt www.priemiestis.lt
Jurita, UAB	Code 220152850 Address Justiniskiu str. 62. Vilnius Legal form – private limited liability company Registration date 28.12.1990	Facility management. engineering systems oversight and incidents management, multi-apartment house management	Telephone +370 5 248 2088 E-mail info@jurita.lt www.jurita.lt
Imoniu Grupe Inservis, UAB	Code 301673796 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 07.04.2008	investing in building maintenance companies	Telephone +370 5 263 6129 Fax +370 5 279 0530
Informacinio verslo paslaugų įmonė, AB	Code 123043773 Address Gedimino pr. 31, Vilnius Legal form – joint stock company Registration date 05.04.1995	Software tools for computerized processing of economic information	Telephone +370 5 236 4808, fax +370 5 262 3623 E-mail info@ivpi.lt www.ivpi.lt
"IPP integracijos projektai", UAB	Code 302890482 Address Palangos str. 4, Vilnius Legal form – private limited liability company Registration date 12.10.2012	Carries no activity	-
SIA „Inservis“ (Latvia)	Code 40203041770 Address - Olaines nov., Olaines pag., Stūnīši, "Lapegles", Latvia Legal form – private limited liability company Registration date 02.01.2017	Facilities management	-
Kelio Zenklai, UAB	Code 185274242 Address Gelezinkelio str. 28. Pilviskiai. Vilkaviskio r. Legal form – private limited liability company Registration date 06.09.1994	metal and wood processing and wholesale trade	Telephone +370 342 67 756 Fax +370 342 67 644 E-mail info@keliozenklai.lt www.keliozenklai.lt
Iniciatyvos Fondas, VsI	Code 300657209 Address Gynėjų str. 14. Vilnius Legal form – public institution Registration date 08.03.2007	organising of social initiative programmes	Telephone +370 5 263 6129 Fax +370 5 279 0530 E-mail info@iniciatyvosfondas.lt www.iniciatyvosfondas.lt

Aktyvo, UAB	Code 301206846 Address Gynėjų str. 14, Vilnius; Legal form – private limited liability company Registration date 31.10.2007	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Aktyvus Valdymas, UAB	Code 301673764 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 07.04.2008	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MBGK, UAB	Code 300083611 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.01.2005	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MGK Invest, UAB	Code 302531757 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 27.07.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Consult Invalda, UAB	Code 302575814 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
RPNG, UAB	Code 302575892 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Regenus, UAB	Code 302575821 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 20.12.2010	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
Cedus, UAB	Code 302656796 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 18.08.2011	carries no activity	Telephone +370 5 263 6129 Fax +370 5 279 0530
MD Partners UAB	Code 304842899 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 14-05-2018	SPV for investment into Moldova-Agroindbank	Telephone +370 5 263 6129 Fax +370 5 279 0530
BSGF Sanus, UAB (till February 2019)	Code 304924481 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 28-09-2018	SPV for investment into pharmacy business	Telephone +370 5 263 6129 Fax +370 5 279 0530
BSGF Fortis, UAB (till February 2019)	Code 304974178 Address Gynėjų str. 14, Vilnius Legal form – private limited liability company Registration date 19-12-2018	SPV for investment into production business	Telephone +370 5 263 6129 Fax +370 5 279 0530

Appendix 2. Disclosure concerning the compliance with the Governance Code

Invalda INVL, AB (hereinafter referred to as the "Company"), acting in compliance with Article 12 (3) of the Law on Securities of the Republic of Lithuania and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form is provided.

1. Summary of the Corporate Governance Report:

Invalda INVL, AB has a General Meeting of Shareholders and a single-person managing body - the President of the Company. The Company has a collegial management body - the Board.

The President is elected, recalled and dismissed, his salary is fixed, his job description is approved, he is promoted and penalties are imposed by the Board of the Company. The Board of the Company is elected by the General Meeting of Shareholders for the term of 4 years. The Board shall have all the powers provided for in the Articles of Association of the Company as well as such powers as the Board may have by law. The activities of the Board are based on collegial deliberation and decision making, as well as joint responsibility to the shareholders' meeting for the consequences of the decisions made. In order to maximize the benefit for the company and its shareholders, and to ensure the integrity and transparency of the company's financial accounting and control system, the Board works closely with the Company's President.

