INVL TECHNOLOGY

Special Closed-Ended Type Private Capital Investment Company‘s

INVL Technology

Annual Report and Company’s Financial Statements for the year ended 31 December 2017

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

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Independent auditor's report

To the shareholders of INVL Technology UTIB

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of INVL Technology UTIB ("the Company") as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that we did not provide non-audit services to the Company in 2017. We also declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

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Our audit approach

Overview

Materiality	Our materiality: € 231 thousand.
Key audit matters	Valuation of investments.

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

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

Materiality

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

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

Overall Company materiality	€ 231 thousand (2016: € 197 thousand).
How we determined it	1% of total equity.
Rationale for the materiality benchmark applied	We chose the equity as the benchmark because, in our view, it is an appropriate measure of the size of the entity, and changes in it indicate the performance of the Company. Therefore the value of equity and changes in it are commonly utilised by stakeholders of investment companies, and they are generally accepted benchmarks. The key driver of the business and determinant of the Company's value is the value of investments into various IT businesses. For this reason, the key area of focus in the audit of the financial statements was the valuation of investments. We chose 1%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the *Audit Committee* that we would report to them misstatements identified during our audit above € 11.5 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investments (financial assets at fair value through profit or loss)	
Refer to Note 4 to the financial statements. The Company is an investment entity and classifies its investments in equity securities, as financial assets at fair value through profit or loss. Management estimated the fair value of the financial assets to be € 20,808 thousand as at 31 December 2017, as compared to € 16,696 thousand as at 31 December 2016. The net change in fair value of financial assets was recorded as a gain of € 4,112 thousand in the statement of comprehensive income. The valuation of investments was based on the values determined by independent valuers. The Company's investments in subsidiaries are not traded in an active market and the fair value is determined by using discounted cash flows method. Given the significant carrying value of investments, the revaluation to fair value has a significant impact on the financial statements. We focused on this area as the fair values are dependent upon significant estimates involved in performing the valuation, and they are very sensitive to the inputs and assumptions underlying those valuations. In particular, the most significant estimates relate to discount rates, long-term growth rate and free cash flow forecasts made by the management for the period of 5 years. Free cash flows were calculated as operating profit after tax plus depreciation, adjusted by change in working capital and decreased by capital expenditure.	Our procedures in relation to management's valuation of investments included as follows: • evaluation of the independent external valuers' competence, capabilities and objectivity; • assessment of the methodologies used and appropriateness of key assumptions and inputs based on our knowledge of IT industry; • testing, on a sample basis, whether specific information supplied to the valuers reflected the underlying information on financial performance of investments held by the Company; • testing the data inputs underpinning the valuation for a sample of investments, including sales, profitability ratios, capital expenditure, by agreeing them back to the supporting documentation. Because of the subjectivity involved in determining the value of investments and existence of alternative assumptions and valuation methods, we determined a range of values that were considered reasonable to evaluate independent valuations of investments used by management. The values of investments adopted by the Company were all within the acceptable range. We also considered whether or not there was bias in determining individual values and found no evidence of bias. We found that the key assumptions were supported by the available evidence. We found that the disclosures in Note 4 were appropriate.

For the above-mentioned reasons, due to existence of significant estimation uncertainty, we determined this area as a key audit matter.

Reporting on other information including the annual report

Management is responsible for the other information. The other information comprises the annual report, including the corporate governance report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, including the annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the annual report, we considered whether the annual report includes the disclosures required by Law of the Republic of Lithuania on Financial Reporting by Undertakings implementing Article 19 of Directive 2013/34/EU.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the annual report for the financial year ended 31 December 2017, for which the financial statements are prepared, is consistent with the financial statements; and
- the annual report has been prepared in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company for the year 2014. Our appointment has been renewed annually by the shareholders' resolution representing a total period of uninterrupted engagement appointment of 4 years.

The certified auditor on the audit resulting in this independent auditor's report is Rasa Radzevičienė.

On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė
Partner
Auditor's Certificate No. 000377

Vilnius, Republic of Lithuania
9 April 2018

BASIC DETAILS

Investment committee

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

Advisory Committee

Alvydas Banys
Indrė Mišeikytė
Virginijus Strioga
Gintaras Rutkauskas

Management Company

INVL Asset Management UAB

Depository

AB SEB bank

Principal place of business and company code

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

Company code 300893533

Banks

AB SEB bank

These financial statements were authorised for issue by the Management Company and signed on 9 April 2018.

Kazimieras Tonkūnas
INVL Technology managing partner at
INVL Asset Management UAB

Justina Kontenienė
Chief financier at INVL Asset
Management UAB

(All amounts are in EUR thousands unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2017	2016
Income			
Net change in fair value of financial assets	4	4,112	(4,013)
Dividend income	11	329	-
Interest income	11	39	1
Other revenue	12	257	97
Total net income		**4,737**	**(3,915)**
Management fee	14	(390)	(205)
Employee benefits		-	(189)
Other expenses		(243)	(232)
Total operating expenses	**13**	**(633)**	**(626)**
Operating profit (loss)		**4,104**	**(4,541)**
Finance costs	15	(20)	-
Profit (loss) before tax for the reporting period		**4,084**	**(4,541)**
Income tax benefit	16	-	26
Profit (loss) for the reporting period		**4,084**	**(4,515)**
Other comprehensive income for the reporting period, net of tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD, NET OF INCOME TAX		**4,084**	**(4,515)**
Basic and diluted earnings (deficit) per share (in EUR)	17	0.34	(0.37)

(All amounts are in EUR thousands unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017	As at 31 December 2016
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	4	20,808	16,696
Intangible assets and property, plant and equipment		-	-
Deferred income tax assets		-	-
Total non-current assets		**20,808**	**16,696**
Current assets			
Trade and other receivables and loans granted	6,18	39	27
Prepayments and deferred charges		-	-
Cash and cash equivalents	5	5,030	3,128
Total current assets		**5,069**	**3,155**
Total assets		**25,877**	**19,851**
EQUITY AND LIABILITIES			
Equity			
Share capital	1	3,531	3,531
Share premium		8,268	8,268
Reserves	7	10,154	10,154
Retained earnings		1,859	(2,225)
Total equity	**10, 21.3**	**23,812**	**19,728**
Liabilities			
Loan payables		1,709	-
Total long term liabilities	**8**	**1,709**	**-**
Current liabilities			
Loan payables	8	244	-
Trade payables		-	1
Employment-related liabilities		-	-
Other current liabilities	9	112	122
Total current liabilities		**356**	**123**
Total liabilities		**2,065**	**123**
Total equity and liabilities		**25,877**	**19,851**

(All amounts are in EUR thousands unless otherwise stated)

STATEMENT OF CASH FLOWS

	Notes	2017	2016
Cash flows from operating activities			
Net profit for the reporting period		4,084	(4,515)
Adjustments for:			
Elimination of items of financing activities		39	-
Dividend income	11	(329)	-
Interest income	11	(39)	(1)
Other revenue	12	(257)	-
Interest and related costs	15	20	-
Depreciation and amortisation		-	1
Net change in fair value of financial assets	4	(4,112)	4,013
Income tax (benefit) expense	16	-	(26)
		(594)	**(528)**
Changes in working capital:			
Decrease (increase) in financial assets at fair value	4	(5,000)	(3,754)
Investment transfer	4	5,250	-
Decrease (increase) in trade and other receivables	6	(12)	309
Decrease (increase) in other current assets		-	1
Increase (decrease) in trade payables		(1)	67
Dividends received	11,4	329	-
Increase (decrease) in other current liabilities		(10)	(49)
Cash flows from (used in) operating activities		**(38)**	**(3,954)**
Income tax paid		-	-
Net cash flows from (used in) operating activities		**(38)**	**(3,954)**
Cash flows from investing activities			
Acquisition of non-current assets		-	-
Interest received	12	7	13
Sale of non-current assets		-	4
Loans (granted)		2,050	(2)
Loan repayments received		(2,050)	73
Net cash flows from (used in) investing activities		**7**	**88**
Cash flows from financing activities			
Cash flows related to owners:			
Proceeds from distribution of newly issued shares		-	-
Cash balance at the company merged		-	-
		-	-
Cash flows related to other financing sources:			
Interest (paid)	8,15	(20)	-
Proceeds from borrowings	8	2,128	-
(Repayments) of borrowings	8	(175)	-
		1,933	-
Net cash flows from (used in) financing activities		**-**	**-**
Foreign exchange effect on the balance of cash and cash equivalents		-	-
Net increase (decrease) in cash and cash equivalents		**1,902**	**(3,866)**
Cash and cash equivalents in the beginning of the		**3,128**	**6,994**
Cash and cash equivalents at the end of the period	5	**5,030**	**3,128**

(All amounts are in EUR thousands unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Reserve for acquisition of own shares	Retained earnings	Total
Balance at 31 December 2015	**3,531**	**8,268**	**177**	**9,800**	**2,467**	**24,243**
Redistribution of retained earnings to the reserves	-	-	177	-	(177)	-
Total transactions with owners of the Company, recognised directly in equity	**-**	**-**	**177**	**-**	**(177)**	**-**
Net (loss) for 2016	-	-	-	-	(4,515)	(4,515)
Total comprehensive income for 2016	**-**	**-**	**-**	**-**	**(4,515)**	**(4,515)**
Balance at 31 December 2016	**3,531**	**8,268**	**354**	**9,800**	**(2,225)**	**19,728**
Redistribution of retained earnings to the reserves	-	-	-	-	-	-
Total transactions with owners of the Company, recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**-**
Net (loss) for 2017	-	-	-	-	4,084	4,084
Total comprehensive income for 2017	**-**	**-**	**-**	**-**	**4,084**	**4,084**
Balance at 31 December 2017	**3,531**	**8,268**	**354**	**9,800**	**1,859**	**23,812**

(All amounts are in EUR thousands unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

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

Based on Management Company “INVL Asset Management board decision the Investment Committee was formed in order to ensure efficiency and control of investments. The Investment Committee consists of 4 (four) representatives of the Management Company (employees, members of management bodies of the Management Company, other persons appointed by a decision of the Board of the Management Company). The purpose of the Investment Committee is to ensure the Managed Company’s objectives, its investment strategy and the adoption of prudent decisions for the investment and management of the Managed Company’s assets, to supervise the adopted decisions. On 2017 April Company has formed an Advisory Committee. The purpose of Advisory Committee is to provide the Investment Committee with reasoned and fact-based opinions as a way to express an independent position regarding investment decisions, thereby ensuring and protecting shareholders’ interests. The AC consists of four members who are appointed and removed by the board of the Managing Company.

The Company operates as a cluster of IT businesses working with large corporate and public entities with a focus in four key areas: business climate improvement and e-governance, IT infrastructure, cyber security and solutions for IT-intensive industries. At the end 2017 INVL Technology portfolio consists of 15 operating companies. The major investments of INVL Technology are currently in businesses based in Lithuania, Estonia, Norway, Moldova, Tanzania, Rwanda, Uganda and Bangladesh.

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

The Management Company manages the portfolio of investment instruments of the Company following principles of diversification set in the Articles of Association (the conformity of the portfolio of investment instruments of the Company to those principles shall be achieved within four years from the date the Bank of Lithuania issued a permission to certify Company’s incorporation documents and to choose the Depository). The Company cannot invest more than 30% of net asset value of the Company into any single issuer of the instrument. The indicator may be exceeded up to 4 years after the date the Company became a closed-ended investment company. More detailed requirements are lined out in the Articles of Association of the Company.

As at 31 December 2017 and 2016, the Company’s authorised share capital was divided into 12,175,321 ordinary registered shares with par value of EUR 0.29 each. All the shares of the Company have been fully paid. The Company’s subsidiaries hold no shares of the Company.

The shareholders holding ownership to or otherwise controlling over 5% of the Company’s authorised share capital (by number of votes held) are as follows as of 31 December 2016 and 31 December 2017:

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

The Company’s shares are traded in the Baltic Secondary List of NASDAQ Vilnius stock exchange.

In 2017 and 2016 the Company did not have employees.

2 Basis of preparation and accounting policies

2.1 Basis of preparation

Statement of compliance

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

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

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

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

Standards and amendments endorsed by the EU that are effective for annual periods beginning on 1 January 2017

Disclosure Initiative - Amendments to IAS 7

The amended IAS 7 require disclosure of a reconciliation of movements in liabilities arising from financing activities. Reconciliation of movement in liabilities arising from financing activities is presented in Note 8.

The standards and amendments endorsed by the EU that are effective for annual periods beginning on 1 January 2017 had no significant impact on the Company's financial statements and operation results.

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

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018) Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

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

The Company accounts for its investments at fair value under IFRS 10 and does not expect significant impact of the adoption of IFRS 9 for its financial assets. The Company, after transformation to closed-end investment company (Note 1) will be liable to account for success fee if certain threshold is met. The Company measures such liability at fair value (Note 2.9) and with application of IFRS 9 the Company will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)
The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

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

According to the management's opinion, the standard will have no significant impact to Company financial statements.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

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.

According to the management's opinion, the standard will have no significant impact to Company financial statements. The Company has no leases income or cost. The Company does not intend to adopt the standard before its effective date.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact to the Company.

2.2 Investment entity and consolidated financial statements

<u>Investment entity</u>

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

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

<u>Subsidiaries</u>

The Company meets the definition of an investment entity as defined by IFRS 10 and is required to account for the investments in its subsidiaries at fair value through profit and loss. The fair value of subsidiary investments is determined on a consistent basis as described in the Note 4.

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

2.3 Functional and presentation currency

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

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

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

2.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of investments that are not traded in active markets is determined by using valuation techniques. Such valuation techniques may include the most recent transactions in the market, the market price for similar transactions, discounted cash flow analysis or any other valuation models.

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

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

2.5 Financial assets

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

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

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

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

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

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

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

(i) Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separable embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

(ii) Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy requires the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. This sub-category includes unconsolidated subsidiaries that are part of the Company's investment portfolio. During the periods presented in these financial statements, all the financial assets at fair value through profit or loss have been designated to that category.

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

<u>Loans and receivables</u>

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

2.6 Impairment of financial assets

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

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

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

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

2.7 Trade and other receivables

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

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

2.8 Cash and cash equivalents

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

2.9 Success fee and Management fee

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

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

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

The Success Fee depends on the return earned by the Company, which shall be calculated for the whole Company but not for an individual shareholder and is based on internal rate of return. The Success Fee is disbursed after annual internal rate return of disbursements reaches annual rate of 8 percent during lifetime of the Company. The basis of calculation of annual internal rate of return is initial net assets value of the Company as of 13 July 2016 and is equal EUR 23,906,150.

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

The Success Fee shall be disbursed to the Management Company only after the Shareholders are paid their initial investment) with average annual return of 8 percent. Until then, the Success Fee shall be accumulated and reflected in financial statements as a liability to the Management Company according accounting policy. The Success Fee shall be disbursed to the Management Company each time when funds are disbursed to Shareholders if the condition provided above is satisfied (Note 2.10).

2.10 Financial liabilities

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

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

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

<u>Trade payables</u>

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

Borrowings

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

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

Management fee and Success Fee

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

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

The financial liability being recognised is the amount that the Company is liable to pay as a result of the quality of the service provided by the Management Company to date, as represented by the performance of the Company relative to 8% benchmark. Accordingly, the financial liability is recorded at fair value using valuation techniques. Detailed valuation techniques are described in Note 14.

2.11 Borrowing costs

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

2.12 Revenue recognition

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

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

Sale of services

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

Interest income

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

Dividend income

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

2.13 Share capital

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

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

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

2.14 Net Asset Value

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

2.15 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Investment Committee of the Management Company that makes strategic decisions. All financial information, including the measure of profit, total assets and total liabilities, is analysed as a single operating segment – investments in information technology businesses, therefore, it is not further disclosed in these financial statements.

2.16 Current and deferred income tax

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

Before the Company became closed-ended type investment company, the tax expense for the period comprised current and deferred tax. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

3 Accounting estimates and judgements

3.1 Judgements

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

Investment entity status

The management periodically reviews whether the Company meets all the definition criteria of an investment entity referred to in Note 2.2. In addition, the management assesses the Company's business objective (Note 1), investment strategy, origin of income and fair value valuation techniques. According to the management, the Company met all the definition criteria of an investment entity throughout all the periods presented in these financial statements.

Recognition of the Success fee and the Management Fee

The Company elected to use fair value model for the recognition of the success fee and the management fee portion payable upon first payment of the success fee. Payment of the success fee is subject to the future events and involves the use of valuation techniques and unobservable Level 3 inputs, such as long term growth rates, discount rates for the estimation of the current value of financial liability which are reviewed periodically to ensure reliability. Details of the inputs and valuation models used to determine Level 3 fair value are provided in Note 14.

3.2 Accounting estimates and assumptions

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

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

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

Fair values of investments in subsidiaries that are not traded in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The valuation techniques used to determine fair values are periodically reviewed and compared against historical results to ensure their reliability. Details of the inputs and valuation models used to determine Level 3 fair value are provided in Note 4.

4 Financial assets at fair value through profit or loss

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

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

(All amounts are in EUR thousands unless otherwise stated)

The table below presents the Company's direct and indirect investments in unconsolidated subsidiaries as at **31 December 2017:**

Name	Country of incorporation	Shares (voting rights) held directly/indirectly by the Company, (%)	Profile of activities
Vitma UAB **	Lithuania	100	Information technology solutions
BAIP UAB *	Lithuania	100	Information technology solutions
Acena UAB*	Lithuania	100	Information technology solutions
Norway Registers Development AS	Norway	100	Information technology solutions
NRD UAB*	Lithuania	89.20	Information technology solutions
Norway Registers Development East Africa Ltd*	Tanzania	70	Information technology solutions
Etronika UAB	Lithuania	90	Information technology solutions
Norway Registers Development Rwanda Ltd*	Rwanda	100	Information technology solutions
Infobank Uganda Ltd*	Uganda	30	Information technology solutions
NRD CS UAB	Lithuania	100	Information technology solutions
Algoritmų sistemos UAB	Lithuania	100	Information technology solutions
FINtime UAB	Lithuania	100	Business process outsourcing
NRD Bangladesh Ltd*	Bangladesh	100	Information technology solutions
Andmevara AS	Estonia	100	Information technology solutions
Andmevara SRL*	Moldova	100	Information technology solutions

** These entities were indirectly controlled by the Company as at 31 December 2017.*
***The company name changed from VITMA UAB to UAB Novian on 21st February, 2018.*

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

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

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

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

(All amounts are in EUR thousands unless otherwise stated)

The Company conducts an independent valuation of its investments in subsidiaries when preparing the annual financial statements. As at 31 December 2017, the valuation was carried out by Deloitte Verslo Konsultacijos UAB using the income approach. In the opinion of the management, the fair value of investments was determined appropriately using the inputs and ratios properly selected and reasonably reflecting the investments. The fair value of investments was determined in compliance with the International Valuation Standards approved by the International Valuation Standards Council. For the income approach, the discounted cash flow method was used. It was based on free cash flow forecasts made by management for the period of 5 years. Free cash flows were calculated as net operating profit after tax plus depreciation and minus change in working capital and capital expenditure.