The supervisory board is not formed in the Company. Nevertheless, the Company's Board and the President work closely together to maximize benefits for the Company and all its shareholders.

The Company has an Audit Committee consisting of 2 independent members. The members of the Audit Committee are elected and recalled by the General Meeting of Shareholders for the term of four years. The establishment of the Risk, Nomination and Compensation Committees is not expedient due to the size of the Company.

The Company's Remuneration Policy will be submitted for approval in 2020 to the ordinary annual General Meeting of Shareholders.

2. Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	YES	
1.2. 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 of their holders.	YES	
1.3. 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	

1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	YES	
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	YES	
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	YES	
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	NO	Shareholders can vote via an attorney or by completing the general voting bulletin, as for now shareholders cannot participate and vote in General Shareholders' Meetings via electronic means of communication.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	YES	

1.10. Members of the company's collegial management body, heads of the administration[2] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	YES	
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	NOT APPLICABLE	Due to its size, it is not expedient to form the Supervisory Board. Considering that only collegial management body - the Board is formed in the Company. It performs all essential management functions and ensures accountability and control of CEO of the Company.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.		
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.		
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[3] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.		
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.		
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.		
2.2. Formation of the supervisory board The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		

[2] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

[3] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2.1.The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	NOT APPLICABLE	Due to its size, it is not expedient to form the Supervisory Board. Considering that only collegial management body - the Board is formed in the Company. It performs all essential management functions and ensures accountability and control of CEO of the Company.
2.2.2.Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.		
2.2.3.Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.		
2.2.4.Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.		
2.2.5.When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.		
2.2.6.The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.		
2.2.7.Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.		

Principle 3: Management Board

3.1. Functions and liability of the management board

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	YES	
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	YES/NO	The Board's functions are discussed in the Consolidated Annual Management Report 11.2. section. No evaluation of the independence of the Board members has been carried out.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	YES	
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[4] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	YES	
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	YES	
3.2. Formation of the management board		
3.2.1.The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	YES	
3.2.2.Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	YES	
3.2.3.All new members of the management board should be familiarized with their duties and the structure and operations of the company.	YES	

[4] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

3.2.4.Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	YES	
3.2.5.Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	YES	
3.2.6. Each member the management board should give sufficient time and attention to perform the duties of a member of the Board. If a member of the management Board participated in less than half of the board meetings during the financial year of the Company, the Company's Supervisory Board should be informed if the Supervisory Board is not formed in the Company - the General Shareholder Meeting.	YES	
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[5], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	NO	No evaluation of the independence of the Board members has been carried out.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	NOT APPLICABLE	No remuneration is paid to the members of the Board for their activity in the management board.
3.2.9.The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	YES	
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	YES	
Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		

[5] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

<table>
<tr><td>4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.</td><td>YES/NO</td><td>The Supervisory Board is not formed. Nevertheless, the Board and the CEO acts in close cooperation seeking to obtain the maximum benefit for the Company and its shareholders.</td></tr>
<tr><td>4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.</td><td>YES</td><td></td></tr>
<tr><td>4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.</td><td>YES</td><td></td></tr>
<tr><td>4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.</td><td>YES</td><td></td></tr>
<tr><td colspan="3">Principle 5: Nomination, remuneration and audit committees
5.1. Purpose and formation of committees
The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.
Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.</td></tr>
<tr><td>5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[6].</td><td rowspan="2">YES/NO</td><td rowspan="2">Due to the simplicity of the company management structure and the small number of employees, the Nomination and Remuneration Committees are not formed.
Audit Committee members are elected by the General Shareholders Meeting.</td></tr>
<tr><td>5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.</td></tr>
</table>

[6] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.		
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.		
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.		
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.		
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	NOT APPLICABLE	Due to simplicity of the Company's management structure and small number of employees, it is not expedient to form the Nomination and Remuneration committees.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.		
5.3. Remuneration committee		