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

Name	At 31 December 2017	At 31 December 2016
Vitma UAB Group*	7,497	7,710
Algoritmų sistemos UAB	3,821	3,222
NRD Group**	3,624	2,870
NRD CS UAB	5,067	1,908
Andmevara AS	525	733
FINtime UAB	274	253
Total	**20,808**	**16,696**

** As at 31 December 2017, Vitma UAB group consisted of Vitma UAB together with the entities controlled by it – BAIP UAB and Acena UAB*
*** As at 31 December 2017, NRD Group consisted of Norway Registers Development AS together with the entities controlled by it – NRD UAB, Etronika UAB, Norway Registers Development Rwanda Ltd (established in 2016) and Norway Registers Development East Africa Ltd, and its associate Infobank Uganda Ltd.*

Under the valid loan agreement with DNB bank AB, the subsidiaries indirectly controlled by the Company BAIP UAB and NRD UAB and Algoritmų sistemos UAB are required to obtain the bank's prior approval when declaring the dividends or making other distributions to shareholders. Other subsidiaries of the Company in 2017 December 31 did not have any significant restrictions on the repayment of dividends to the Company from non-consolidated subsidiaries or the Company's loans to unconsolidated subsidiaries. Due to changes in the fair value of subsidiaries of the Company, the Company may incur losses.

In 2017 these companies have announced and paid dividends: UAB Inventio (at the end of 2017 Company name was UAB Algoritmų sistemos) - 329 thousand EUR.

The table below presents movements in Level 3 financial instruments during 2017:

Opening balance at 1 January 2017	**16,696**
Investments in the purchase of new businesses	5,000
Sale of investments	(5,250)
Profit from the sale of investments*	250
Acquisitions for assets available for sale **	2,055
Assets held for sale (sale)**	(2,055)
Unrealized gains and losses for the reporting period recognized in the income statement for assets managed at the end of the reporting period	4,112
Closing balance at 31 December 2017	**20,808**

*2017 realized profit amounted to 5.000 thousand euro's and it was the result of the transfer of Deltagon Group shares.
* *Assets held for possible sale consisted of the acquisition of bonds issued by UAB BAIP, including accrued interest and redemption

The equity capital of INVL Technology, a company that invests in IT businesses, was EUR 23.81 million, or EUR 1.96 per share, at the end of 2017, and increased 20.7 percent during the year. In terms of assessing the performance of INVL Technology's business holdings in 2017, NRD Companies, which works in the area of business climate improvement and e-governance (and whose results also include the results of Etronika and NRD), saw revenue increase nearly 20 per cent in the year to EUR 7.23 million (versus 2016 revenue of EUR 6.03 million). The group's EBTIDA rose in the same period from a negative EUR 42,000 to a positive EUR 565,000. Net profit for 2017 was EUR 421,000, compared with a group loss of EUR 431,000 in 2016.

The largest revaluation gain was 3,159 thousand EUR after NRD CS company revaluation. NRD CS, which operates in the area of cybersecurity, more than doubled its revenue in 2017 to EUR 3.49 million (compared with EUR 1.58 million in 2016).

EBITDA increased 5.5 times to EUR 603,000 (up from EUR 110,000 in 2016). The company's net profit grew to EUR 468,000 in 2017, which is 6.8 times the previous year's level of EUR 69,000.
The revenues of BAIP and Acena, which work in the area of IT infrastructure, grew 5.7 per cent during 2017 to EUR 11.73 million (versus EUR 11.1 million in 2016). Their EBITDA for the same period more than doubled to EUR 780 000, up from EUR 373 000 in 2016. The companies had a net profit of EUR 203 000 for 2017, versus a net loss of EUR 107 000 the previous year.
The fair value of the Company's investments was determined by Deloitte Verslo Konsultacijos UAB. The table below presents the inputs and the fair value valuation techniques (Level 3) for investments in subsidiaries and the sensitivity analysis to changes in the inputs used:

Name	**Fair value, EUR '000**	**Valuation technique**	**Inputs**	**Input value**	**Reasonable possible shift -/+**	**Change in valuation +/-**
Vitma UAB	7,497	Discounted cash flow	Weighted average cost of capital	*9.60%*	-/+ 0.5 %	453 / (397)
			Long-term growth rate	*2.00%*	-/+ 0.5 %	(276) / 315
			Free cash flows	-	-/+ 20 %	(1187) / 1187
			Discount for lack of marketability	*13.2%*	-/+ 2 %	134 / (134)
			5y revenue growth rate	-	-/+ 0.5 %	(250) / 254
NRD Group	3,624	Discounted cash flow	Weighted average cost of capital	*13.20%*	-/+ 0.5 %	177 / (162)
			Long-term growth rate	*2.00%*	-/+ 0.5 %	(102) / 111
			Free cash flows	-	-/+ 10 %	(368) / 368
			Discount for lack of marketability	*13.2%*	-/+ 2 %	83 / (83)
			5y revenue growth rate	-	-/+ 0.5 %	(69) / 71
NRD CS UAB	5,067	Discounted cash flow	Weighted average cost of capital	*11.1%*	-/+ 0.5 %	287 / (257)
			Long-term growth rate	*2.00%*	-/+ 0.5 %	(167) / 187
			Free cash flows	-	-/+ 10 %	(489) / 489
			Discount for lack of marketability	*13.9%*	-/+ 2 %	118 / (118)
			5y revenue growth rate		-/+ 0.5 %	(92) / 93
Andmevara	525	Discounted cash flow	Weighted average cost of capital	*10.2%*	-/+ 0.5 %	49 / (43)
			Long-term growth rate	*2.00%*	-/+ 0.5 %	(31) / 35
			Free cash flows	-	-/+ 10 %	(53) / 53
			Discount for lack of marketability	*13.2%*	-/+ 2 %	12 / (12)
			5y revenue growth rate	-	-/+ 0.5 %	(14) / 14
Algoritmų sistemos UAB	3,821	Discounted cash flow	Weighted average cost of capital	*10.40%*	-/+ 0.5 %	207 / (184)
			Long-term growth rate	*2.00%*	-/+ 0.5 %	(129) / 145
			Free cash flows	-	-/+ 10 %	(366) / 366
			Discount for lack of marketability	*13.2%*	-/+ 2 %	88 / (88)
			5y revenue growth rate	-	-/+ 0.5 %	(67) / 68
Fintime UAB	274	Net assets value	N/A	*N/A*	N/A	N/A
Total:	**20,808**					

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

(All amounts are in EUR thousands unless otherwise stated)

Cash flow projections made by Company management for the period of 5 years (2018-2022) were used as a basis in the income method. Free cash flows were calculated as operating profit after tax plus depreciation/amortisation of property, plant and equipment and intangible assets, plus or minus changes in working capital and minus capital expenditure. The resulting value was adjusted by discount for lack of marketability and the amount of surplus assets/liabilities. As part of the valuation process, valuator had analysed items presented on the balance sheet of each company and had identified assets and liabilities, which can be treated as surplus assets (e.g. net working capital above normalised level, non-operating cash balances, loans to related parties) and debt/debt like items; all of which were adjusted when arriving at equity value of the company.

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

As at 31 December 2016

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

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

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

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

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

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

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

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

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

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

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

(All amounts are in EUR thousands unless otherwise stated)

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

5 Cash and cash equivalents

	At 31 December 2017	At 31 December 2016
Cash in bank accounts		
Cash EUR	5,030	3,128
Total cash and cash equivalents	**5,030**	**3,128**

2017 December 31 and 2016 December 31 The Company did not have terminated deposits.

All Company's cash and cash equivalents comprised funds in the bank's current accounts.

6 Trade and other receivables

	At 31 December 2017	At 31 December 2016
Receivables from subsidiaries for tax losses transferred (Note 18)	-	27
Loans granted to subsidiaries and accrued interest thereon	39	-
Dividends receivable from subsidiaries	-	-
	39	**27**

As at 31 December 2017 all receivables of the Company were not past due and were not impaired.

The ageing analysis of the Company's receivables as at 31 December 2017:

		Receivables past due but not impaired					
	Receivables not past due and not impaired	Less than 30 days	30 to 90 days	90 to 180 days	More than 180 days	Receivables Impaired	Total
Receivables for services rendered	-	-	-	-	-	-	**-**
Receivables for tax losses transferred	-	-	-	-	-	-	**-**
Loans granted	39	-	-	-	-	-	**39**
Dividends receivable	-	-	-	-	-	-	**-**
	39	**-**	**-**	**-**	**-**	**-**	**39**

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

Credit quality of receivables neither past due nor impaired

As at 31 December 2017, receivables neither past due nor impaired amounting to EUR 39 thousand were receivables from the subsidiaries which had no debts overdue as at 31 December 2017.

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

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

7 Reserves

As at 31 December 2017, the Company‘s reserves consisted of the reserve for acquisition of own shares amounting to EUR 9,800 thousand and legal reserve amounting to EUR 354 thousand. The reserves were formed upon appropriation of the Company’s result for the year.

Legal reserve

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

Reserve for acquisition of own shares

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

8 Loan liabilities

In 2017 September AB LUMINOR granted 1,953 thousand EUR to the Company loan. The purpose of the loan is the acquisition by Deltagon Group oy of a legal entity in Finland, company code 0948181-6, registered at Itälahdenkatu 22, 00210 Helsinki, Finland, for the acquisition of 100 (one hundred) per cent of the shares / units, through the acquisition of Mäkitalo Box 4 Oy, a company specially acquired in Finland, using the granted credit funds to increase the authorized capital of the company being established or transfer to a newly founded company. During 2017 there were no loan repayments, the amount of interest paid was 12 thousand EUR. Bank loan margin is 3.5%; Interest is variable, calculated and paid each month last day.

INVL Technology acquired 77.35 percent shares of Finnish cyber security company Deltagon Group Oy. The price of the acquisition is 5 million euro. The acquisition was completed on 28 September 2017 with payment for the shares.

In December 2017 the Company transferred the shares of Finnish company Nordic Cyber Security Oy, that manages 77.35 percent of Deltagon Group Oy shares, for EUR 5.25 million. Finnish state-owned enterprise Suomen Erillisverkot (State Security Networks Ltd) paid EUR 5.25 million for 100 percent of Nordic Cyber Security shares. It will have no significant influence on the results of INVL Technology.

In 2018 payable amount in total is 244 thousand EUR and consists of loan return and interest. Loan repayment term 2021 September.

2017 Vitma UAB has transferred to the Company 175 thousand EUR loan and laso it was repaid in 2017. Amount of accrued and paid interest is 1 thousand EUR.

(All amounts are in EUR thousands unless otherwise stated)

Net debt balance and cash flow from financial activities in 2016 and 2017 alignment:

	Cash / Account balance surplus	Current part of long term loans	Long-term loan, long-term part	Total
Net debt at 31 December 2016	**3,128**	**-**	**-**	**3,128**
Increase in cash and cash equivalents	1,902	-	-	1,902
Received loan	-	(419)	(1,709)	(2,128)
Loan returns	-	175	-	175
Other non cash changes	-	-	-	-
Net debt at 31 December 2017	**5,030**	**(244)**	**(1,709)**	**3,077**

9 Other short term liabilities

Other short-term liabilities in 2017 December 31 consisted of the amount payable to the depositary (6 thousand EUR), the payable sum to the management company (101 thousand EUR) and accrued or payable amounts to other suppliers (5 thousand EUR), the total amount of current liabilities was 112 thousand EUR.

Other short-term liabilities in 2016 December 31 consisted of the amount payable to the depositary (9 thousand EUR), the payable sum to the management company (108.5 thousand EUR) and accrued or payable amounts to other suppliers (4.5 thousand EUR), the total amount of current liabilities was 122 thousand EUR.

10 Net Asset Value (non-IFRS measure)

	At 31 December 2017	At 31 December 2016
Net asset value, total, EUR	23,811,753	19,727,655
Net asset value per share, EUR	1.9557	1.6203

11 Dividend income

In 2017 dividend income consisted from UAB Inventio announced and paid dividends in total 329 thousand EUR.

	2017	2016
Income		
Interest income	39	1
Dividend income	329	-
Income recognized in profit or loss statement	**368**	**1**

12 Other revenue

In 2017 other revenue consisted of the administration fee for the bonds issued by UAB BAIP and of investments in the Finnish company Nordic Cyber Security, managing 77.35%. Deltagon Group's share disposal proceeds.

	2017	2016
Accounting and management services	-	93
Other revenue	257	4
	257	**97**

13 Operating expenses

	2017	2016
Employee benefits	-	144
Taxes paid by employer	-	45
Employee benefits	*-*	*189*
Professional services	148	176
Audit services	5	4
Advertising and marketing	-	12
Rent and maintenance of premises	-	10
Lease and maintenance of motor vehicles	-	13
Other expenses	90	17
Other expenses	*243*	*232*
Management fee	*390*	*205*
Total	**633**	**626**

14 Management fee and Success fee

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

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

- Financial liability, related to the Success fee payable, was estimated using Monte Carlo simulation method, using weighted 5 year EBITDA growth and long term growth rate used in valuation of the investments (Note 4) and discounted using weighted average cost of capital (Note 4). Each value was weighted based on value of respective investment as of balance sheet date;
- Financial liability, related to the portion of the contingent Management fee payable with the Success fee, is set to zero, if financial liability, related to the Success fee payable, equals to zero; otherwise, financial liability is calculated as the Management fee (Note 2.9) and discounted using the same rate as financial liability, related to the Success fee payable.

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

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

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

15 Finance costs

	2017	2016
Interest expenses on borrowings from related parties (Note 18)	1	-
Interest and related expenses on borrowings	19	-
	20	**-**

16 Income tax

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

Income tax expense (benefit) components	**2017**	**2016**
Current income tax	-	-
Deferred income tax (benefit)	-	26
Income tax (benefit) recognised in the statement of comprehensive income	**-**	**26**

17 Earnings per share

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

The weighted average number of shares for 12 months of 2017 was as follows:

Calculation of weighted average for 12 months of 2017	**Number of shares (thousand)**	**Par value (EUR)**	**Issued/365 (days)**	**Weighted average (thousand)**
Shares outstanding as at 31 December 2017	12,175	0.29	365/365	12,175

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

	2017
Net profit attributable to the equity holders of the parent entity (EUR '000)	4,084
Weighted average number of ordinary shares (thousand)	12,175
Basic earnings per share (EUR)	**0.34**

18 Related-party transactions

The Company's transactions with other related parties during 2017 and outstanding balances as at 31 December 2017 were as follows:

	Revenue and income from related parties	**Purchases from related parties**	**Receivables from related parties**	**Payables to related parties**
The Company's subsidiaries				
Interests	39	-	39	-
Bonds	-	2,050	-	-
Dividends	329	-	-	-
Management fee	-	390	-	101
Other activities	7	-	-	-
	375	**2,440**	**39**	**101**

(All amounts are in EUR thousands unless otherwise stated)

Changes in loans granted to subsidiaries during 2017:

At 1 January 2017	**-**
Interest charged	39
Administration fee	7
Loans granted	2,050
Loan repayments received	(2,050)
Interest received	-
Administration fee	(7)
Foreign exchange effect on the balance of loans	-
At 31 December 2017	**39**

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

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

Changes in loans granted to subsidiaries during 2016:

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

19 Segment reporting

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

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

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

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

The Company is domiciled in Lithuania. All of the Company's dividend income was from a single investment in entity incorporated in Lithuania in 2017 (Note 11). The Company has no significant assets classified as non-current assets.

(All amounts are in EUR thousands unless otherwise stated)

20 Financial instruments by category

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

	Loans and receivables	Financial assets at fair value through profit or loss	Total
At 31 December 2017			
Assets as per statement of financial position			
Financial assets at fair value through profit or loss	-	20,808	20,808
Receivables	39	-	39
Cash and cash equivalents	5,030	-	5,030
Total	**5,069**	**20,808**	**25,877**

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

	Financial liabilities at amortised cost
At 31 December 2017	
Liabilities as per statement of financial position	
Loan payables	1,953
Trade payables	-
Other current liabilities, excluding taxes and employee benefits	112
Total	**2,065**

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

21 Financial risk management

21.1 Financial risk factors

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

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

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

The Company's business objective is to achieve medium to long-term return on investments in carefully selected unlisted private companies operating in information technology sector. The goal of the Company is increase value of its investments with the purpose to sell the investments at the end of this life (Note 1) earning adequate return for the shareholders and success fee if applicable (Note 2.9)

(All amounts are in EUR thousands unless otherwise stated)

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

Credit risk

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

With respect to trade and other receivables neither past due nor impaired, there were no indications as at the reporting date that the debtors will fail to fulfil their liabilities in due time, since the Company constantly reviews the balances of receivables. The Company has no significant transactions in a country other than the countries of domicile of the subsidiaries and their investments. All receivables of the Company are from subsidiaries, and their settlement terms are set by the Company itself.
With respect to credit risk arising from other financial assets of the Company (consisting of cash and cash equivalents), the Company's exposure to credit risk arises from default of the counterparty. The maximum exposure to credit risk was equal to the carrying amount of these instruments:

Assets with no credit rating assigned	**At 31 December 2017**	**At 31 December 2016**
Trade and other receivables	39	27
Loans granted	-	-
Cash and cash equivalents	5,030	3,128
Total current assets	**5,069**	**3,155**

The Company accepts the services from the banks and the financial institutions which (or the controlling financial institutions of which) have been assigned a high credit rating by an independent rating agency. As at 31 December 2017 the Company's cash balances were held in the financial institutions which have not been assigned individual credit ratings, but the controlling financial institutions of which have been assigned "Prime-1" rating by Moody's agency.

Interest rate risk

In 2017 September AB LUMINOR granted 1,953 thousand EUR to the Company loan. Bank loan margin is 3.5%; Interest is variable, calculated and paid each month last day.

The Company is exposed to market interest rate risk, primarily due to liabilities subject to variable interest rates.

The following table uncovers the sensitivity of the Company's net profit to reasonably expected changes in floating interest rates (EURIBOR), and does not change all other variables (considering the impact on loans with a floating interest rate). There is no influence on the Company's equity, except for the effect on the profit of the current year.

2017	**Increase in base points**	**Company**
thousands. EUR	+50	(9)

2017 December 31 The EURIBOR interest rate was negative and therefore, according to loan agreement terms it is equivalent to zero.

Price risk

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

As at 31 December 2017, the fair value of the Company's investments exposed to price risk was EUR 20,808 thousand (31 December 2016: EUR 16,696 thousand).

(All amounts are in EUR thousands unless otherwise stated)

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with the strategic plans.

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

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

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

The Company's financial liabilities based on undiscounted contractual payments consisted of:

	Up to 3 months	4 - 12 months	2 to 5 years	Over 5 years	Total
Loans to credit institutions with interest	17	292	1,810	-	2,119
Other current liabilities	112	-	-	-	112
At 31 December 2017	**129**	**292**	**1,810**	**-**	**2,231**
Loans to credit institutions with interest	-	-	-	-	-
Other current liabilities	123	-	-	-	123
At 31 December 2016	**123**	**-**	**-**	**-**	**123**

At 31 December 2016 the Company did not have any loans.

The company has no liquidity problems and there are no expectations that they will arise in the foreseeable future.

Foreign exchange risk

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

21.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company carries investments in subsidiaries at fair value, please refer to Note 4 for more details.

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

The carrying amount of the cash and cash equivalents, trade and other receivables, as well as trade and other payables of the Company as at 31 December 2017 approximated their fair value because they are short-term and the impact of discounting is immaterial.

21.3 Capital management

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

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

During 2017, no changes were introduced in the objectives of capital management, policies or processes.

The Company is obliged to keep its equity ratio at not less than 50 % of its share capital, as imposed by the Lithuanian Law on Companies. As at 31 December 2017 the Company complied with this requirement.

22 Events after the reporting period

On 4 January, 2018 the Company has signed the private placement bonds agreement with portfolio company BAIP. BAIP will keep money raised in the bond issue in a separate account and do not plan to use the funds for the company's operational activities. BAIP UAB will use money raised in the bond issue to ensure the participation in a foreign tender.

The Company acquired its BAIP bonds for 0,5 million. euro the annual interest rate on bonds is 6%. Bond currency - euro. Bond redemption date (maturity) - 2018 March 31, bonds were redeemed on 28 February, 2018.

INVL TECHNOLOGY

Special Closed-Ended Type Private Capital Investment Company‘s

INVL Technology Annual Report of 2017

Prepared in accordance with The Information Disclosure Rules approved by the decision No. 03-127 of the Board of the Bank of Lithuania passed on 22 August 2017.

Translation note:

This version of the Annual Report for the year of 2017 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

Foreword of the Managing Partner of INVL Technology

2017 was successful for INVL Technology – since most of the manged companies increased not only revenue, but also profit, the value of the companies under management grew as well.

Kazimieras Tonkūnas

INVL Technology Managing Partner

2017 was successful for INVL Technology – since most of the manged companies increased not only income, but also profit, the value of the companies grew as well. Good results were demonstrated by companies operating in the areas of cyber security, fintech and solutions for IT intensive industries. Income of INVL Technology companies mostly grew in the markets of East Africa and South Asia.

In 2017 we were expanding the regular sales channels and developing new products

The priority for INVL Technology in 2017 was expansion of the regular sales channels as well as the portfolio of the managed companies. The priority for the managed companies was new product development as well as increasing their capacity for international operations.

In 2017 INVL Technology companies carried out projects in 17 countries, including in 14 countries, in which the projects were also carried out in 2016. The companies started new projects, made new contacts with partners in Cyprus, Albania, Malawi, Gambia, India. It enabled them to partly compensate for the new stage of EU funding for the IT sector in Lithuania that has not started yet.

At the beginning of 2017, we established a company in Bangladesh – NRD Bangladesh Ltd., which helped companies to get established in the market, which is strategically important for the entire group. In the second quarter of 2017, in Bangladesh, NRD CS along with NRD AS completed the project of development of the national computer incident response team, which was nominated in February 2018 for a World Summit on the Information Society (WSIS) Prize 2018 in Action Line C5: Building confidence and security in the use of ICTs. NRD Companies, BAIP and NRD CS also supplied technologies in Bangladesh, intended for development of the computer incident response team (CIRT) laboratory in Bangladesh Computer Council and strengthening of national critical infrastructure.

In 2017, experts of the managed companies also actively organised and took part as presenters and lecturers in various events both in Lithuania and elsewhere in Europe, East Africa and South Asia, cooperated with various international organisations and created new products such as Processes management system by Etronika, NRD CS open-source intelligence module and others. That reinforced the intellectual capital of the companies and laid foundation for growth in value.

In 2018 we will develop the companies and raise their value

In 2018, INVL Technology will give priority to development of the managed companies and increasing their value. The classification of companies into 4 areas of activity, as used until now, will be replaced by 3 new functional groups: business climate improvement and e-government, IT services and software, and cyber security.

NRD companies will continue to belong to the business climate improvement and e-government group, the cyber security group will cover NRD CS UAB and other potential acquisitions in this area, whereas the IT services and software group will be formed by joining the areas of IT infrastructure and IT intensive industries' solutions. IT services and software group will be formed of companies Novian UAB (known as Vitma UAB until February 2018), BAIP UAB, Acena UAB, Algoritmų sistemos UAB and Andmevara AS (that used to belong to the business climate improvement and e-government group).

We believe that this will enable the companies to serve clients better, create a competitive advantage in the Baltic States, support business development in Norway and Sweden, join the companies' forces for development in the region, and increase their income and value. We think that bigger companies will be attractive for investors too

NOVIAN

On 21st February Vitma UAB has changed its name to Novian UAB.

Investments

Currently, INVL Technology is exploring new investment possibilities in Lithuania, Sweden and Norway. We expect to make a new acquisition in 2018 or at the beginning of 2019.

In 2018, the company will also support creation of inner start-ups in INVL Technology companies. Spinning-off of a part of business or product to form separate subsidiaries is also possible.

Managed companies will strengthen their product portfolios and increase efficiency of their activities

In 2018, the priority of the managed companies further lies in new product development as well as increasing their capacity for international operations. The companies will invest into commercialisation and sales of already developed products, brand awareness, also improving service quality and customer satisfaction.

During this period of intensive investment, the collaboration between INVL Technology managed companies is an important aspect of the value growth by 2026. It allows the companies to utilise their resources more effectively, share and take over the best-practices, use sales channels in foreign markets and together develop new specialised competences. Newly formed functional groups will further this by enabling the companies to develop new joint products and services, suitable for better service of clients in the Baltic States and in the territories of East Africa and South Asia, more effectively.

Besides, in September 2017, INVL Technology companies Etronika, FINtime, BAIP, NRD CS, NRD and Acena, which operate in the capital city of Lithuania, moved to new premises in Vilniaus Vartai complex at Gynėjų g. 14, Vilnius. In February 2018, they were joined by Algoritmų sistemos. We hope that working side by side, they will be able to carry out multifaceted projects, bringing clients added value and the opportunity to deal with multiple project partners in one place.

INVL Technology's businesses will further benefit from having, together at Vilnius Gates, BAIP'S 24/7 systems monitoring centre and service request management centre, coordinating services in nine countries, and NRD CS Cybersecurity Incident Response Team (NRD CIRT). In addition, clients now have the convenience of being able to discuss ongoing projects in one place. The site hosts meetings and presentations, conferences and workshops.

Kazimieras Tonkūnas

INVL Technology Managing Partner

I. GENERAL INFORMATION

1 Reporting period for which the report is prepared

The Annual Report for the year 2017 is prepared for the period from 1 January 2017 until 31 December 2017. The report also includes important events of the company and group occurring after the end of the reporting period. The report was reviewed by the auditor.

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

2.1. Information about the Issuer

Name of the Issuer	Special closed-ended type private capital investment company INVL Technology
Code	300893533
Address	Gynėjų str. 14, LT01109 Vilnius, Lithuania
Telephone	+370 5 279 0601
Fax	+370 5 279 0530
E-mail	info@invltechnology.lt
Website	www.invltechnology.lt
Legal form	Public joint-stock company
Type of the company	Closed-ended type investment company
Date and place of registration	27 June 2007. Register of Legal Entities
Date on which the supervisory authority approved the documents on the formation of the collective investment undertaking	14 July 2016
Register in which data about the Company are accumulated and stored	Register of Legal Entities
Management company	INVL Asset Management UAB, code 126263073, licence No. VĮK-005
The depository	SEB Bank, AB, code 112021238, bank licence No. 2

2.2. Information on company’s goals, philosophy and strategy

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

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

At the end of 2017, 15 operating companies had formed a portfolio of INVL Technology managed companies.

INVL Technology has investments in the Norwegian company Norway Registers Development AS with subsidiaries NRD Systems (NRD UAB) and Etronika UAB in Lithuania, Norway Registers Development East Africa Ltd. in Tanzania, Norway Registers Development Rwanda Ltd. in Rwanda, Norway Registers Development Bangladesh Ltd. in Bangladesh and Infobank Uganda Ltd. in Uganda. It has also invested in BAIP UAB with its subsidiary Acena UAB, NRD CS UAB and Algoritmų sistemos UAB, all in Lithuania, Estonia’s Andmevara AS with its subsidiary Andmevara SRL in Moldova.

INVL Technology – a company, investing in IT businesses, listed on Nasdaq Baltic stock exchange (ticker symbol INC1L) from June 2014.

2.3. Information about the Issuer‘s group of companies

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

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

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

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

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

2.3.1. Portfolio companies of INVL Technology:

BUSINESS CLIMATE IMPROVEMENT AND E-GOVERNANCE:

NRD Companies

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

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

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

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

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

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

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

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

IT INFRASTRUCTURE:

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

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

Novian UAB (Vitma UAB that was renamed in February 2018) is a company that manages BAIP UAB and its subsidiary Acena UAB as well as represents the newly formed IT services and software cluster at INVL Technology. The cluster comprises of INVL Technology companies Novian UAB, BAIP UAB, Acena UAB, Algoritmų sistemos UAB and Andmevara AS.

CYBER SECURITY:

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

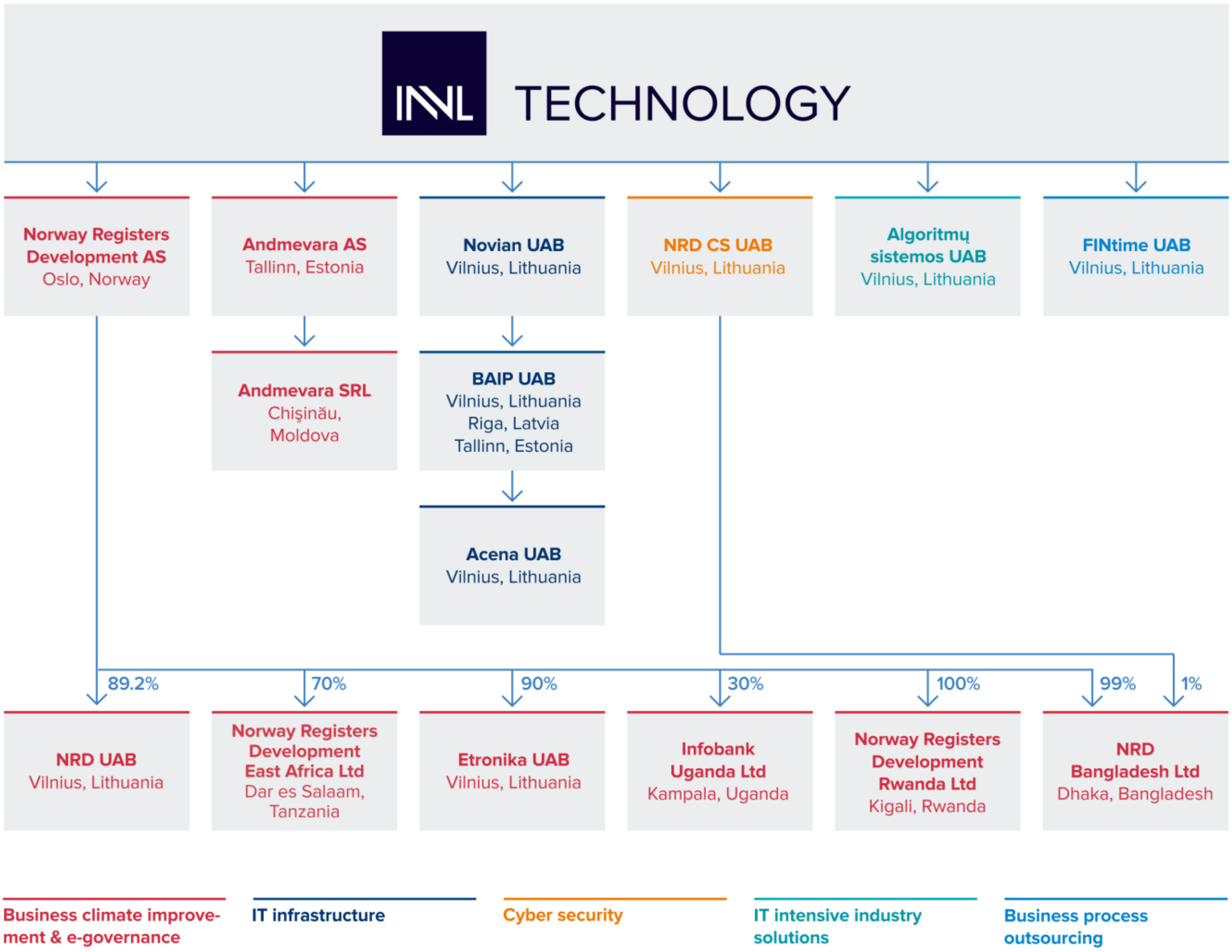
IT INTENSIVE INDUSTRIES' SOLUTIONS:

Algoritmų sistemos UAB develops high quality, effective and reliable information systems and business process facilitating programs for large and medium-sized public organizations and enterprises. Main fields of company activity include: e-governance, e-health, finance, social security, environmental protection and education. More information – www.algoritmusistemos.lt

BUSINESS PROCESS OUTSOURCING:

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

2.3.2. Structure of the portfolio companies of INVL Technology:



2.3.3. Geography of INVL Technology portfolio companies:

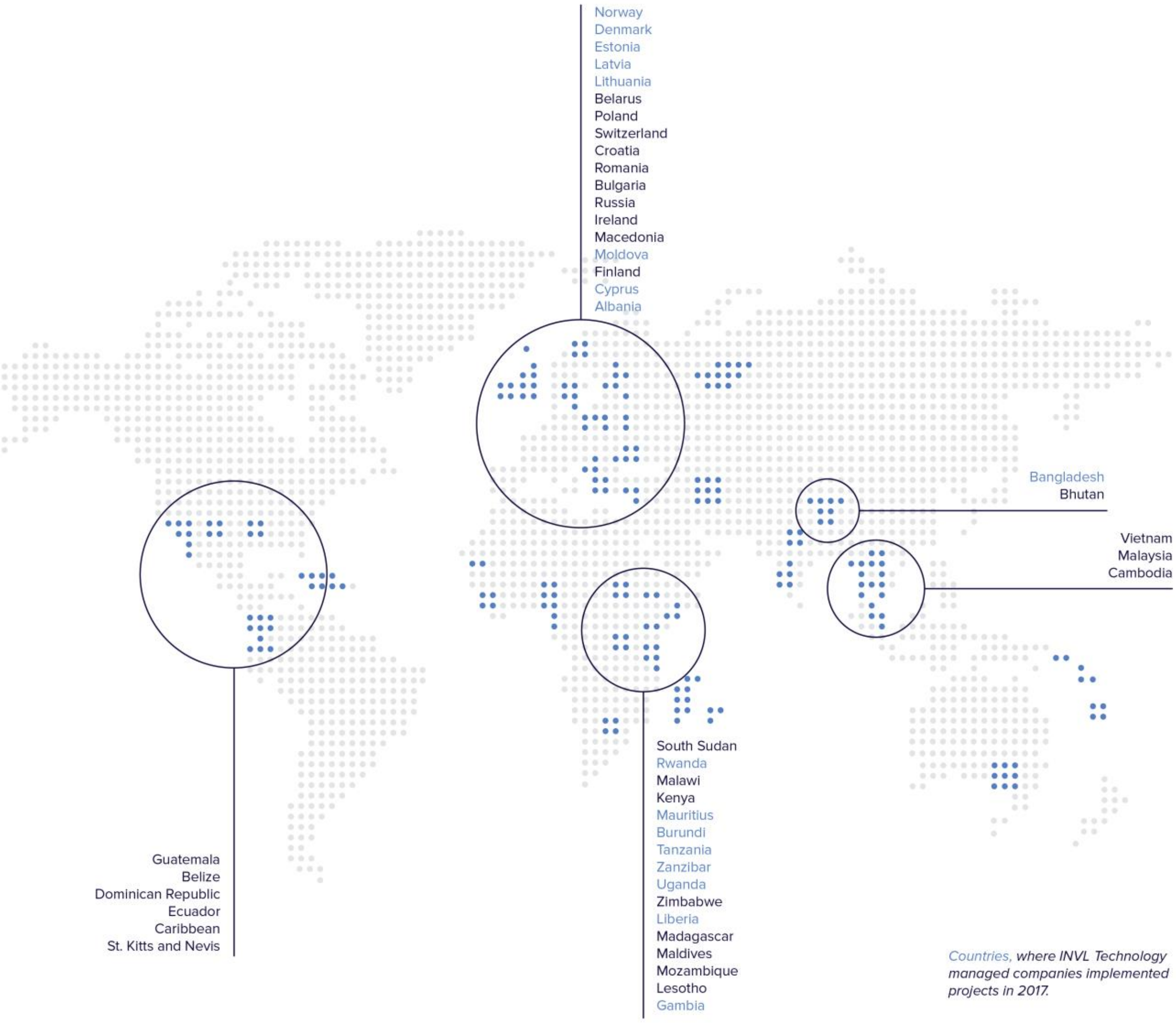


Fig. 2.4.4. Geography of INVL Technology companies (countries written light blue colour, where INVL Technology managed companies implemented projects during the accounting period)

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

3. Business environment

3.1. Table. Baltic stock market

Index/Shares	01.01.2017	31.12.2017	+/- %
OMX Tallinn	1,075.50	1,242.12	15.49
OMX Riga	733.77	996.13	35.76
OMX Vilnius	558.50	653.29	16.97

Source: Nasdaq Baltic

3.2. Table. Global GDP forecast

Country	2015	2016	2017	2018	2019
USA	2.6	1.6	2.3	2.8	2.5
Japan	1.2	0.9	1.5	1.2	1.0
Germany	1.8	1.9	2.2	2.5	2.2
China	6.9	6.7	6.9	6.6	6.2
GB	2.2	1,9	1.8	1.4	1.1
Euro zone	2.0	1.8	2.3	2.5	2.2
Nordic countries	2.3	2.2	2.4	2.4	2.3
Baltic countries	2.0	2.2	4.2	3.5	3.2
OECD	2.4	1.8	2.4	2.5	2.2
Emerging markets	4.0	4.3	5.0	5.2	5.1
The world, PPP*	3.3	3.2	3.9	4.0	3.9

* Purchasing Power Parities

Source: SEB Nordic Outlook, February 2018, the Bank of Lithuania

Momentum in the global economy has continued to build up in 2017. Even though GDP growth rates projected for the US, the UK and India have been revised down, the potential deceleration in the growth of these economies may be offset by stronger than-expected activity in the economies of the euro area, Japan, China and Russia as well as the European economies classified as emerging market economies.