The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	NOT APPLICABLE	Due to simplicity of the Company's management structure and small number of employees, it is not expedient to form the Nomination and Remuneration committees.
5.4.Audit committee		
5.4.1.The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[7].	YES	
5.4.2.All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	YES	
5.4.3.The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	YES	
5.4.4.The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	NOT APPLICABLE	Due to the size of the Company, the Company does not have an internal audit function
5.4.5.The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	NOT APPLICABLE	Due to the size of the Company, the provisions of this paragraph shall not be verified by the audit committee.
5.4.6.The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	YES/NO	The activity report is submitted once a year, together with the annual ordinary shareholders meeting
Principle 6: Prevention and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.		

[7] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

<table>
<tr><td>Any member of the company’s supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company’s interests. In case such a situation did occur, a member of the company’s supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company’s shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.</td><td>YES</td><td></td></tr>
<tr><td colspan="3">Principle 7: Remuneration policy of the company
The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company’s remuneration policy and its long-term strategy.</td></tr>
<tr><td>7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company’s long-term strategy.</td><td rowspan="7">NOT APPLICABLE</td><td rowspan="7">The Remuneration policy will be submitted for approval during the Ordinary Annual Shareholders Meeting of the Company in 2019.</td></tr>
<tr><td>7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.</td></tr>
<tr><td>7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company’s performance.</td></tr>
<tr><td>7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.</td></tr>
<tr><td>7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.</td></tr>
<tr><td>7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company’s remuneration policy, compared to the previous financial year.</td></tr>
<tr><td>7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.</td></tr>
<tr><td colspan="3">Principle 8: Role of stakeholders in corporate governance
The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.</td></tr>
</table>

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	YES	
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	YES	
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	NO	The Company does not provide possibility of reporting confidentially any illegal or unethical practices
Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	YES	
9.1.1. operating and financial results of the company;	YES	
9.1.2. objectives and non-financial information of the company;	YES	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	YES	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	YES	
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	NOT APPLICABLE	The report of the Audit Committee is made public. There are no more committees in the company
9.1.6. potential key risk factors, the company's risk management and supervision policy;	YES	
9.1.7. the company's transactions with related parties;	YES	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	YES	
9.1.9. structure and strategy of corporate governance;	YES	
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	NOT APPLICABLE	Due to the size of the Company, minimum information related to the environment, employees, research and development is published.

9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	YES	
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	YES	
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	YES	
Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	YES	
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	YES	
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	YES	2019 the audit firm did not provide non audit services

APPENDIX 3. COMPANY'S MANAGEMENT REPORT

(Prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings (IX-575) in force from 6 July 2019)

1. Reference to the applicable corporate governance code and the place of its publication, and (or) reference to the all necessary published information regarding management practices of the entity

The Company discloses the information regarding the compliance with the applicable Corporate Governance Code in Appendix 2 of the consolidated report of 2019. The Company publishes its annual reports on it's website.

2. In case of derogation from the provisions of the applicable corporate governance code and (or) when the provisions are not complied with, such provisions and the reasons thereof shall be indicated

The Company discloses such information in sections “Yes/No/Irrelevant” and “Commentary” of Appendix 2 of the consolidated report of 2019 “Information regarding the compliance with Corporate Governance Code. The company provides an explanation in the “Comment” section in case it does not follow (partially does not follow) the recommendation

3. Information regarding the level of risk and risk management – management of risks related to the financial reporting, risk mitigation measures, and internal control systems implemented at the entity shall be described

The Company provides information regarding the level of risk, risk management, and implemented internal control systems, as well as the measures, in Clause 17 of the consolidated report of 2019.

4. Information regarding significant directly or indirectly managed holdings

The Company provides information regarding the significant directly or indirectly managed holdings in Note 1 of the financial statements of 2019.

5. Information about related parties transactions in accordance with Article 37^2 of the Law on Companies of the Republic of Lithuania

Information on transactions concluded by the Company with related parties, as provided for in Article 37^2 of the Law on Companies, is published on the Company's website - “Investor Relations” → “Reports” → “Related Parties Transactions”.