Lithuania's economic growth has picked up notably in 2017 on the back of strong support from improvements in the international economic environment. This year the global demand for investment goods has recovered substantially from its previously recorded lows, giving a significant boost to international trade. Of all the components of aggregate demand, it is investment that usually has the closest relationship to external trade. That is why the increase in investment has made such a significant contribution towards the growth of imports and exports in various countries, including Lithuania's key trade partners, i.e. the euro area and other EU countries. Headline inflation in the country remains elevated. Current price developments are driven by both domestic economic factors and the evolving trends in global commodity markets. The latter, in particular, have pushed consumer prices to higher-than forecasted levels in recent months. A substantial contribution to inflation has come from domestic economic developments. Prices for services, which have been on an upward path and which, of all consumer prices, are the most affected by the situation in the labour market and domestic demand, have accounted for nearly one-third of inflation. Given that wage growth, which has been quite robust and prolonged, has been outpacing the growth of labour productivity by a rather high margin, labour costs have had an inflationary effect on prices. Higher household income has also created pressure on prices through the growth of domestic demand.

Economic development in the major Scandinavian countries has followed a similar path this year. In particular, the economies of Denmark, Norway and Sweden have achieved fairly robust growth rates despite remaining risks related to the sustainability of household debt and developments in the real estate market. In Norway, the acceleration of economic growth has been fuelled by the rebound in prices for crude oil and gas. Improvements in consumer confidence and employment have led to an increase in household consumption, whereas higher business confidence has translated into higher investment.

4. Key figures of INVL Technology, thous. EUR

4.1. Key figures of INVL Technology, thous. EUR

	12 months of 2016	12 months of 2017
Change in the fair value of financial assets	(4,013)	4,112
Profit (loss) before taxes	(4,541)	4,084
Net profit (loss)	(4,515)	4,084
	31.12.2016	31.12.2017
Financial assets value	16,696	20,808
Cash and Cash equivalents	3,128	5,030
Other assets	27	39
TOTAL ASSETS	**19,851**	**25,877**
Other liabilities	123	2,065
of which financial debt	-	*1,953*
Equity	19,728	23,812
TOTAL EQUITY AND LIABILITIES	**19,851**	**25,877**

Equity of the Company, after the revaluation of financial assets, as of 31 December 2017 was EUR 23.81 million or EUR 1.96 per share (compared to 1.62 euro per share at the end of 2016) and increased 20.7 percent in 2017.

The Company's ***net asset value*** as of 31 December 2017 was **EUR 23.811.753 or EUR 1.9557 per share**.

The Company conducts an independent valuation of its investments in subsidiaries when preparing the annual financial statements. As at 31 December 2017 the valuation was carried out by Deloitte Verslo Konsultacijos UAB. The fair value of investments was determined in compliance with the International Valuation Standards approved by the International Valuation Standards Council. In the opinion of the management, the fair value of investments was determined appropriately using the inputs and ratios properly selected and reasonably reflecting the investments.

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

4.2. Financial assets, thous. EUR

Company	31.12.2016	31.12.2017
Novian UAB* (Includes both BAIP UAB and Acena UAB)	7,710	7,497
Algoritmų sistemos UAB (Inventio UAB in 2016)**	3,222	3,821
NRD Companies (includes Etronika UAB, NRD UAB, Norway Registers Development AS and others)	2,870	3,624
NRD CS UAB	1,908	5,067
FINtime UAB	253	274
Andmevara AS	733	525
Total	**16,696**	**20,808**

* Vitma UAB on 21.02.2018 changed its name to Novian UAB

**31.12.2016 includes both Inventio UAB and Algoritmų sistemos UAB; in 2017 the companies were merged

The priority for the managed companies in 2017 was new product development as well as increasing their capacity for international operations. In 2017, experts of the managed companies also actively organised and took part as presenters and lecturers in various events both in Lithuania and elsewhere in Europe, East Africa and South Asia, cooperated with various international organisations and created new products such as Processes management system by Etronika, NRD CS open-source intelligence module and others. That reinforced the intellectual capital of the companies and laid foundation for growth in value.

4.3. Change in fair value of financial assets, thous. EUR

Opening balance	16,696
Investments in the purchase of new businesses	5,000
Sale of investments	(5,250)
Profit from the sale of investments	250
Revaluation	4,112
CLOSING BALANCE	**20,808**

4.4. Indexes 2016-2017

	2016	2017
Net Asset Value per share, EUR	1.62	1.96
Total Net asset value (equity value), thous. EUR	19,728	23,812
Return on equity (ROE) = net profit / equity * 100	(22.88)%	17.15%
Earnings per share (EPS) = net profit / number of shares	(0.37)	0.34
Debt ratio = liabilities/ assets	0.01	0.08
Change in fair value, thous. EUR	(4,013)	4,112
Net profit, thous. EUR	(4,515)	4,084
Liquid funds and total assets ratio = cash and cash equivalents/assets	15.76%	19.44 %
Investing in a company operating ratio of the net asset value*	39.12%	31.48%

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

4.5. Significant Issuer's and its group events during the reporting period, effect on the financial statement

Significant events during the reporting period

FINANCIAL REPORTS

- **28 February 2017** INVL Technology announced preliminary operating results for 12 months of 2016. The preliminary equity of INVL Technology, after the revaluation of financial assets, as of 31 December 2016, was EUR 19.7 million or EUR 1.62 per share (compared to 1.99 euro per share at the end of 2015) and decreased 18.6 percent in 2016.
- **6 April 2017** INVL Technology announced that on 31 March 2017 the Net Asset Value of the Company was EUR 19,259,953.53 or EUR 1.5819 per share.
- **28 April 2017** INVL Technology reported preliminary operating results for 3 months of 2017. Equity of INVL Technology as of 31 March 2017 was EUR 19.26 million or EUR 1.58 per share. Net loss of the Company for the first quarter of 2017 was EUR 468 thousand. On 31 March 2017 the net asset value of the Company was EUR 19,259,953.53 or EUR 1.5819 per share.
- **30 August 2017** INVL Technology reported the results for 6 months of 2017. Equity of INVL Technology as of 30 June 2017 was EUR 19.7 million or EUR 1.62 per share. Investments of the Company amounted to EUR 16.6 million at the end of June 2017. The cash and cash equivalents of the Company increased from EUR 3.1 million to EUR 3.2 mln in 6 months of 2017. On 30 June 2017 the net asset value of the Company was EUR 19,748,704.83 or EUR 1.6220 per share.
- **31 October 2017** INVL Technology reported the results for 9 months of 2017. Equity of the Company and the Company's net asset value as of 30 September 2017 was EUR 19,941,795.21 or EUR 1.6379 per share. Investments of the Company to managed companies amounted to EUR 21.9 million at the end of September 2017. Increase in fair value of investments amounted to EUR 5.2 million in nine months of 2017. The cash and cash equivalents of the Company decreased from EUR 3.1 million to EUR 50 thousand in nine months of 2017. The net profit of the Company amounted to EUR 214 thousand.

AGREEMENTS

- **4 April 2017** Etronika UAB has signed a distribution agreement with Comarch Technologies, technology wing of the Comarch Capital Group.
- **3 May 2017** INVL Technology has signed the Amendment of the Services Agreement with AB SEB bank. The parties agreed on a 0.04 percentage point lower depository fee.

CHANGES IN PORTFOLIO COMPANIES

- **2 February 2017** INVL Technology managed NRD Companies has established a subsidiary entity in Dhaka - NRD Bangladesh. NRD Bangladesh offers full portfolio of NRD Companies and other INVL Technology businesses' services and supports NRD Companies projects in South and Southeast Asia regions.
- **19 April 2017** the shareholders of Algoritmų sistemos, a business managed by the IT investment company INVL Technology, and shareholders of Profectus novus agreed to terminate the transaction on the acquisition of the shares of Profectus novus
- **28 September 2017** INVL Technology through 100 percent controlled Finnish company acquired 77.35 percent shares of the Finnish cyber security company Deltagon Group Oy. The price of the acquisition is EUR 4.882 million.
- **7 December 2017** INVL Technology transferred the shares of Finnish company Nordic Cyber Security Oy, that manages 77.35 percent of Deltagon Group Oy shares. Finnish state-owned enterprise Suomen Erillisverkot (State Security Networks Ltd) paid EUR 5.25 million for 100 percent of Nordic Cyber Security shares.

MANAGEMENT AND SUPERVISORY BODIES

- **18 April 2017** An Advisory Committee for INVL Technology has been appointed by the board of INVL Asset Management, its management company. The Advisory Committee of the Company is composed of Invalda INVL board members Alvydas Banys and Indrė Mišeikytė, Lietuvos Draudimas's Investment Director for the Baltic countries Gintaras Rutkauskas, and one of the owners of the E-energija group of companies Virginijus Strioga.

- **27 April 2017** the Shareholders Meeting of INVL Technology took place. The following resolutions were adopted: to approve the financial statements for 2016 of INVL Technology; to approve the regulations of the Audit Committee of INVL Technology and to elect Dangutė Pranckėnienė (independent member) and Tomas Bubinas (independent member) to the Audit Committee of INVL Technology for the 4 (four) years term of office; to delegate to the Management company of INVL Technology to determine the remuneration payment procedure for the Audit Committee members; to change the Company registered address.

EMPLOYEE PERKS IN THE FORM OF INVL TECHNOLOGY STOCK

- **19 May 2017** INVL Technology announced that employees of the companies owned by INVL Technology will receive some bonuses in the form of INVL Technology stock. It is envisaged that up to 30 percent of employee bonuses will be paid in stock. It is stipulated that the price paid for shares shall not exceed the net asset value.

NEW PREMISES

- **In the middle of 2017** several INVL Technology companies, operating in the capital, moved into Vilnius Gates: Etronika, FINtime, BAIP, NRD CS, NRD and Acena. Algoritmų Sistemos will join them in early 2018.

Significant events occurred after the end of the reporting period

- **28 February 2018** preliminary operating results for 12 months of 2017 were announced. The equity capital of INVL Technology, a company that invests in IT businesses, was EUR 23.146 million, or EUR 1.90 per share, at the end of 2017, and increased 17.3 per cent during the year. The company's investments in the businesses it owns totalled EUR 20.1 million at the end of December and increased by EUR 3.4 million from the start of 2017. According to preliminary data, the company's net profit for 2017, taking into account a revaluation of financial assets, was EUR 3.418 million.

SIGNIFICANT EVENTS OF PORTFOLIO COMPANIES DURING REPORTING PERIOD

BUSINESS CLIMATE IMPROVEMENT AND E-GOVERNANCE. NRD COMPANIES

KEY PROFIT (LOSS) ITEMS, THOUSAND EUR*

	NRD Companies		Etronika UAB[1]		NRD UAB[1]	
	2016	2017	2016	2017	2016	2017
Revenue	6,032	7,227	1,540	1,667	1,978	2,020
Gross profit	4,077	4,282	1,368	1,568	1,922	1,842
EBITDA	(42)	565	(236)	294	124	134
EBIT	(250)	372	(279)	268	80	93
Net Profit (Loss)	(431)	411	(286)	248	62	71

KEY BALANCE SHEET ITEMS, THOUSAND EUR*

	NRD Companies		Etronika UAB[1]		NRD UAB[1]	
	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017
Tangible assets	314	257	42	9	335	305
Intangible assets	593	599	263	402	5	4
Other non-current assets	43	50	-	15	21	22
Current assets	2,964	3,608	360	464	1,083	1,014
of which cash	*456*	297	57	130	-	-
Total assets	**3,914**	**4,514**	**665**	**890**	**1,444**	**1,345**
Equity	1,109	1,441	4	297	583	654
Non-current liabilities	229	103	81	81	21	-
Of which financial debt	*12*	-	-	-	-	-
Current liabilities	2,576	2,970	580	512	840	691
of which financial debt	*365*	130	142	60	14	70
Total liabilities and equity	**3,914**	**4 514**	**665**	**890**	**1,444**	**1,345**

* results of portfolio companies are unaudited

NRD Companies is a global information technology and consulting group of companies specialized in governance and economic digital infrastructure development. The group specialises in development of national registries and information systems, digital and m-signature solutions, digital platforms for the financial and retail sectors, digital platforms for state revenue collection, information distribution, banking, digital licensing, digital documentation, and other economic digital infrastructure solutions.

NRD Companies is structured to deliver world-class information technology solutions in Europe, Sub-Saharan Africa, South and Southeast Asia as well as small island states at a competitive cost with a seamless implementation on the ground and provide complementary solutions and services via specialized companies.

[1] The results of Etronika UAB and NRD UAB are included into results of NRD Companies

The group structure:

- Norway Registers Development is the managing company as well as legal, consulting, project leadership and know-how hub for the group based in Sandvika, Norway;
- NRD Systems (NRD UAB) is an information system development and project delivery company with core competences in state tax systems and state registry modernization based in Vilnius, Lithuania;
- NRD East Africa is a regional sale, project leadership, project support and maintenance company for group projects across East African countries based in Dar es Salaam, Tanzania;
- NRD Rwanda is a regional sale, project leadership, project support and maintenance company for group projects in Rwanda, Burundi and Democratic Republic of the Congo;
- NRD Bangladesh is a regional sale, project leadership, project support and maintenance company for group projects in South Asia;
- Etronika is among the top 100 most innovative FinTech companies in Europe, offering digital platforms for finance and retail sectors, digital and mobile signature, mobile payments, digital services for point-of-sales terminals and other services. Company is based in Vilnius, Lithuania;
- Infobank Uganda is a specialized company based in Kampala, Uganda providing information on Ugandan businesses.

PROJECTS

In 2017 NRD companies implemented projects in Lithuania, Finland, Estonia, Albania, Tanzania, Zanzibar, Uganda, Ruanda, Burundi, Mauritius and Bangladesh. Companies are also actively participating in international tenders in South Asia and East Africa.

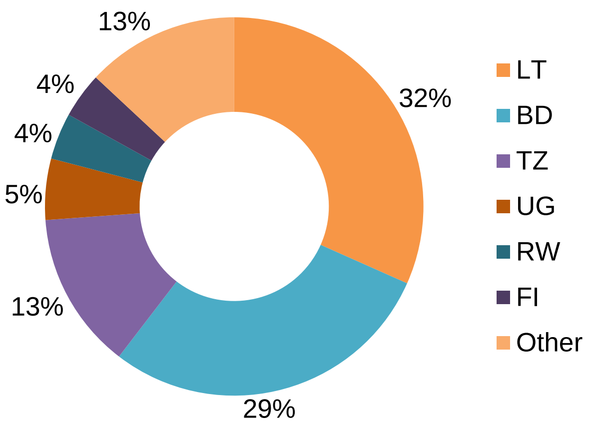
LITHUANIA

In February, NRD Systems (NRD UAB) signed a contract with the Centre of Registers of Lithuania for the provision of implementation and support services of Legal rights registers for three years. The value of the contract is EUR 774 thousand (excluding VAT).

In September of 2017, NRD UAB has signed a contract with the State Tax Inspectorate of Lithuania (VMI) for the implementation of i.SAF-T subsystem for standardized accounting data storage and management. The contract value is more than EUR 800 thousand including VAT.

The company also provided services to the Central Bank of Lithuania, Customs Department under the Ministry of Finance of the Republic of Lithuania, Republican Hospital of Kaunas, The Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania and other organisations.

REVENUE OF NRD COMPANIES IN 2017 BY COUNTRIES



Etronika, also a part of NRD Companies, in 2017 developed and implemented a loan origination system, based on principles of Robotics Process Automation, for Lithuanian bank Šiaulių Bankas, began developing a commercial mobile payment infrastructure solution (MoQ) for Mobilieji mokejimai, UAB, implemented a self-service retail check-out solution for Reitan Group in Finland and Estonia, implemented other projects.

EUROPE

Norway Registers Development AS implemented a UNDP financed consultancy project in Albania - Mobile government service delivery to remote areas in Albania.