Link on the website: https://www.invaldainvl.com/lit/en/investor-relations/reports/related_parties_transactions

Pursuant to the provisions of Item 10 of Article 37^2 of the Law on Companies of the Republic of Lithuania, the amounts of the Company's transactions with related parties concluded in the ordinary course of business and concluded with the same related party during the financial year are presented in Item 21 of this Annual Management Report.

We provide information on the company's related party transactions in 2019 published on the company's website

Related party	Company’s relationship with the other counterparty	Date and value of the transaction	Other information
UAB Įmonių grupė „Inservis“, code 301673796, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled by Invalda INVL	30-01-2019 Loan agreement No. P/190130/01, EUR 300,000	The Loan was returned in 16-09-2019
INVL Baltic Sea Growth Fund A fund managed by UAB INVL Asset Management, code 126263073 Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	A closed-end mutual fund intended for professional investors, managed by INVL Asset Management which is 100% controlled by Invalda INVL	A Subscription Agreement related to investment in INVL Baltic Sea Growth Fund; dated 07-02-2019. Invalda INVL committed to invest to Fund EUR 19.15 million. It is provided that the capital committed to the fund will be called in stages	The Audit Committee expressed the opinion that there is no reason to believe that the decision of the Management Board of Invalda INVL regarding planned EUR 19.15 million investment into INVL Baltic Sea Growth Fund would be unfair and unfounded in relation to the shareholders

			of Invalda INVL, who are not party to this agreement. The Management Board of Invalda INVL, approved the Subscription Agreement on 05-02-2019
UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	13-02-2019 Loan Agreement No. P/190213/01, EUR 50,000	The loan has been repaid, including as a loan under the Loan Agreement No. P/191231/01 as of 31/12/2019.
UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	15-03-2019 Loan Agreement No. P/190315/01, EUR 35,000	The loan has been repaid, including as a loan under the Loan Agreement No. P/191231/01 as of 31/12/2019.
MD PARTNERS UAB, code 304842899, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled by Invalda INVL	29-03-2019 decision of the sole shareholder on the partial redemption of the convertible bonds. The redemption amount as of 29-03-2019 was EUR 916,165	
MD PARTNERS UAB, code 304842899, Gynėjų g. 14, Vilnius, Lithuania Register of Legal Entities	100% controlled by Invalda INVL	29-03-2019 decision of the sole shareholder on the partial redemption of the convertible bonds. The redemption amount as of 13-05-2019 was EUR 816,048	
UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	29-04-2019 Loan Agreement No. P/190429/01, EUR 20,000	The loan has been repaid, including as a loan under the Loan Agreement No. P/191231/01 as of 31/12/2019.
UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	12-09-2019 Loan Agreement No. P/190912/01, EUR 30,000	The loan has been repaid, including it as a loan under the Loan Agreement No. P/191231/01 as of 31/12/2019.
SUTNTIB INVL Baltic Real Estate code 152105644, Gynėjų str. 14, Vilnius Register of Legal Entities	Invalda INVL owns more than 30% of shares	26-11-2019 EUR 1,500,000 granted. Loan repayment term is 31-01-2020 (repayment of the loan was extended till 31-03-2020). Annual interest rate 4.5%.	The loan has been repaid on 09/03/2020
UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	12-12-2019 Share subscription agreement, EUR 696,000	
IPAS INVL Asset Management Code 40003605043, Smilšu g. 7-1, Riga, Latvia	100% controlled by INVL Asset Management, a 100% subsidiary of Invalda INVL	18-12-2019 decision No. 18/12/2019 of the sole shareholder to increase share capital, EUR 913,028	

UAB „Cedus Invest“, Code 302576631, Gynėjų str. 14, Vilnius Register of Legal Entities	100% controlled by Invalda INVL	On 27 December 2019, 123,000 units of INVL Emerging Europe Bond Subfund were purchased from UAB Cedus Invest for EUR 5,174,671.50	
UAB Kelio ženklai code 185274242, Geležinkelio str. 28, Pilviškiai, Vilkaviškis district Register of Legal Entities	100% controlled by Invalda INVL	31-12-2019 Loan agreement No. P/191231/01, EUR 244,063.73 EUR	

6. Information regarding the shareholders who have special rights of control and the description of such right

There are no shareholders having special rights of control in the Company.