EAST AFRICA

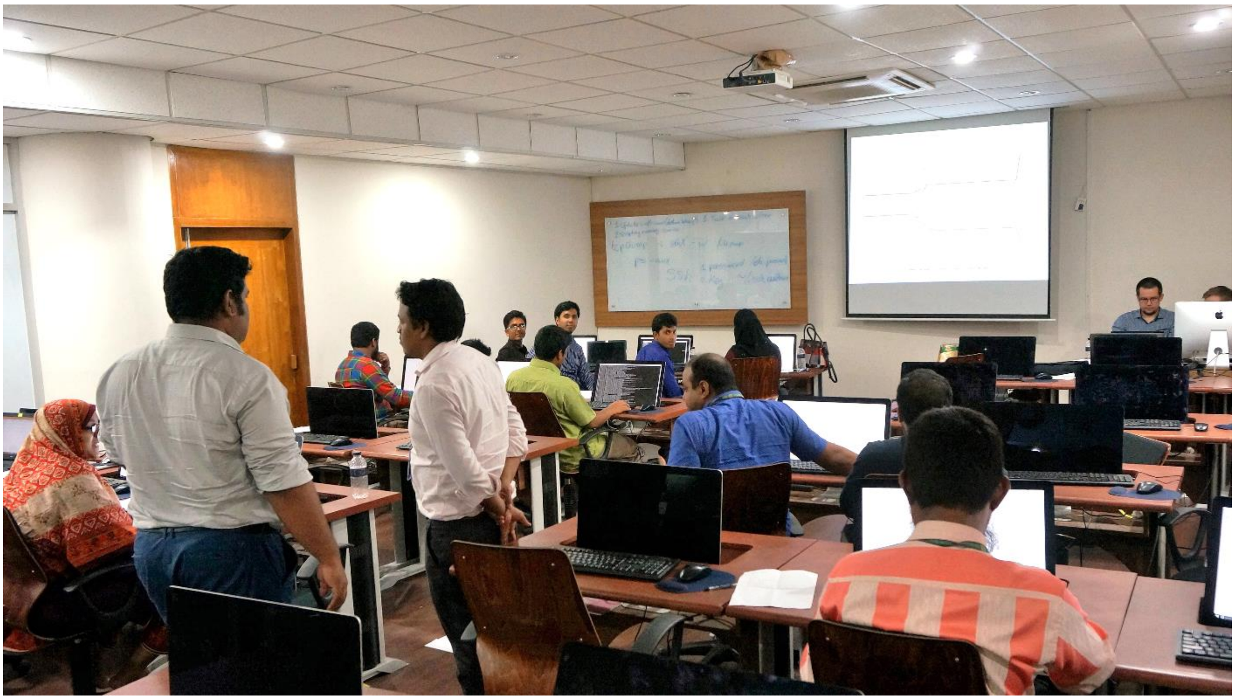
Norway Registers Development AS with subsidiaries NRD UAB and NRD East Africa Ltd in June 2017 implemented a strategic project - designed and developed an Online Registration System at Tanzanian Business Registrations and Licensing Agency (BRELA).

In Zanzibar, NRD Companies implemented a consulting project for design and implementation of a computer based on-line system for registration of businesses and secured transactions. In August, Zanzibar delegation visited Lithuania where they met with Lithuanian authorities for the best-practice exchange.

In Ruanda, NRD Rwanda Ltd. together with BAIP signed an infrastructure maintenance agreement. BAIP also renewed cooperation with Ruanda Development Board.

SOUTH ASIA (BANGLADESH)

In Bangladesh, NRD AS, together with NRD CS, finalised the National Computer Incident Response Team development project and in joint venture with BAIP signed a new software and hardware delivery and deployment contract with the Bangladesh Computer Council. The companies will set up a laboratory for the National Computer Incident Response Team (CIRT). NRD CS will provide technology for implementation of the project. Setting-up of the laboratory is financed by the World Bank under the Bangladesh Computer Council's project "Leveraging ICT for Growth, Employment and Governance".



CONFERENCES

International Cyber Security Conference organized by Bangladesh Computer Council took place in Dhaka on 9 March 2017. Norway Registers Development AS was the leading partner of the conference. NRD CS and NRD Bangladesh have also contributed to International Cyber Security conference. The conference marks the one year anniversary of BGD e-GOV CIRT (Bangladesh Government Computer Incident Response Team) establishment. BGD e-GOV CIRT was established with assistance from NRD Companies and NRD Cyber Security. State Minister for ICT Zunaid Ahmed Palak delivered a special gift for the successful cooperation to NRD AS.

Norway Registers Development AS sponsored The European Commerce Registers' Forum (ECRF 2017), held on 14–16 June in Vilnius, where Managing Director Rimantas Žylius delivered a speech on the importance of cooperation between business registers in Europe and emerging markets.

The 5th annual Cyber Defence East Africa 2017 conference, held on 9–10 August in Kampala, the capital of Uganda, brought together nearly 150 East African cyber security policy makers and experts from East African central and commercial banks, ministries of ICT and finance, the President's Office, communications regulators, computer emergency response teams (CERT), law enforcement authorities and academia. The conference was organised by NRD companies and NRD CS in cooperation with the National Information Technology Authority – Uganda (NITA-U). The conference was sponsored by BAIP UAB.

OTHER IMPORTANT EVENTS

In the beginning of 2017, new NRD Companies brand was introduced.

NRD UAB has a new Director - Mr Andrius Kaikaris, serving since 18 October 2017. He has replaced the former Director of the company Mr Alvydas Arnoldas Šidlauskas.

NRD company Etronika with its mobile banking solution BANKTRON was included in the study “IDC MarketScape: European Mobile Banking Software Solutions 2017 Vendor Assessment”, which assesses and compares developers of European mobile banking software solutions. The study covers 11 solutions and is an important criteria for financial institutions to consider when making a mobile banking investment decision.

In November 2017 Etronika updated the trademark and company’s webpage www.etronika.com

In 2017, NRD Companies also finished implementing Norwegian Peace Corps (Fredskorpset Norway – FK Norway) financed employee exchange program, implemented since August 2014. During three rounds of the project, a total of 17 employees from NRD Companies improved their skills and gained new knowledge in Lithuania and Tanzania.

In November 2017, Norway Registers Development AS signed a Memorandum of Understanding (MoU) with Technology Innovation hub in Malawi – mHub.

Additional NRD UAB and Etronika UAB shares were acquired. Currently NRD AS owns 89.2 percent of NRD shares and 90 percent of Etronika shares.

BUSINESS CLIMATE IMPROVEMENT AND E-GOVERNANCE. ANDMEVARA

KEY PROFIT (LOSS) ITEMS, THOUSAND EUR*

	AS ANDMEVARA[2]	
	2016	2017
Revenue	899	1,092
Gross profit	743	821
EBITDA	(29)	(271)
EBIT	(54)	(292)
Net Profit (Loss)	(53)	(292)

KEY BALANCE SHEET ITEMS, THOUSAND EUR*

	AS ANDMEVARA[2]	
	31.12.2016	31.12.2017
Tangible assets	29	10
Intangible assets	11	6
Other non-current assets	-	-
Current assets	455	298
of which cash	*296*	51
Total assets	**495**	**314**
Equity	218	(86)
Non-current liabilities	-	-
Of which financial debt	-	-
Current liabilities	277	400
of which financial debt	-	-
Total liabilities and equity	**495**	**314**

* results of portfolio companies are unaudited

Andmevara is an information technology company engaged in software development, digitization and a variety of IT solutions for local governments. The company also provides maintenance and customer support.

PROJECTS

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

[2] Andmevara AS is included from the month the control was acquired, i.e. 1 May 2016.

On 6 February 2017, an agreement was signed under which AS Andmevara became a partner for the management and development of information systems for local governments. Estonia is currently undertaking local government reform to improve local public services and governance, and achieve efficiency gains.

In June 2017, Andmevara with the partner won the project of Webpage platform development for High-Schools.

In July 2017, Andmevara finished developing an information system (Presidency Gateway) that will make it simpler to organise and run the events taking place during the Estonian Presidency of the Council of the European Union. This will be the main English-language web-based system for the Estonian Presidency, which aims at reducing e-mail messages and exchange of paper printouts, as well as improving information security. This initiative is designed to make the processes safer, faster and more cost-effective and promote the use of digital signatures. The Presidency Gateway source code and its supporting documentation was released for subsequent presidencies to use. In July 2017, IT-Maintenance service for Kohila municipality (48 months) was also won.

In September 2017, the E-Apostille project was completed. The client is the Chamber of Notaries at the Estonian IT-institution for Ministry of Justice. In September 2017, Andmevara won the hosting project of the Tallinn city (48 months).

In October of this year, the Development work for The Election Information System was completed. The Client is the Estonian National Electoral Committee. On 15 October 2017, the municipal elections of Estonia took place, during which the Election Information System developed and administered by Andmevara AS was successfully used.

In 2017 the company also implemented a project that aimed at increased accessibility of Tallinn city public transport for disabled people.

OTHER IMPORTANT EVENTS

In the end of January 2017, the Company updated its corporate image.

In January 2018, Andrus Kõre stepped down from his role as CEO of AS Andmevara. Giedrius Cvilikas has been appointed as CEO of AS Andmevara. G. Cvilikas currently also serves as a director of another INVL Technology managed company Novian UAB (until 21 February 2018 - Vitma UAB).

AS Andmevara currently serves 250 clients in Estonia and Moldova. In Moldova, the National Archives Digitization Project is currently taking place, funded by the Estonian Ministry of Foreign Affairs.

IT INFRASTRUCTURE. BAIP AND ACENA

KEY PROFIT (LOSS) ITEMS, THOUSAND EUR*

	BAIP and ACENA	
	2016	2017
Revenue	11,100	11,732
Gross profit	2,040	2,271
EBITDA	373	780
EBIT	(59)	317
Net Profit (Loss)	(107)	203

KEY BALANCE SHEET ITEMS, THOUSAND EUR*

	BAIP and ACENA	
	31.12.2016	31.12.2017
Tangible assets	1,176	1,005
Intangible assets	359	361
Other non-current assets	308	37
Current assets	4,637	4,146
of which cash	1,276	430
Total assets	**6,480**	**5,549**
Equity	1,829	2,032
Non-current liabilities	85	18
Of which financial debt	85	18
Current liabilities	4,566	3,499
of which financial debt	288	231
Total liabilities and equity	**6,480**	**5,549**

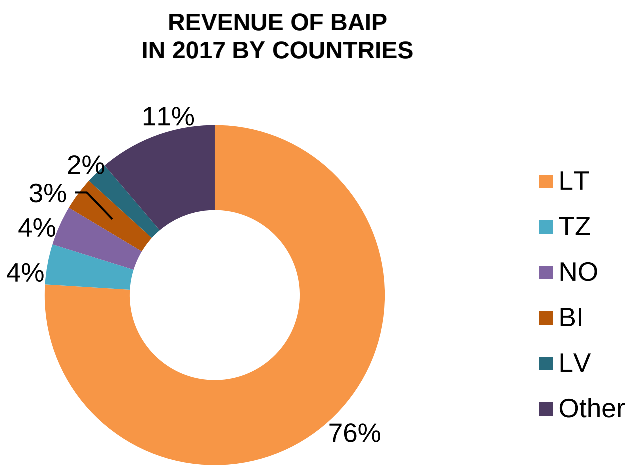
* results of portfolio companies are unaudited

BAIP provides critical IT infrastructure services: information system resilience and mobility services for the largest corporate IT users and public sector organisations.

Acena provides specialized Microsoft solutions to increase operational efficiency. The company provides business productivity, process transformation, business intelligence and other professional services. Acena is a subsidiary of BAIP.

PROJECTS

In 2017, BAIP and Acena carried out projects and signed new contracts in the Baltic States, Denmark, Norway, Tanzania, Rwanda, Burundi, Mauritius and other countries.



LITHUANIA

In 2017, 76 percent of BAIP revenue came from projects in Lithuania. The company implemented IT infrastructure maintenance and modernisation agreements, various technological solutions and provided other services.

Acena in 2017 implemented more than 20 business analytics, business productivity and other projects for private sector customers.

EAST AFRICA

In Ruanda, BAIP with NRD East Africa signed a contract for further modernisation of the National Bank of Rwanda. BAIP with NRD Rwanda signed infrastructure maintenance and hardware sales agreements with Rwanda Revenue Authority.

SOUTH ASIA

In June 2017, Norway Registers Development AS and BAIP signed an agreement for “Supply, Installation and commissioning of software & various equipment for setting up CIRT Laboratory at Bangladesh Computer Council” under Leveraging ICT for Growth, Employment and Governance Project. NRD CS will provide the technology required for project implementation.

CONFERENCES

An annual conference “Technologies and Resilience” was organized by BAIP and its partners on 27 March 2017. More than 100 Executives, CIOs and IT specialists from biggest Lithuanian business companies, governmental organizations and academic institutions gather there to discuss about the biggest IT challenges and opportunities. The main topics of the conference were the renewed BAIP methodology CIMF2.0 and applications management. Some of the other topics include data growth, its growth in smart cities, governmental cloud computing projects success stories, and other.

BAIP also sponsored the conference “Cyber Defence East Africa 2017”, held on 9–10 August in Kampala.

OTHER IMPORTANT EVENTS

17 January 2017 INVL Technology has acquired EUR 1.55 million of bonds from the company BAIP. The bonds pay an annual interest rate of 7.625 per cent and mature on 30 June 2017. The bonds were redeemed in 4 May 2017. The money raised in the bond issue was used to ensure the participation of INVL Technology group companies in a foreign tender.

BAIP also strengthened its partnerships with hardware and software vendors and qualified as a Dell Premier Partner in Lithuania. In the beginning of April 2017, BAIP was named DELL EMC Partner of the year in the category for Cloud & Data Center solutions in their annual regional partners’ awards for the Baltics.

On 3 December 2017 BAIP also celebrated its 10th birthday.

CYBERSECURITY. NRD CS

KEY PROFIT (LOSS) ITEMS, THOUSAND EUR*

	NRD CS	
	2016	2017
Revenue	1,577	3,493
Gross profit	846	1,755
EBITDA	110	603
EBIT	90	586
Net Profit (Loss)	69	468

KEY BALANCE SHEET ITEMS, THOUSAND EUR*

	NRD CS	
	31.12.2016	31.12.2017
Tangible assets	32	34
Intangible assets	1	5
Other non-current assets	1	8
Current assets	720	2,215
of which cash	422	383
Total assets	**754**	**2,262**
Equity	320	787
Non-current liabilities	-	-
Of which financial debt	-	-
Current liabilities	434	1,475
of which financial debt	-	366
Total liabilities and equity	**754**	**2,262**

* results of portfolio companies are unaudited

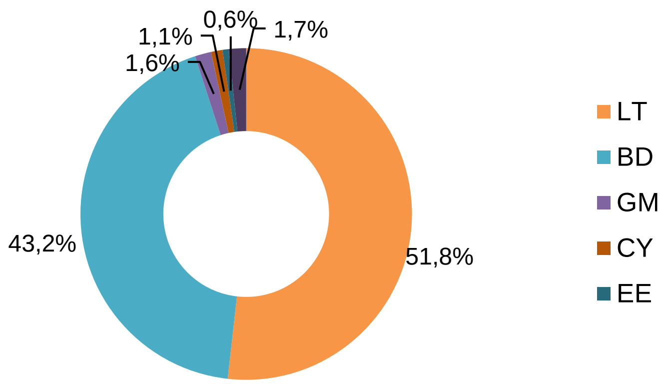
Photo: In 2017 NRD CS consultants assisted Office of the Commissioner of Electronic Communications and Postal Regulation of the Republic of Cyprus in development of the national cyber security incident response team (CIRT).

NRD CS (NRD Cyber Security) is a cybersecurity technology consulting, incident response and applied research company. The company focuses on services for specialized public service providers, the finance industry and corporations with high data sensitivity.

PROJECTS

In 2017 NRD CS implemented projects and signed new contracts in Lithuania, Cyprus, Gambia and Bangladesh.

REVENUE OF NRD CS IN 2017 BY COUNTRIES



LITHUANIA AND EUROPE

In 2017 NRD CS implemented information analysis capacity building projects with law enforcement, provided specialised technologies, assisted organisations in preparation for the implementation of the EU general data protection regulation (GDPR), provided comprehensive security checks, other consulting services and specialised trainings.

In 2017 NRD CS consultants assisted Office of the Commissioner of Electronic Communications and Postal Regulation of the Republic of Cyprus in development of the national cyber security incident response team (CIRT).

SOUTH ASIA (BANGLADESH)

In 2017, NRD CS together with NRD AS finalised the National Computer Incident Response Team development project and within the framework of NRD AS and BAIP's project supplied technology for the set up of a laboratory for the National Computer Incident Response Team (CIRT) in the Bangladesh Computer Council. New agreement was also signed for implemented of technology for strengthening of national critical infrastructure.

EVENTS

In 2017, NRD CS experts organised and participated as speakers and lecturers in various cyber security conferences, seminars, discussions and Forums in Lithuania, Belgium, Switzerland, Sweden, Uganda, Bangladesh, India and other countries. NRD CS team members shared their knowledge and insights on such topics as: Open source intelligence (OSINT), How Digitisation Will Challenge Current Security Practices, the new EU personal data privacy regulation, importance of a coordinated response to ICT security incidents and how this contributes to the broader development agenda, the necessity to integrate cyber security into all national digital development programmes at an early stage, protection of the public core of the Internet, and many other.

By initiating and contributing to various local and international initiatives, NRD Cyber Security seeks to promote efficient methods to build national, sectoral and internal CSIRTs, and advocates CII methodologies to increase resilience of the cyberspace.

On 9–10 August, the 5th annual Cyber Defence East Africa 2017 conference was held in Kampala, the capital of Uganda. The conference was organised by NRD companies and NRD CS in cooperation with the National Information Technology Authority – Uganda (NITA-U).

On 23-24 November 2017 NRD Cyber Security CEO Dr Vilius Benetis participated at Global Conference on Cyber Space 2017 which took place at Aero City, New Delhi, India. During the event, he contributed to the preparation of Delhi Communiqué on a GFCE Global Agenda for Cyber Capacity Building. NRD CS is a full member of the Global Forum on Cyber Expertise (GFCE) (https://www.thegfce.com/) and NRD CS experts continuously contribute to various initiatives of the organisation.

On 1 December 2017, the fifth annual NRD CS conference Cyber Defence Lithuania 2017 was dedicated to secure messaging and cybersecurity actualities, presentation of new solutions and strengthening of cyber security community in Lithuania.

NRD CS event calendar and archive can be accessed at: https://www.nrdcs.lt/en/events/

OTHER IMPORTANT EVENTS

NRD Cyber Security

In 2017, NRD CS updated its brand.

At the end of April, NRD CS and Vilnius University initiated a visit of representatives from the Oxford Global Cyber Security Capacity Centre and together with representatives from the public and private sectors, law enforcement, banks and academic community contributed to the Lithuanian cyber security maturity assessment implemented by the Centre.

IT INTENSIVE INDUSTRIES SOLUTIONS. ALGORTIMŲ SISTEMOS

KEY PROFIT (LOSS) ITEMS, THOUSAND EUR*

	ALGORITMŲ SISTEMOS[3]	
	2016	2017
Revenue	2,215	2,757
Gross profit	1,739	2,126
EBITDA	431	358
EBIT	414	338
Net Profit (Loss)	363	361

KEY BALANCE SHEET ITEMS, THOUSAND EUR*

	ALGORITMŲ SISTEMOS[3]	
	31.12.2016	31.12.2017
Tangible assets	50	40
Intangible assets	1	1,916
Other non-current assets	-	308
Current assets	1,132	1,532
of which cash	*542*	284
Total assets	**1,183**	**3,796**
Equity	674	3,152
Non-current liabilities	-	-
Of which financial debt	-	-
Current liabilities	509	644
of which financial debt	-	-
Total liabilities and equity	**1,183**	**3,796**

* results of portfolio companies are unaudited

Algortimų Sistemos provides high-quality, efficient and reliable information systems for large and medium-sized organisations, and business process automation software. The company's main areas of activity are e-governance, e-health, finance, social security, environmental protection, and solutions for the education sector.

PROJECTS

Currently, the biggest clients of Algortimų Sistemos UAB operating in the field of solutions for IT-intensive industries are the Ministry of Environment, the State Tax Inspectorate, State Enterprise Susisiekimo Paslaugos, Vilnius City Municipality, the National Health Insurance Fund, the State Labour Inspectorate, the Environmental Protection Agency and State Social Insurance Fund Board.

[3] Algoritmu sistemos UAB is included from the month the control was transferred, i.e. 1 April 2016. 31.12.2016 data includes both Inventio UAB and Algoritmų sistemos UAB; in 2017 the companies were merged

In 2017, Algoritmų sistemos was awarded contracts by Vilnius City Municipality for the development of Real estate accounting system, by the State Tax Inspectorate for the maintenance of its information systems as well as other contracts.

The company also implemented such projects as “Pillow Fee in Palanga Municipality”, “Register of Persons who Limited their Gambling Possibilities”, “Creation of VLE.LT, an Electronic Version of the Universal Lithuanian Encyclopaedia”, and other.

OTHER IMPORTANT EVENTS

In 2017, the company also contributed to the development of anti-corruption environment in Lithuania and in cooperation with the Lithuanian Special Investigation Service and Telia Lietuva AB created a website for the Anti-Corruption Guide for Business.

Algortimų Sistemos actively participated in international public procurement tenders together with other companies owned by INVL Technology. The portfolio of services offered by the company includes a range of services relevant to the public sector: e-health, tax modernisation, environmental management, election system solutions, etc.

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

5.1. Evaluation of implementation of goals for 2017

The priority for INVL Technology in 2017 was expansion of the regular sales channels as well as the portfolio of the managed companies. The priority for the managed companies was new product development as well as increasing their capacity for international operations.

In 2017 INVL Technology companies carried out projects in 17 countries, including in 14 countries, in which the projects were also carried out in 2016. The companies started new projects, made new contacts with partners in Cyprus, Albania, Malawi, Gambia, India. It enabled them to partly compensate for the new stage of EU funding for the IT sector in Lithuania that has not started yet. At the beginning of 2017, we established a company in Bangladesh – NRD Bangladesh Ltd., which helped companies to get established in the market, which is strategically important for the entire group.

2017 was successful for INVL Technology – since most of the manged companies increased not only income, but also profit, the value of the companies grew as well. Good results were demonstrated by companies operating in the areas of cyber security, fintech and solutions for IT intensive industries. Income of INVL Technology companies mostly grew in the markets of East Africa and South Asia.

5.2. Activity plans and forecasts

In 2018, INVL Technology will give priority to development of the managed companies and increasing their value. The classification of companies into 4 areas of activity, as used until now, will be replaced by 3 new functional groups: business climate improvement and e-government, IT services and software, and cyber security.

NRD companies will continue to belong to the business climate improvement and e-government group, the cyber security group will cover NRD CS UAB and other potential acquisitions in this area, whereas the IT services and software group will be formed by joining the areas of IT infrastructure and IT intensive industries’ solutions. IT services and software group will be formed of companies Novian UAB (known as Vitma UAB until February 2018), BAIP UAB, Acena UAB, Algoritmų sistemos UAB and Andmevara AS (that used to belong to the business climate improvement and e-government group).

III. INFORMATION ABOUT SECURITIES

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

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

During the reporting period the Articles of Association were not amended. Actual wording of the Articles of Association is dated as of 27 June 2016. The Company's Articles of Association is published on the Company's web page.

7. Structure of the authorized capital

Table 7.1. Structure INVL Technology authorised capital as of 31 December 2017.

Type of shares	Number of shares, units	Total voting rights granted by the issued shares, units	Nominal value, EUR	Total nominal value, EUR	Portion of the authorised capital, %
Ordinary registered shares	12,175,321	12,175,321	0.29	3,530,843.09	100

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

Information about the Issuer's treasury shares

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

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

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

Table 8.1. Main characteristics of INVL Technology shares admitted to trading

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

Table 8.2. Trading in the company's shares 2015* - 2017 (quarterly) on Nasdaq Vilnius

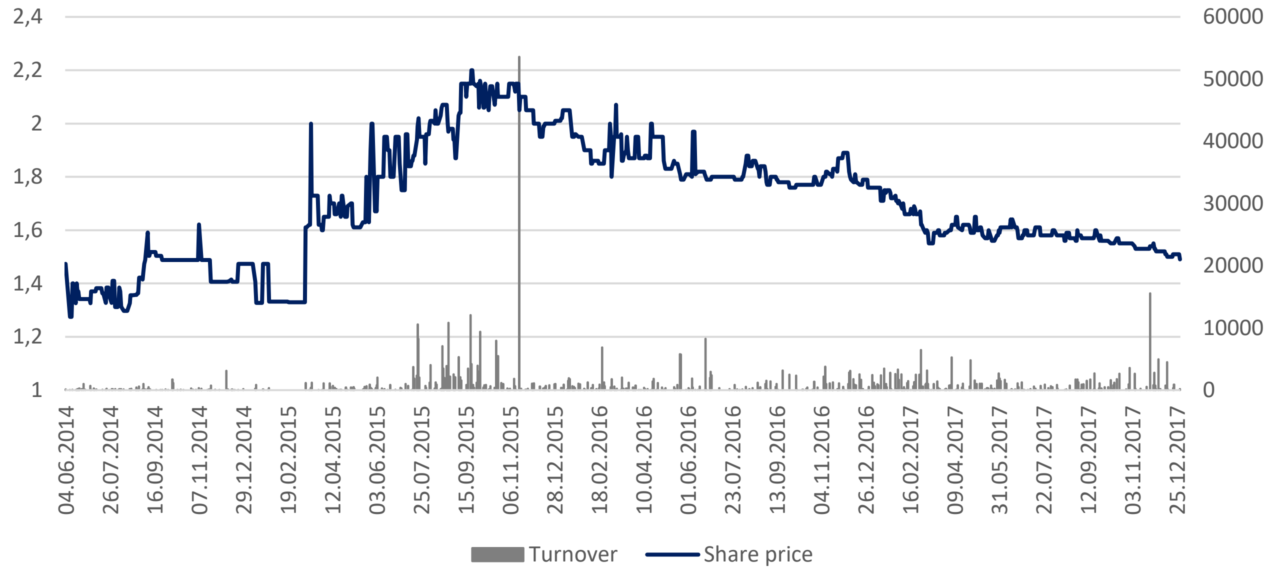
Reporting period	Price, EUR			Turnover, EUR			Last trading date	Total turnover	
	high	low	last	high	low	high		quantity	EUR
2015 1st Q	2.000	1.328	1.600	1,208.36	11.34	22.40	31.03.2015	1,384	4,494.36
2015 2nd Q	2.000	1.600	1.850	2,024.94	12.60	12.95	30.06.2015	8,276	14,121.27
2015 3rd Q	2.240	1.700	2.150	12,068.15	18.60	2,998.72	30.09.2015	57,638	111,091.70
2015 4th Q	2.160	1.910	2.010	53,609.26	14.42	0	30.12.2015	45,717	94,461.25
2016 1st Q	2.070	1.800	1.870	6,859.80	13.65	361.21	31.03.2016	16,807	30,166.08
2016 2nd Q	2.060	1.790	1.800	8,263.96	6.00	0	30.06.2016	21,368	39,077.25
2016 3rd Q	1.880	1.760	1.760	3,184.42	12.53	0	30.09.2016	8,993	16,144.05
2016 4th Q	1.890	1.750	1.760	3,102.15	24.78	522.72	30.12.2016	17,907	25,448.77
2017 1st Q	1.760	1.550	1.590	6,478.67	25.20	128.79	31.03.2017	33,268	55,850.45
2017 2nd Q	1.650	1.560	1.600	5,289.92	11.34	22.40	30.06.2017	22,292	35,620.67
2017 3rd Q	1.610	1.560	1.560	2,707.26	7.80	31.20	29.09.2017	13,728	21,647.58
2017 4th Q	1.650	1.490	1.490	15,570.62	61.50	202.64	29.12.2017	32,036	49,579.61

2015 share price was adjusted due to Reorganization.

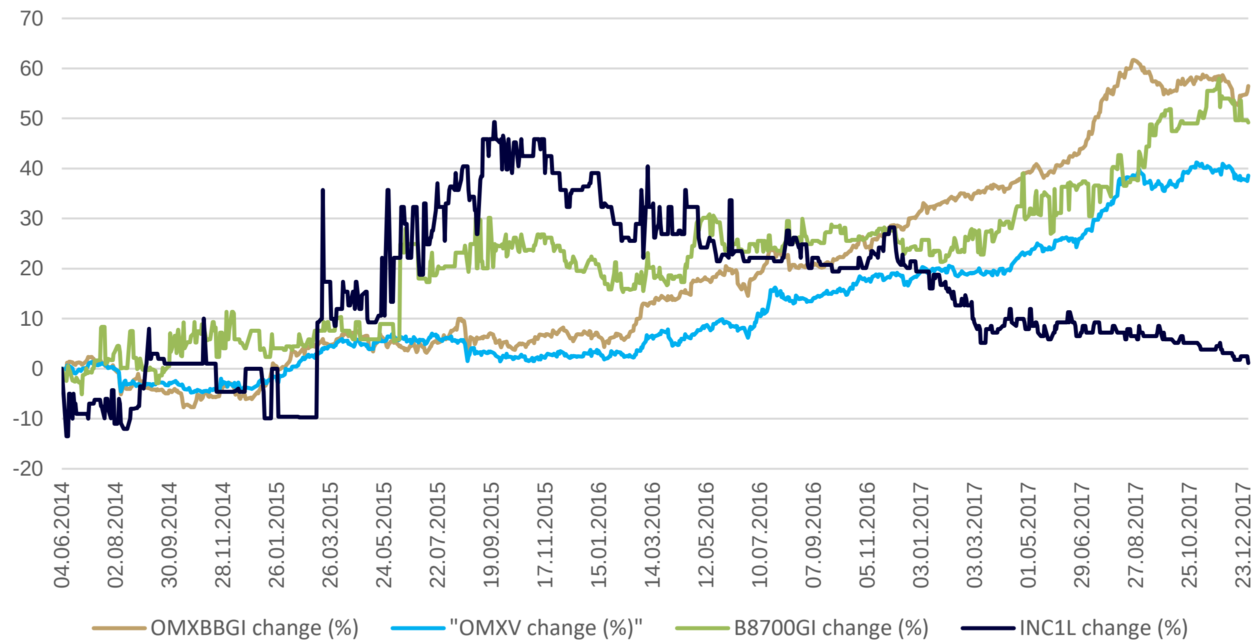
Table 8.3. Trading in shares 2015* - 2017

Price, EUR:	2015	2016	2017
- open	1.47	2.01	1.76
- high	2.24	2.07	1.76
- low	1.33	1.75	1.49
- medium	2.02	1.7	1.60
- last	2.01	1.76	1.49
Turnover, units	113,015	65,075	101,324
Turnover, EUR	224,169	110,836	162,698
Traded volume, units	419	307	364

2015 share price was adjusted due to Reorganization.



Turnover and share price of INVL Technology



Change of share price of INVL Technology and indexes

Table 8.4. Capitalisation, 2015-2017

Last trading date	Number of shares, units	Last price, EUR	Capitalisation, EUR
31.03.2015	6,114,714	1.600	9,783,542
30.06.2015	6,114,714	1.850	11,312,221
30.09.2015*	12,175,321	2.150	26,176,940
30.12.2015	12,175,321	2.010	24,472,395
31.03.2016	12,175,321	1.870	22,767,850
30.06.2016	12,175,321	1.800	21,915,578
30.09.2016	12,175,321	1.760	21,428,565
30.12.2016	12,175,321	1.760	21,428,565
31.03.2017	12,175,321	1.590	19,358,760
30.06.2017	12,175,321	1.600	19,480,514
29.09.2017	12,175,321	1.560	18,993,501
29.12.2017	12,175,321	1.490	18,141,228

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

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.

According to the Law on Personal Income Tax and the Law on Corporate Income Tax, 15 % tax is applied to the dividends since 2014. The company is responsible for calculation, withdrawn and transfer (to the benefit of the State) of applicable taxes[4].

The company did not allocated dividends during the reporting period.

Table 9.1. Indexes related with shares

Company's	2015	2016	2017
Book Value per share, EUR	1.99	1.62	1.90
Price to book value (P/Bv)	1.01	1.09	0.78

10. Shareholders

10.1. Information about Company's shareholders

Table 10.1.1. Shareholders who held title to more than 5% of INVL Technology authorised capital and/or votes as of 31 December 2017.

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

Name of the shareholder or company	Number of shares held by the right of ownership, units	Share of the authorised capital held, %	Share of the votes, %		
			Share of votes given by the shares held by the right of ownership, %	Indirectly held votes, %	Total, %
LJB investments UAB, code 300822575, A.Juozapavičiaus str. 9A, Vilnius	2,424,152	19.91	19.91	-	19.91
Invalda INVL AB, code 121304349, Gynėjų str. 14, Vilnius	1,691,737	13.90	13.90	-	13.90
Irena Ona Mišeikienė	1,466,421	12.04	12.04	-	12.04
Lietuvos draudimas AB, Code 110051834, J.Basanavičiaus str. 12, Vilnius	909,090	7.47	7.47	-	7.47
Kazimieras Tonkūnas	675,452	5.55	5.55	1.53[5]	7.08
Alvydas Banys	618,745	5.08	5.08	19.91[6]	24.99

The total number of shareholders in INVL Technology was 3,389 on 31 December 2016 (3,483 on 31 December 2016). There are no shareholders entitled to special rights of control.

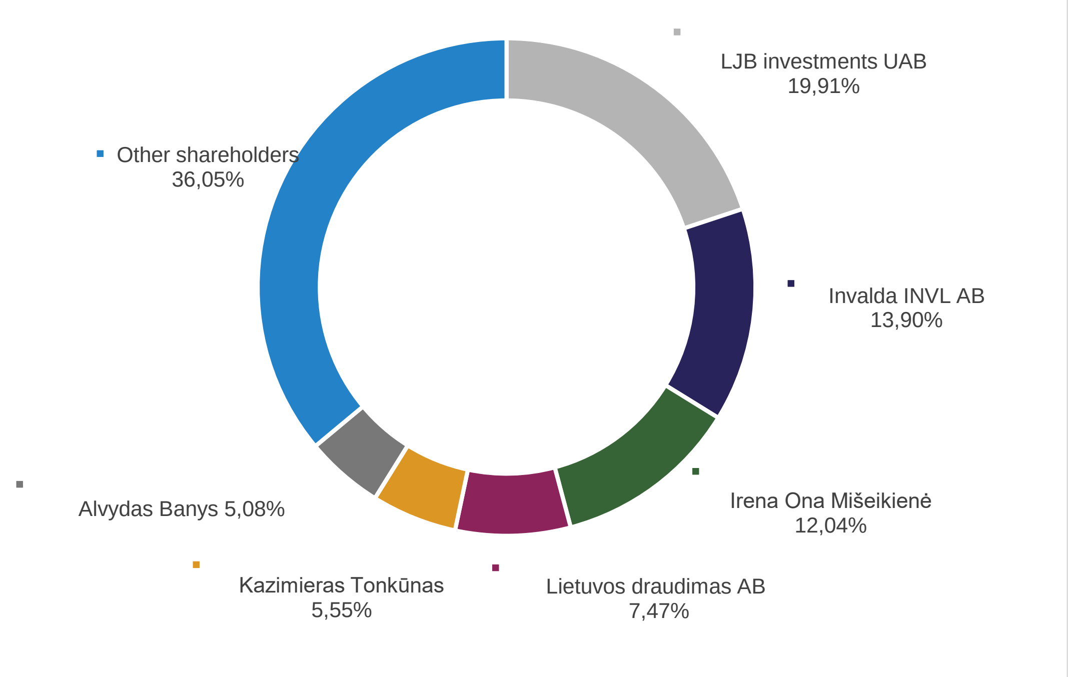


Fig. 10.1.2. Votes as of 31 December 2017

[5] According to Part 10 of Paragraph 1 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Kazimieras Tonkunas has votes of his spouse.
[6] According to Part 6 of Paragraph 1 of Article 24 of the Law on Securities of the Republic of Lithuania, it is considered that Alvydas Banys has votes of LJB Investments, UAB a company controlled by him.

Investors	Shareholders		Share of votes given by the owned shares	
	Amount	Part %	Amount	Part %
Private persons	3,354	98.97	5,525,006	45.38
Institutions	35	1.03	6,650,315	54.62

Fig. 10.1.2. Distribution of securities by investors' groups as of 31 December 2017.

Regions	Shareholders		Share of votes given by the owned shares	
	Amount	Part %	Amount	Part %
Lithuania	3,342	98.61	12,166,984	99.93
Other EU members	30	0.89	6,453	0.05
Non- EU countries	17	0.50	1,884	0.02

Fig. 10.1.3. Distribution of securities according to countries as of 31 December 2017.