7. Information regarding all current restrictions on voting rights *(such as the restrictions on voting rights of persons having a certain percentage or number of the votes, the deadlines by which voting rights may be exercised or systems, according to which the property rights granted by the securities are to be separated from the holder of those securities)*

No restrictions on voting rights are applied in the Company.

8. Information regarding the rules governing the appointment and dismissal of board members, as well as the amendment of the company's articles of association

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation. The Board members of the Company always act for the benefit of the Company and its shareholders. The procedure for changing the Articles of Association is no different from stated in the Law on Companies of the Republic of Lithuania.

9. Information regarding the powers of the board members

The Board members of the Company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Company, Rules of Procedure of the Board, as well as other applicable legislation, and have no special powers. The Board members of the Company always act for the benefit of the Company and its shareholders. More information is disclosed in the Clause 11.2. of the Section IV of the consolidated report of 2019.

10. Information regarding the competence of the General Shareholders Meeting, the rights of shareholders and implementation thereof, if such information is not established in the applicable legislation

The company provides information regarding the competence of the General Shareholders Meeting, the rights of shareholders, and implementation thereof, as well as the procedure for convening such meetings, in Clause 11.1. of the consolidated annual management report of 2019.

11. Information regarding the composition of the management, supervisory bodies, and the committees thereof, as well as the fields of activity of the aforesaid bodies and the manager of the company

The Company provides information about Members of the Board of the Company as well as the manager of the Company, members of the Audit Committtee in Clause 12 of the consolidated report of 2019.

12. Description of diversity policy applicable in appointing the manager of the company, management, and supervisory bodies, related to the aspects such as age, gender, education, professional experience; objectives of such policy, methods of implementation thereof, and results of the reference period. if the diversity policy is not applied, the reasons thereof shall be indicated

The Company organizes its activities in a way that employees, despite of their duties and the need to upgrade their qualifications, are secure about equal working conditions, opportunities to develop competence, etc. Equally, the same benefits are granted regardless of the gender, race, nationality, language, origin, social status, believes or convictions, age, sexual orientation, disability, ethnicity, religion, marital status, intention of having children's or membership of the political party or association. More information is disclosed in the Appendix 2 of the consolidated report of 2019.

13. Information about all agreements between shareholders (their essence, conditions).

Information is disclosed in Clause 8.1. of the consolidated report of 2019.

APPENDIX 4. SOCIAL RESPONSIBILITY REPORT

About the report

This Social Responsibility Report was prepared for the period of January - December 2019, but it also includes important previous periods' social responsibility events in Invalda INVL AB (hereinafter referred to as the Company) and a group. Information on the Company's business model is provided in Chapter I, Section 2, Key Data on the Issuer and its Group of Companies of the Annual Management Report for 2019.

This Social Responsibility Report provides the information needed to assess how important issues, related to partners, community, and employees, are dealt with. The report provides information that is significant for assessing the economic, social and environmental impact of the company and group activities and/or influencing stakeholder decisions.

The company adheres to 10 Principles of the UN Global Compact defining business responsibilities in the areas of human rights, labor rights, environmental protection and anti-corruption, and aims to reduce the impact of its activities on the environment, community, other businesses, and joint efforts to engage in solving issues related to economic, social and environmental protection, contribute to society's development and economic growth. The main task of the Global Compact is to promote and foster the social justice of businesses and markets. These generally accepted and declared guidelines for responsible behavior are a clear and meaningful indication of the Company's development of a socially responsible business.

Principles that are accepted and applied by Invalda INVL:

Human rights:

- Support and respect human rights protection in the sphere of Company's influence.
- Ensure that the Company does not contribute to human rights violations.

Employee Rights:

- Recognize the freedom of employees' associations and the right to effective negotiations.
- Eliminating any form of forced and compulsory labor.
- Absence of discrimination related to employment and occupation.

Environmental Protection:

- Acceptance of initiatives to increase environmental responsibility.
- Promoting the development and diffusion of environmentally friendly technologies.
- Working against corruption.
- Combating all forms of corruption (including tampering and bribery).

Relationship with employees

Invalda INVL seeks to operate as a company in which the rights, needs and contribution to the operations of the company of each employee are properly respected. In forming the team, Invalda INVL AB focuses on promoting people's creativity, qualification, positive thinking, willingness and ability to work and develop efficiently, to comply with high ethical standards.

The company respects employees' rights and advocates any discrimination in the recruitment of new employees or existing employees.

The objective annual assessment of employee competencies by the employee and his / her manager is the main method of employee evaluation. The company takes care of raising the competence of the employees. The company sets and pays salaries in a transparent manner, in accordance with clearly defined procedures. The company cares about the health of its employees, organizes informal events on its own initiative, inviting all the employees of the group to take care of the organizational culture that is favorable to the employees.

The establishment of safe and healthy working conditions in the company is regulated by the Labor Code of the Republic of Lithuania and other legislation on occupational safety and health. The company strives to provide employees with healthy and safe working conditions, therefore special attention is paid to the health protection of workers, prevention of occupational diseases and promotion of physical activity. The company organizes a free health check for employees. During the inspection, employees can not only check compliance with necessary workplace risk factors, but also consult a specialist on health issues.

The company takes care not only of employees' rest breaks in the office, but also organizes periodic events, which promote the physical activity and informal communication of employees.

The main goal of the Company's personnel policy is to attract and retain qualified employees, as well as to develop long-term partnership relationships with them and the overall future of the Company as a principle of mutual value generation.

The company provides opportunities for employment and successful work for people of all ages and experiences.

Group employee information at the end of the reporting period:

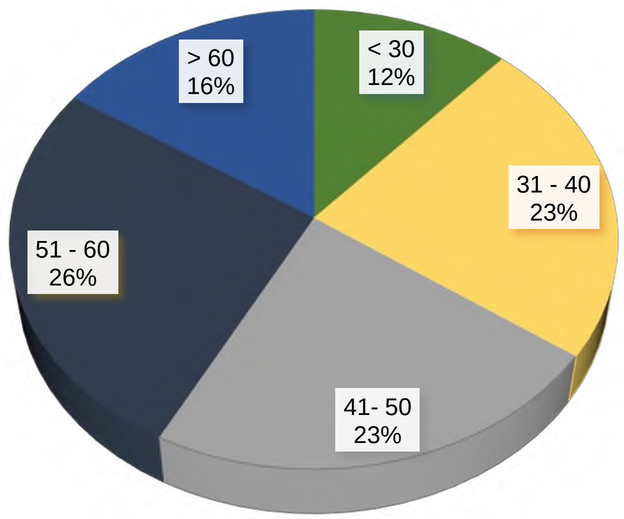
By employment contract:

Total number of employees 31-12-2019	Fixed-term employment contract			A contract for an indefinite period		
	Total	Women	Men	Total	Women	Men
561	28	17	11	533	315	218

By type of employment:

Total number of employees 31-12-2019	Working full time			Part time work		
	Total	Women	Men	Total	Women	Men
561	440	245	195	121	87	34

Group employees by the age



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

Relationship with society

In carrying out its activities and acting in different communities, the company adheres to the Code of Ethics, the Code of Shareholders' Rights and the general principles of protection of human rights. The company supports and respects the international protection of human rights in its sphere of influence, and advocates any violation thereof.

Consumer information and transparency

The company publicly discloses information about the company's activities and objectives, financial results, members of the management bodies and shareholders, related party transactions, the company's management structure and strategy and other information relevant to investors on the company's constantly updated website, as well as in annual and periodic announcements that are publicly disclosed and placed on the company's website.

The information published by the company is simultaneously disclosed to all persons. The company shall not disclose information that may potentially affect the price of the securities issued by it in the comments, interviews or in any other manner until such information is publicly disclosed through the Nasdaq Vilnius Public Information System.