10.2. RIGHTS AND OBLIGATIONS CARRIED BY THE SHARES

10.2.1. RIGHTS OF THE SHAREHOLDERS

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

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

10.2.2. Obligations of the shareholders

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

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

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

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

A shareholder shall repay the Company any dividend paid out in violation of the mandatory norms of the Lithuanian 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.

IV. ISSUER'S MANAGING BODIES

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

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

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

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

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

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

11.1. General Shareholders' Meeting

11.1.1. Powers of the General Shareholders' Meeting

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

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

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

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

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

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

- amending the Articles of Association of the Company;
- redemption of Shares;
- distribution of the profit (loss) of the Company;
- formation, use, reduction and cancellation of reserves;
- increase or reduction of the authorised capital;
- reorganisation, spin-off or transformation of the Company;
- merger of the Company with other collective investment undertakings;
- approval of the agreement with the Depository, appointment of the person authorised to sign the approved agreement with the Depository on behalf of the Company, change of the Depository;
- liquidation of the Company or extension of the Term of Activities of the Company;
- restructuring of the Company.

11.1.2. CONVOCATION OF THE GENERAL SHAREHOLDERS' MEETING OF INVL TECHNOLOGY

The right to initiate convocation of the meeting is vested in the Management Company and Shareholders, owning at least 1/10 of all the votes in the General Shareholder Meeting.

The convocation of a General Shareholders' Meeting is organised by the Management Company.

The shareholders are entitled: (i) to propose to supplement the agenda of the General Shareholders Meeting submitting draft resolution on every additional item of agenda or, then there is no need to make a decision - explanation of the shareholder (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 Gynėjų str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invltechnology.lt. 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 Gynėjų str. 14, Vilnius, Lithuania, or delivered in person to the representative of the Company or by sending proposal to the Company by email info@invltechnology.lt) 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@invltechnology.lt. 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 breinfo@invl.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.bre.invl.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.

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

There was 1 (one) General Shareholders Meetings of INVL Technology, AB during 2017.

27 April 2017 the Shareholders Meeting of INVL Technology took place. The following resolutions were adopted: to approve the financial statements for 2016 of INVL Technology; to approve the regulations of the Audit Committee of INVL Technology and to elect Dangutė Pranckėnienė (independent member) and Tomas Bubinas (independent member) to the Audit Committee of INVL Technology for the 4 (four) years term of office; to delegate to the Management company of INVL Technology to determine the remuneration payment procedure for the Audit Committee members; to change the Company registered address.

11.2. The Management Company

No management bodies shall be formed in the Company.

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

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

The Management Company shall have the right:

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

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

The Management Company must:

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

The Company's management agreement with the Management Company must be approved by the general meeting of shareholders.

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

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

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

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

The management company, ensuring the management of INVL Technology, has CEO, board and the Investment Committee formed by its decision. 18 April 2017 INVL Technology's management company INVL Asset Management has appointed the Advisory Committee of the Company.

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

The Board acts in furtherance of the declared strategic objectives in view of the need to optimize shareholder value and to ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.

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

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

The CEO of the Management Company was Darius Šulnis, the managing director INVL Asset Management. The CEO is the main person managing and representing the Management company.

11.3. Investment Committee

Investment Committee is responsible for adopting decisions on the management of the Company's assets and for the representation and protection of the Company's interests. The Investment Committee conducts its activities in accordance with the Rules of the Investment Committee.

11.3.1. Powers of the Investment Committee

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

The functions of the Investment Committee are:

- to seek to increase the value of individual investment objects and also of the Company as a whole;
- to consider and adopt investment proposals submitted to the Investment Committee including decisions regarding acquisition and disposal of the investment objects, increase and decrease of the authorised capital of the investment objects and other decisions related to capital of the aforementioned companies;
- to consider and adopt management proposals submitted to the Investment Committee including decisions regarding appointment and substitution of the members of the management board of the investment objects;
- to take into account the opinion of the Advisory Committee regarding investment proposals;
- to make decisions on voting in shareholder's meetings of the companies that are being controlled the Company;
- to propose the new investment ideas and improve management processes of the Company as well as improve these rules;
- when making investment decisions, to establish possible investment restrictions for a specific investment object;
- to determine the procedures for entering into relationships with consultants, advisors, investment bankers and other experts related to the particular transactions;
- to make decisions on incentive programs within companies that are controlled by the Managed Companies
- to constantly monitor the efficiency and effectiveness of decision-making procedures.

11.3.2. Convocation of the Investment Committee meeting

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

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

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

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

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

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

11.4. The Advisory Committee

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

11.4.1. Powers of the Advisory Committee

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

The functions of the Advisory Committee are:

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

11.4.2. Convocation of the Advisory Committee meeting

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

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

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

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

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

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

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

12. Information about members of the Board, Company providing accounting services

12.1. THE MANAGING BODIES OF THE ISSUER 2016

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

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

CEO of the Management Company INVL Asset Management is Laura Križinauskienė.

Under INVL Technology's Articles of Association, INVL Asset Management, which has assumed the management of the company, forms investment and advisory committees which also participate in the company's management in keeping with the mandates they are given.

Investment Committee operates from 14 July 2016. Members of the Investment Committee:

Kazimieras Tonkūnas

Chairman of the Investment Committee

Vytautas Plunksnis

Member of the Investment Committee

Vida Juozapavičienė

Member of the Investment Committee

Nerijus Drobavičius

Member of the Investment Committee

Advisory Committee operates from 18 April 2017. Members of the Advisory Committee:

Alvydas Banys

Member of the Advisory Committee

Indrė Mišeikytė

Member of the Advisory Committee

Gintaras Rutkauskas

Member of the Advisory Committee

Virginijus Strioga

Member of the Advisory Committee

During 2017 no remuneration has been calculated for the members of the Investment Committee and the Advisory Committee.

32 meetings of the Investment Committee took place in 2017. Since 18 April 2017 till the end of the reporting period 6 meetings of the Advisory Committee took place.

12.2. Information about accounting services company

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

12.3. Information about the Audit Committee of the company

The Audit Committee consists of 2 (two) independent members. The members of the Audit Committee are elected by the decision of the General Shareholders' Meeting. The members of the Audit Committee are proposed by the Management company and the shareholders of the company. The Audit Committee is elected for a four-year term of office.

The main functions of the Audit Committee are the following:

- provide recommendations to the Management company with selection, appointment, reappointment and removal of an external audit company of the Company as well as the terms and conditions of engagement with the audit company;
- monitor the process of external audit of the Company;
- 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 Management company directly related to the management of the Company. Once a year review the need of the dedicated internal audit function for the Company within the Management company;
- monitor if the Management company gives due consideration to the recommendations or comments provided by the audit company regarding management of the Company;
- The Audit Committee reports its activities to the Company's ordinary General Shareholders Meeting by submitting a written report on Audit Committee activities during the last financial year.

Any member of the Audit Committee should have the right to resign upon submitting a 14 (fourteen) days written notice to the Management company. When the Management company receives the notice of resignation of a member of the Audit Committee and considers all circumstances related to the resignation, it may decide - either to convene an Extraordinary General Shareholders Meeting to elect new member of the Audit Committee, or to postpone the question on the election of the new member of the Audit Committee till the next General Shareholders Meeting of the Company. The new member is elected till the end of term of office of the operating Audit Committee.

12.3.1. Procedure of work of the Audit Committee

The Audit Committee informs about its activities to the Company's ordinary General Shareholders Meeting by submitting a written report.

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, with 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 formed as a written protocol, if the taken decisions are signed by both members of the Committee. When both Audit Committee members vote in writing, the decision should be written down and signed by the secretary of the Audit Committee who should be appointed by the Management company. The decision should be written down and signed within 7 (seven) days from the day of the meeting of the Audit Committee.

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

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.

12.3.2. THE AUDIT COMMITTEE BODIES

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

Audit Committee members D. Kadanaitė and T.Bubinas were withdrawed from the Company's Audit Committee by the decision of the General Shareholders Meeting held on 271 April 2017. During the same General Shareholders Meeting, the decision to elect Dangutė Pranckėnienė, partner and auditor of Moore Stephens Vilnius, UAB and T. Bubinas were elected for the Audit Committee for the 4 (four) years of office term.

Dangutė Pranckėnienė

Audit Committee member

Tomas Bubinas

Audit Committee member

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

Since 14 July 2016 the management of INVL Technology was assumed by INVL Asset Management. The management fee will be payable to the management company. The management fee during investment period for a full quarter shall be 0.625 percent while after its end it shall be 0.5 percent of the weighted average capitalisation of the company. In addition, a Success fee may be paid to the management company in accordance with the Articles of Association. During the reporting period EUR 389.8 thousand management fee was calculated for the management company. Success fee has not been calculated.

The members of the Board of the Management Company and the members of the Investment Committee do not receive remuneration for these duties. They are paid the salary according to the employment contract with the Management Company. During the year 2017 company's management bodies 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 company's management. No special benefits were also provided to the management bodies of the company.

In 2017, the company paid no remuneration to the Management Company for accounting services, these services are included in the management fee.

During the year 2017, the total remuneration for the members of the Audit Committee of the Company amounted to EUR 507.

V. OTHER INFORMATION

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

All data is presented in consolidated and company's financial statements' explanatory notes of 2017.

14. Participation in Associations

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

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

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

15. Agreements with intermediaries on public trading in securities

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

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

16. Information on Issuer's branches and representative offices

INVL Technology has no branches or representative offices.

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

There are no agreements of the Management company and the Members of the Investment and Advisory Committees, 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.

18. A description of the principal advantages, risks and uncertainties

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

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

General risk factors in the business field where the Company and its portfolio companies operate

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

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

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

Risk of changes in the market of technologies

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

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

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

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

Risk of inflation and deflation

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

Geopolitical risk

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

Risk factors characteristic of Company and its portfolio companies

General risk

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

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

Risk of the management and human resources

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

Transactions with related parties

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

Success of former, current and future investment projects

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

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

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

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

Interest rate risk

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

Currency risk

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

Credit risk

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

Risk of liquidity of investments

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

Liquidity risk

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

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

Risk of investments by Operational Companies

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

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

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

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

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

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

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

Risk of insolvency of Operational Companies

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

Risk of insolvency of the Company

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

Risk factors related to the Company's shares (investments thereto)

Past performance risk

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

No guarantee of return

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

Market risk

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

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

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

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

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

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

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

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

Dividend payment risk

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

Liquidity of the Issuer's Shares is not guaranteed

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

Risk of conflicts of interest

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

potential or existing conflicts of interest. The Investment Committee shall immediately inform the head and the Board of the Management Company about conflicts of interest it is aware of.
Following legal acts regulating organisation of activities of collective investment undertakings, the Management Company has implemented appropriate measures for avoiding conflicts of interest, which enable to perform the activities of managing the risk of conflicts of interest and managing conflicts of interest independently, in order to avoid/reduce the risk of conflicts of interest or properly manage a conflict of interest when it occurs.

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

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

Risk of valuation of the Company's assets

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

Competition risk

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

Risk related to the duty to redeem shares of the Company

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

Legal and taxation risk factors

Risk of changes in laws and regulations

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

Risk related to possible liability of the Company

There is a risk that the activities of the Company and the general performance results of the Company can be negatively affected by demands and claims regarding non-disclosed or non-identified obligations and/or violations in connection with investments acquired by the Company, which may result in the Company's liability for such obligations and/or violations and for this reason the value of the Company's investments and, at the same time, the price of the Shares can significantly decrease.
It should be also noted that, the Company after the reorganisation – the merger of Former parent company with the Company (previous name – BAIP grupe AB), which continues its activities after the reorganisation, took over all the assets, equity and liabilities of the Former parent company. For any and all the obligations of the Former parent company after the reorganisation, the Company took responsibility.

Tax risk

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

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

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

19. Significant investments made during the reporting period

NEW ENTITIES AND AQUISITIONS

On 2 February 2017 INVL Technology managed NRD Companies established a subsidiary entity in Dhaka - NRD Bangladesh. NRD Bangladesh offers full portfolio of NRD Companies and other INVL Technology businesses' services and supports NRD Companies projects in South and Southeast Asia regions. NRD Bangladesh mainly focuses on the services, related to securing the digital environment as well as offers the know-how of NRD Companies in the fields of enabling the business environment & job creation, increasing efficiency of government services, smart IT infrastructure and digital platforms for finance sector.

On 28 September 2017 INVL Technology through 100 percent controlled Finnish company acquired 77.35 percent shares of the Finnish cyber security company Deltagon Group Oy. The price of the acquisition was EUR 4.882 million. The deal was partly financed by the DNB bank in Lithuania. The bank has provided INVL Technology with EUR 1.9 million loan for the period of 4 years. INVL Technology transferred the shares of Finnish company Nordic Cyber Security Oy, that manages 77.35 percent of Deltagon Group Oy shares. Finnish state-owned enterprise Suomen Erillisverkot (State Security Networks Ltd) paid EUR 5.25 million for 100 percent of Nordic Cyber Security shares. The deal was closed on 7 December 2017. It will have no significant influence on the results of INVL Technology.

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

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

21. Information on the related parties' transactions

Information on the related parties' transactions is disclosed in financial statements for the year ended 31 December 2017 Clause 6 of explanatory notes.

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

22.1. RESPONSIBLE BUSINESS ACTIONS IN THE COMPANY

The management of the Company is transferred to the asset management company INVL Asset Management, which applies the Policy of Equal Opportunities in its activities. The Policy specifies that 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.

18.2. Employees

At the end of 2017, as well as in 2016 INVL Technology did not have any employees because of the changes of the legal status of the Company. The management and all the functions earlier performed by the Company's employees were transferred to the Management Company.

23. Information on audit company

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

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

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

24. Data on the publicly disclosed information

The information publicly disclosed of INVL Technology during 2017 is presented on the company's website www.invltechnology.lt.

Summary of publicly disclosed information

Date of disclosure	Brief description of disclosed information
17.01.2017	INVL Technology acquired bonds issued by BAIP UAB
28.02.2017	INVL Technology reports preliminary operating results for 12 months of 2016
01.03.2017	INVL Technology will present results for 12 months of 2016 for shareholders
06.04.2017	Announcement of the net asset value of INVL Technology
06.04.2017	Convocation of the Shareholders Meeting of INVL Technology and draft resolutions
18.04.2017	Advisory Committee for INVL Technology appointed
19.04.2017	ALGORITMU SISTEMOS UAB and Profectus novus UAB terminate the transaction on the acquisition
27.04.2017	Audited annual information of INVL Technology for 2016
27.04.2017	Resolution of the General Shareholders Meeting of INVL Technology
28.04.2017	Announcement of the net asset value of INVL Technology
28.04.2017	INVL Technology preliminary operating results for the 3 months of 2017

28.04.2017	Announcement of the net asset value of INVL Technology
28.04.2017	INVL Technology preliminary operating results for the 3 months of 2017
03.05.2017	INVL Technology has signed the Amendment of the Services Agreement
05.05.2017	BAIP UAB redeemed bonds from INVL Technology
19.05.2017	Some bonuses to employees of INVL Technology companies will be paid in shares
30.08.2017	Announcement of the net asset value of INVL Technology
30.08.2017	INVL Technology Interim information for the six months of 2017
29.09.2017	Company managed by INVL Technology acquired control of Finnish Deltagon Group Oy
31.10.2017	Announcement of the net asset value of INVL Technology
31.10.2017	INVL Technology Results for 9 months of 2017
07.12.2017	INVL Technology transferred the shares of Nordic Cyber Security
28.12.2017	INVL Technology investor's calendar for 2018

INVL Technology Managing Partner Kazimieras Tonkūnas

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

Company	Registration information	Type of activity	Contact details
Norway Registers Development, AS	Company code: NO-985 221 405 MVA Address: Løkketangen 20 B, 1337 Sandvika, Norway Legal form: private limited liability company Registration date:23.12.2002	Legal, organisational reforms and their implementation (business, property, mortgage, licenses and citizen's registries).	Phone + 47 219 50 158 E-mail info@nrd.no www.nrd.no
NRD, UAB	Company code: 111647812 Address: Žygimantų str. 11-5, Vilnius Legal form: private limited liability company Registration date: 15.10.1998	Information system design and maintenance	Phone : Vilnius +370 5 2310 731, Kaunas + 370 37 31 18 64 E-mail info@nrd.lt www.nrd.lt
ETRONIKA, UAB	Company code: 125224135 Address: Gynėjų str. 14, Vilnius Legal form: private limited liability company Registration date: 30.03.2000	Development and implementation of e-banking, smart retail, mobile applications for finances, e-commerce and e-government.	Phone +370 5 2483 153 E-mail info@etronika.lt www.etronika.lt
Norway Registers Development East Africa Ltd.	Company code: 88597 Address: 3rd floor, Elite tower, Azikiwe Street/Jamhuri street, Dar es Salaam, Tanzania Legal form: private limited liability company Registration date: 13.01.2012	Information technology infrastructure design, development, maintenance and security services. Information system audits, IT management consultations and trainings.	Phone +255 222 110 895 E-mail info@nrd.no www.nrd.co.tz
Infobank Uganda Ltd.	Company code: 193144 Registration date: 03.12.2014	Currently does not perform any activities.	E-mail dmkisakye@infobank-uganda.com
Norway Registers Development Rwanda Ltd.	Company code: 105378191 Address: 5th floor, Centenary House, Plot No: 1381, KN 4 Ave, Kiyovu Cell, Nyarugenge District, Kigali, Rwanda Legal form: private limited liability company Registration date: 22.02.2016	Sales of full portfolio of NRD group and other INVL Technology businesses' services, support in the region: business climate improvement and e-governance, critical IT infrastructure, cyber security and digital platforms for finance sector.	Phone +250 782 102 990 E-mail info@nrd.no www.nrd.rw
NRD Bangladesh Ltd.	Company code: C-135712/2017 Address: Eastern Commercial Complex, Room No.1/11, (1st floor), 73, Kakrail, Dhaka, Bangladesh Legal form: private limited liability company Registration date: 02.02.2017	Information technology infrastructure design, development, maintenance and security services. Information system audits, IT management consultations and trainings.	-