Equitable treatment of shareholders and shareholder rights

The company has approved the Shareholder Rights Code, which defines the main obligations of the company to its shareholders.

The company has issued ordinary registered shares with a nominal value of EUR 0.29. Each share entitles its shareholders to the same rights provided for in the legislation of the Republic of Lithuania.

All shareholders of the company have equal opportunities to get acquainted and participate in making decisions that are important to the company. Procedures for convening and conducting General Shareholders' Meetings are in accordance with the applicable legal provisions and provide equal opportunities for shareholders to participate in the meeting, to get acquainted with draft decisions and materials necessary for decision making, as well as to ask questions to the members of the Board of the company whose contacts are publicly available on the company's website www.invaldainvl.com.

Social projects

In 2007 the company has established a public company Iniciatyvos fondas (Initiative Foundation), which aims to promote a social initiative by organizing various programs for individual groups of society. The main idea of these programs is to give people the opportunity to seek relevant changes by supporting their initiative to act and encouraging self-initiative, actively contributing to the development of a responsible and harmonious society. Priorities of Iniciatyvos fondas may vary from year to year.

The mission of Iniciatyvos fondas is to promote the initiative, social responsibility and the current potential of an individual or society to pursue an active and cohesive society.

The latest initiative of the Iniciatyvos fondas is the Positive Diary. The aim of the project Positive Diary is to draw the attention of the Lithuanian population to the good changes in the society and the achievements of all of us, which often remain unnoticed in the general news flow. The goal is to shoot 1000 stories of positive messages that inspire people to see good. Devotion to another, belief that alone you can change the world - these are the fundamental values that inspire significant successes.

Environmental protection

In its activities the company seeks to conserve the environment, use natural resources economically, and encourage the group companies to implement modern, efficient and environmentally safe technologies in their production activities. Environmental issues at the group's manufacturing plants include: safe operation of equipment, safe use of environmentally hazardous materials, management of waste generated.

Activity in the market

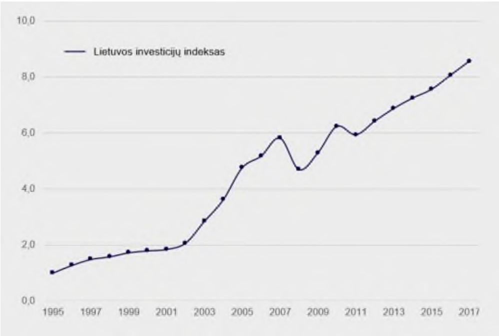
In line with the Global Compact Principle of Anti-Corruption, the company pays all taxes in a transparent manner. The company and its employees follow the principles of zero tolerance for corruption. The company does not tolerate any forms of corruption, both direct and indirect.

The company is a member of the following organizations and associations:

- Lithuanian private equity and venture capital association;

- Invest Europe – the organisation that unites Europe’s private equity and venture capital companies and investors;

- Investors association.



In 2017 seeking to promote an investment culture INVL Asset Management has compiled the Lithuanian Investment Index fro the first time. The Investment index is subsequently calculated every year.

The Lithuanian Investment Index calculated by INVL Asset Management shows how the annual return on investment in the four main types of assets has been increasing since 1995. In the index, the return on short-term debt securities and money market instruments (deposits), long-term bonds, equities, housing investment (expences estimated from 2016 onwards) were assessed, giving each of them the same weight.

Invalda INVL together with its INVL Asset Management companies in Lithuania and Latvia, has joined the UN-supported Principles for Responsible Investment (PRI) in the middle of 2017. The PRI, founded in 2006, is a global network of over 1700 investors, aims to assess the investment implications of environmental, social and governance (ESG) factors. An economically efficient, sustainable global financial system is considered a necessity for long-term value creation. Investors who support the PRI voluntarily work to apply the principles in their investment activities.

Six specific responsible investment Principles are outlined by the PRI. They provide a menu of possible actions for incorporating ESG issues into investment practice – from investment analysis and decision-making to their incorporation into ownership policies and practices. Additionally, signatories to the Principles are encouraged to promote the Principles' acceptance in the investment industry and to work together for their effective implementation.