Company	Registration information	Type of activity	Contact details
Andmevara, AS	Company code: 10264823 Address: Pärnu mnt 158, 11317 TALLINN Legal form: private limited liability company Registration date: 1997	IT solutions and services provider to public sector organisations with expertise in e-Government solutions that include development of registries, important national information systems and software, digitisation, database development and hosting services.	Phone +372 6715 188 E-mail abi@andmevara.ee www.andmevara.ee
Novian, UAB	Company code: 121998756 Address: Gynėjų str. 14, Vilnius Legal form: private limited liability company Registration date: 25.06.1993	Investment into information technology companies.	Phone +370 5 2190 000
BAIP, UAB	Company code: 301318539 Address: Gynėjų str. 14, Vilnius Legal form: private limited liability company Registration date: 03.12.2007	IT infrastructure strategy and architecture solutions, maintenance, supercomputer design, assistance in complex migrations, critical IT infrastructure maintenance and consultations, data center design and redesign, operations, trainings and maintenance.	Phone +370 5 2190 000 Fax +370 5 2195 900 E-mail info@baip.lt www.baip.lt
Acena, UAB	Company code: 300935644 Address: Gynėjų str. 14, Vilnius Legal form: private limited liability company Registration date: 20.07.2007	Microsoft software licensing consulting, software asset management, collaboration and messaging solutions, cloud services.	Phone +370 5 275 9647 Fax +370 5 273 5106 E-mail info@acena.lt www.acena.lt
NRD CS, UAB	Company code: 303115085 Address: Gynėjų str. 14, Vilnius, Lietuva Legal form: private limited liability company Registration date: 06.08.2013	Internal CIRT establishment, technologies. Digital forensics laboratories, related consultations. Security Operations Center (SOC).	Phone +370 5 219 1919 E-mail info@nrdcs.lt www.nrdcs.lt
Inventio, UAB	Company code: 303252340 Address: Gynėjų str. 14, Vilnius Legal form: private limited liability company Registration date: 27.02.2014	Investment into information technology companies.	Phone +370 682 55526
Algoritmų sistemos, UAB	Company code: 125774645 Address: Smolensko str. 10, Vilnius Legal form: private limited liability company Registration date: 15.10.2001	Development of information systems and business process facilitating programs for large and medium-sized public organizations and enterprises. Main fields of activities include e-governance, e-health, finance, social security, environmental protection and education.	Phone +370 5 2734 181 E-mail ofisas@algoritmusistemos.lt www.algoritmusistemos.lt
FINtime, UAB	Company code: 304192355 Address: Gynėjų str. 14, Vilnius Legal form: private limited liability company Registration date: 29.02.2016	Financial and accounting services.	Phone +370 5 2190 000 Fax +370 5 2195 900

APPENDIX 2. DISCLOSURE CONCERNING THE COMPLIANCE WITH THE GOVERNANCE CODE

INVL Technology following Article 21 paragraph 3 of the Law on Securities of the Republic of Lithuania and item 24.5 of the Listing Rules Nasdaq Vilnius, discloses its compliance with the Governance Code, approved by NASDAQ Vilnius for the companies listed on the regulated market, and its specific provisions.

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

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

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

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

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

Principles/ Recommendations	Yes / No / N/A	Commentary
Principle I: Basic Provisions **The overriding objective of a Company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company’s development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	The Company constantly discloses information about portfolio companies’ activities and objectives in notifications on material event, annual information.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	Activity of the Management Company is concentrated on the fulfilment of the Company’s strategic objectives taking count of the shareholders’ equity increase.
1.3. A company’s supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Supervisory Board is not formed. The management of the Company is transferred to the Management Company, which carries the functions of the Board and the Head of the Company. Nevertheless, the Management company operates in order to attain maximum benefit for the company and its shareholders.
1.4. A company’s supervisory and management bodies should ensure that the rights and interests of persons other than the company’s shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company’s operation, are duly respected.	Yes	The Management Company respects all rights and interests of the persons other than the Company’s shareholders participating in or connected with the Company’s operation.
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the Company, the effective oversight of the Company’s management bodies, an appropriate balance and distribution of functions between the Company’s bodies, protection of the shareholders’ interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a General Shareholders’ Meeting and the Chief Financial Officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management	No	The management of the Company is transferred to the Management company, which carries the functions of the Board and the Head of the Company. The Investment Committee and the Advisory Committee are formed in the Company.

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

3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the General Shareholders' Meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	N/A	The agreement with the Management Company has to be approved by the Company's General Shareholders Meeting.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Information about the Management Company and the education, work experience and participation in other companies of the Head of the Management Company is disclosed in Company's periodical reports and on the Company's webpage.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the Audit Committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the Remuneration Committee should have knowledge of and experience in the field of remuneration policy.	Yes	The Head, the Board members of the Management Company as well as the Investment and Advisory committees' members have sufficient experience to perform its functions and the required diversity of knowledge to complete their tasks properly. The Audit Committee members have the required experience. The Remuneration Committee is not formed.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	Presently, Head, the Board members of the Management Company as well as the Investment and Advisory committees' members do not perform the assessment of their skills and knowledge.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Independency of the elected Board members of the Management Company is not assessed and the content of independent members' sufficiency isn't set either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for	No	The Head and the Board of the Management Company are independent and in their actions seek the benefit to the Company and its shareholders, however do not meet the recommendation on independency.

identifying whether a member of the collegial body can be considered to be independent are the following: he/ she is not an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) of the company or any associated company and has not been such during the last five years; he/ she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; he/ she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); he/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); he/ she does not have and did not have any material business relations with the company or associated companies within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; he/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated companies; he/she is not an executive director or member of the Board in some other company where executive director of the company or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) is non-executive director or member of the Supervisory Board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; he/she has not been in the position of a member of the collegial body for over than 12 years; he/ she is not a close relative to an executive director or member of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.		
3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.	No	No independency assessment and announcement practice of the Head and the members of the Board of the Management Company is applicable in the Company.
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is		

nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.		
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.		
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The General Shareholders' Meeting should approve the amount of such remuneration.	N/A	The Management Company do not have independent members of the managing bodies.
Principle IV: The duties and liabilities of a collegial body elected by the General Shareholders' Meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the General Shareholders' Meeting, and the powers granted to the collegial body should ensure effective monitoring of the Company's management bodies and protection of interests of all the Company's shareholders.**		
4.1. The collegial body elected by the General Shareholders' Meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	The Management Company submits Company's annual financial statement and consolidated annual financial statement, profit distribution drafts to the General Shareholders' Meeting, delivers consolidated annual report, also performs all other functions set forth in the legal acts of the Republic of Lithuania.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or Audit Committee and, if necessary, respective company-not-pertaining body (institution).	Yes	The Management Company acts in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare and try to keep their independency while making the decisions.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year	Yes	The Management Company performs its functions properly, devotes sufficient time and attention to perform its duties as a Management Company.

of the company, shareholders of the company should be notified.		
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Management Company treats all shareholders impartially and fairly.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	No	There were no significant transactions between the Company and its shareholders.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	No	The Management Company acts in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare and try to keep their independency while making the decisions.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of the company's audit. Therefore, when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish Nomination, Remuneration, and Audit Committees. Companies should ensure that the functions attributable to the Nomination, Remuneration, and Audit Committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets	No	Due to the Company's management type and an absence of employees, the Nomination and Remuneration committees are not formed.

composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.		
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgment and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the Company chooses not to set up a Supervisory Board, Remuneration and Audit Committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.		
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit Committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.		
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.		
4.12. Nomination Committee. 4.12.1. Key functions of the Nomination Committee should be the following:		

1) identify and recommend, for the approval of the collegial body, candidates to fill Board vacancies. The Nomination Committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination Committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; 2) assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; 3) assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; 4) properly consider issues related to succession planning; 5) review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination Committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the Board (if a collegial body elected by the General Shareholders' Meeting is the Supervisory Board) and senior management, Chief Financial Officer of the company should be consulted by, and entitled to submit proposals to the Nomination Committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the Remuneration Committee should be the following: 1) make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; 2) make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the Committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; 3) ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; 4) periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; 5) make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;		

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

5) monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the Committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the May 16, 2002 Commission Recommendation 2002/590/EC, the Committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the Committee, and (c) permissible without referral to the Committee; 6) review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the Committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the Audit Committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations. 4.14.3. The Audit Committee should decide whether participation of the chairman of the collegial body, Chief Financial Officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the Committee is required (if required, when). The Committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the Audit Committee should act as the principal contact person for the internal and external auditors. 4.14.5. The Audit Committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The Audit Committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The Committee should be timely furnished information on all issues arising from the audit. 4.14.6. The Audit Committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The Audit Committee should report on its activities to the collegial body at least once in every six months, at		Company on provision of the annual accounts for the approval of the shareholders. Furthermore, the Audit committee analyses the independence and other criteria of the potential auditors and gives the necessary conclusions to the management. The Audit committee prepares activity report on the main conclusions regarding Company's activity.

the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and Committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The management of the Company was transferred to the Management Company less than a year. In the future, to be considered the assessment of its activities.
Principle V: The working procedure of the Company's collegial bodies. **The working procedure of supervisory and management bodies established in the Company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the Company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	The heads of departments and managing bodies of the Management Company, which are taking part in Company's activity, are responsible for convocation of the meetings as well as preparation of the agenda. Frequency of the meetings and questions of the agenda depend on the particular events or projects or they are related with ordinary functions prescribed by legal acts.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's Supervisory Board should be convened at least once in a quarter, and the company's Board should meet at least once a month7.	Yes	The meetings of the heads of departments and managing bodies of the Management Company are being convened at such intervals, which guarantee an interrupted resolution of the essential corporate governance issues.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The heads of departments and managing bodies of the Management Company inform each member about the meeting being convened by email.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of	Yes	The heads of departments and managing bodies of the Management Company inform each member about the meeting being convened by email.

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

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

voting in writing in advance by completing the general voting ballot.		transfer of voting rights was concluded in the manner set forth in the legal acts. The Company provides the shareholders with conditions to vote by completing the general voting ballot.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at General Shareholders' Meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in General Shareholders' Meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	Shareholders can vote via an attorney or by completing the general voting ballot but for the meantime shareholders cannot participate and vote in General Shareholders' Meetings via electronic means of communication.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The Management Company is following these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the General Shareholders' Meeting or any other corporate body authorised by the meeting.		
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.		
Principle VIII: Company's remuneration policy		

Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the Company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of Company's remuneration policy and remuneration of directors.		
8.1. A Company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare a remuneration policy since the majority of VIII principle items are not relevant for the present structure of the Company. Information about the benefits and loans for the Management Company is provided in the periodical reports, financial statements.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.		
8.3. Remuneration statement should leastwise include the following information: 1) explanation of the relative importance of the variable and non-variable components of directors' remuneration; 2) sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; 3) an explanation how the choice of performance criteria contributes to the long-term interests of the company; 4) an explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; 5) sufficient information on deferment periods with regard to variable components of remuneration; 6) sufficient information on the linkage between the remuneration and performance; 7) the main parameters and rationale for any annual bonus scheme and any other non-cash benefits; 8) sufficient information on the policy regarding termination payments; 9) sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; 10) sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; 11) sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; 12) a description of the main characteristics of supplementary pension or early retirement schemes for directors; 13) remuneration statement should not include commercially sensitive information.		
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.		

8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: - the total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the Annual General Shareholders' Meeting; - the remuneration and advantages received from any undertaking belonging to the same group; - the remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; - if permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; - compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; - total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: - the number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; - the number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; - the number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; - all changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: - when the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; - when the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.		
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company		

to withhold variable components of remuneration when performance criteria are not met.		
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.		
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.		
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.		
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.		
8.11. Termination payments should not be paid if the termination is due to inadequate performance.		
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of Annual General Shareholders' Meeting.		
8.13. Shares should not vest for at least three years after their award.		
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.		
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).		
8.16. Remuneration of non-executive or supervisory directors should not include share options.		
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend General Shareholders' Meetings where appropriate and make considered use of their votes regarding directors' remuneration.		
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the Annual General Shareholders' Meeting. Remuneration statement should be put for voting in Annual General Shareholders' Meeting. The vote may be either mandatory or advisory.		

8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of Annual General Shareholders' Meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in Annual General Shareholders' Meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	N/A	In 2017 the schemes, on which basis the Management Company was remunerated in shares, share selection transactions or other rights to acquire the shares or be remunerated based on the share price movements were not applied in the Company.
8.20. The following issues should be subject to approval by the Annual General Shareholders' Meeting: 1) grant of share-based schemes, including share options, to directors; 2) determination of maximum number of shares and main conditions of share granting; 3) the term within which options can be exercised; 4) the conditions for any subsequent change in the exercise of the options, if permissible by law; 5) all other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual General Shareholders' Meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.		
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe the shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the Annual General Shareholders' Meeting.		
8.23. Prior to the Annual General Shareholders' Meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the		

anticipated application of the scheme. All information given in this article must be posted on the company's website.		

Principle IX: The role of stakeholders in corporate governance

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

9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders and allows the interest holders to participate in the management of the Company in the manner set forth by the laws. The detailed information about planned events has been constantly disclosed in line with requirements of legal acts; therefore, the investors (shareholders) have enough opportunities to familiarize with necessary information as well as vote on decisions. More detailed explanation about disclosure procedure is provided below in the part 10.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		

Principle X: Information disclosure and transparency

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

10.1. The company should disclose information on: the financial and operating results of the company; company objectives; persons holding by the right of ownership or in control of a block of shares in the company; members of the company's supervisory and management bodies, Chief Financial Officer of the company and their remuneration; material foreseeable risk factors; transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; material issues regarding employees and other stakeholders; governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	Information set forth in this recommendation is disclosed in the notifications on material event, periodical reports. This information is also published on Company's website.
10.2. It is recommended to the company, which is the parent of other companies, that consolidated results of the whole group to which the Company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.		
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, Chief Financial Officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company		

and other income should be disclosed with regard to members of the company's supervisory and management bodies and Chief Financial Officer as per Principle VIII.		
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the NASDAQ Vilnius, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The company discloses information via Nasdaq news distribution service so that the public in Lithuania and other EU countries should have equal access to the information. The information is disclosed in Lithuanian and English. The company publishes its information prior to or after the trade sessions on the Nasdaq Vilnius. The company does not disclose information that may have an effect on the price of shares in the commentaries, interview or other ways as long as such information is publicly announced via Nasdaq news distribution service.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	The information is disclosed in Lithuanian and English simultaneously via Nasdaq news distribution service. It is also published on company's website.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	The company publishes all information indicated in this recommendation on its website.
Principle XI: The selection of the Company's auditor **The mechanism of the selection of the Company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial reports and interim reports should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The annual Company's and consolidated financial statements and consolidated annual report are conducted by the independent audit company. The interim financial statements are not conducted by the audit company.
11.2. It is recommended that the company's Supervisory Board and, where it is not set up, the company's Board should propose a candidate firm of auditors to the General Shareholders' Meeting.	Yes	The candidate audit company is suggested to the General Shareholders' Meeting by the Management of the Company.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's Supervisory Board and, where it is not formed, the company's Board upon their consideration which firm of auditors to propose for the General Shareholders' Meeting.	N/A	The audit company does not provide non-audit services to the Company.

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 29 November 2017 and applicable to the annual reports of entities covering periods beginning on or after 1 January 2017)

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 2017. The Company publishes its annual reports in the section For Investors on the 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 2017 “Information regarding the compliance with Corporate Governance Code.

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

The Management company of INVL Technology is responsible for the supervision and final review of the financial statements. In order to manage these functions properly, the Management company is using an external provider of the relevant services. Management company, together with the accounting service provider constantly reviews International Financial Reporting Standards (IFRS) in order to implement IFRS changes in time, 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, periodically informs the Board of the Management company about the preparation process of financial statements.

4. INFORMATION REGARDING SIGNIFICANT DIRECTLY OR INDIRECTLY MANAGED HOLDINGS

The Company provides information regarding the significant directly or indirectly managed holdings in Clause 4 of the financial statement of 2017.

5. INFORMATION REGARDING THE SHAREHOLDERS WHO HAVE SPECIAL RIGHTS OF CONTROL AND THE DESCRIPTION OF SUCH RIGHTS

There are no shareholders having special rights of control in the Company.

6. 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.

7. 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 management of the Company is transferred to the Management company UAB INVL Asset Management which exercises the functions of the head and the board of the Company. The Rules of Procedure of the Board are applicable to the Board members of the Management company. The provisions governing the appointment and dismissal of Board members are not provided for by the aforementioned Rules, except for the possible resignation and procedures related thereof. A person who seeks to become the Board member of the Management company shall obtain a prior permit from the Supervision Service of the Bank of Lithuania (hereinafter – the Bank of Lithuania) to occupy a corresponding post.

Moreover, such person shall fill in the Form of the Questionnaire of the Manager approved by the Bank of Lithuania and comply with the indicated requirements.

The Company has no rules governing the change of the company's Articles of Association. The procedure for the amendment of the articles is described in the Company's Articles of Association and also mentioned in paragraph 6 of the Annual Report for 2017.

8. INFORMATION REGARDING THE POWERS OF THE BOARD MEMBERS

The management of the Company is transferred to the Management company UAB INVL Asset Management which exercises the functions of the head and the board of the Company. The Board members of the Management company act in accordance with the Law on Companies of the Republic of Lithuania, Articles of Association of the Management company, Rules of Procedure of the Board, as well as other applicable legislation, and have no special powers. The Bboard members of the Management company always act for the benefit of the Company and its shareholders.

9. INFORMATION REGARDING THE COMPETENCE OF THE GENERAL MEETING OF SHAREHOLDERS, 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 meeting of shareholders, the rights of shareholders, and implementation thereof, as well as the procedure for convening the meetings of shareholders, in Clause 11.1 of the Annual Report of 2017.

10. 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 management of the Company is transferred to the management company UAB INVL Asset Management which exercises the functions of the head and the board of the company. The board members of the management company, General Manager of the management company, and the members of the Investment and Advisory Committees of the company act in accordance with the Rules of Procedure of the Board, Provisions of the General Manager, Provisions of the Investment Committee and Provisions of the Advisory Committee. In addition to this, they always act for the benefit of the Company and its shareholders.

11. 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 management of the Company is transferred to the asset management company INVL Asset Management, which applies the Policy of Equal Opportunities in its activities. The Policy specifies that 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.